

COMPLEMENTARY INFORMATION ON THE COMPENSATION OF THE CEO OF AIR FRANCE-KLM

Ahead of the annual general meeting on 24 May 2022, Air France-KLM (i) presents details on the compensation policy of Mr. Benjamin Smith, Chief Executive Office, for the financial year 2022, following discussions with certain shareholders and (ii) rectifies a material error concerning the financial performance criteria of the 2019 long-term incentive plan (“phantom shares”) (section 2.5.2.2 of the 2021 Universal Registration Document).

The following details do not amend any component of the compensation set by the Board of Directors of Air France-KLM on 16 February 2022. These supplement the information disclosed by the company to the market in its 2021 universal registration document (pages 124 *et seq.*), released on 4 April 2022 on its internet website.

I. Details on the compensation policy of the Chief Executive Office, for the financial year 2022

- **Reasons to implement only one long term incentive plan in 2022 instead of two long term incentive plans**

With respect to previous financial years, two long term incentive plans were in place: a Long-term Incentive Plan (“phantom shares”) paid in cash and a Specific Long-term Incentive Plan paid in shares implemented upon the arrival in the Group of Benjamin Smith, Chief Executive Officer, and focused on the performance of the Air France-KLM COI and, more specifically, on the reduction in the performance gap with IAG and Lufthansa Group in 3 years. At the expiration of the Specific Long-term Incentive Plan at the end of 2021, the Board of Directors has decided to replace the two long term incentive plans (one paid in cash and the other paid in shares) to only one long term incentive plan (to be paid in shares), without modifying the aggregate amount of the long term compensation of the CEO.

The aim of this transition is to simplify the long term incentive policy, add consistency, in line with market practices, and strengthen the alignment of the interests of the beneficiary with the interest of the shareholders.

This transition allows to reinforce share ownership for beneficiaries. It contributes to talent retention and shows alignment with Air France-KLM group's strategy and transformation.

In any case, the long term incentive plan would be subject to 3-year performance conditions based on 70% financial targets and 30% CSR performance targets.

- **2022 long term incentive plan – Benchmark**

For the purpose of determining the key parameters of the 2022 long term incentive plan applicable to the CEO, the decision of the Board of Directors of Air France-KLM was based on comparable international airline groups' compensation policies.

Given the level of expertise of the CEO, the Board of Directors elected for a level of the long term compensation similar to its main European competitors (Lufthansa, Easyjet). Furthermore, the maximum long term compensation for non-European groups is significantly higher.

Given the current economic situation and the need for talent retention, the implementation of a long term incentive plan payable in shares is in line with current market practices.

In addition, the performance conditions applicable to this long-term incentive plan are aligned with the medium and long-term challenges that the Air France-KLM Group will face, in particular with respect to operational and financial performance and in terms of CSR. In particular, the financial performance of the Chief Executive Officer is assessed mainly in relation to the performance of the Group's main European competitors (Lufthansa and IAG). This method of assessing the performance strengthens the alignment of the interests of the beneficiary with those of the Group and its shareholders.

- **Compliance with the restrictions applicable pursuant to the European Commission's decision of 5 April 2021**

It is specified that, the Board of Directors will determine the terms of the variable compensation for the CEO in compliance with the restrictions on corporate officers' remuneration as set forth in the European Commission's decision of 5 April 2021 on case No. SA.59913 relating to the recapitalization of Air France and Air France-KLM.

Discussions are currently ongoing between Air France-KLM and the European Commission regarding these restrictions.

In any case, no variable compensation will be paid to the CEO until at least 75% of the recapitalization measures have been repaid.

II. Correction of a material error concerning the financial performance criteria of the 2019 long-term incentive plan ("phantom shares") (section 2.5.2.2 of the 2021 Universal Registration Document)

The information included in section 2.5.2.2 of the 2021 Universal Registration Document ("Elements of compensation paid or granted during the 2021 financial year to the executive officers and submitted for approval by the Shareholders' Meeting of May 24, 2022"); b) ("Compensation of the Chief Executive Officer for the period from January 1 to December 31, 2021"), sub-section "Elements of long-term variable compensation granted in respect of preceding financial years", and relating to the long-term incentive plan ("phantom shares") in respect of financial year 2019 is replaced as follows:

Elements of long-term variable compensation granted in respect of preceding financial years

Note that, in respect of the 2018, 2019 and 2020 financial years, as recommended by the Remuneration Committee, the Board of Directors granted the Chief Executive Officer performance units within the framework of long-term incentive plans:

- **Long-term Incentive Plan** ("phantom shares");
 - in respect of the 2018 financial year: 36,714 performance units valued at €333,000, payable in cash in 2021 subject to the attainment of a three-year presence condition. It is specified that, in 2021, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price after the announcement of the results for the financial year preceding the one in which the payment must in principle take place pursuant to the applicable plan,
 - in respect of the 2019 financial year: 110,253 performance units valued at €1,000,000, payable in cash in 2022 subject to the attainment of performance conditions and a three-year presence condition, excepting exercise by the Chief Executive Officer of his right to defer payment for a maximum of three years.

As proposed by the Remuneration Committee, during its meeting of February 16, 2022 the Board of Directors noted the level of achievement of the performance conditions of the plan which stood at an overall 77.3%, this overall figure including the achievement at:

- 89.87% of the condition linked to the relative share performance index for Air France-KLM vs. sector,
- 70.93% of the condition linked to the index realized Air France-KLM ROCE vs. budget, and
- 73.33% of the condition linked to the Dow Jones Sustainability Index for airline companies.

As a result, as proposed by the Remuneration Committee, the Board of Directors set the number of performance units acquired by the Chief Executive Officer in respect of this plan at 85,226. In application of Article L. 22-10-34 of the *Code of Commerce*, the payment of these 85,226 performance units is subject to prior approval by the Shareholders' Meeting;

Furthermore, note that, pursuant to the European Commission's decision of April 5, 2021 on case No.SA.59913 relating to the recapitalization of Air France and Air France – KLM, Mr. Benjamin Smith's variable compensation may not be paid until such time as 75% of the recapitalization measures has been repaid.

It is stipulated that, in 2022, the Chief Executive Officer exercised his right to defer payment of these performance units for a maximum of three years. The amount to be paid in respect of these performance units will be calculated with reference to the share price following the announcement of the results for the financial year preceding the year in which the payment must in principle take place in application of the applicable plan,

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