Establishment of the JAL Group Code of Conduct

To achieve the SDGs, the JAL Group Code of Conduct, “Commitment to Society” was established as concrete behavioral guidelines to be observed by all officers and employees to achieve the SDGs. The 10 principles of the UN Global Compact*3 and Charter of Corporate Behavior of Keidanren (Japan Business Federation) were used as reference.

Acting in line with this Code of Conduct is a way of practicing the JAL Philosophy and realizing the Corporate Policy.

Policy development associated with the Code of Conduct

To shape the Code of Conduct as behavioral guidelines of the JAL Group, we develop policies, codes and action plans that lead to steady implementation of the Code of Conduct, and disclose results and issues to establish a PDCA cycle.

At the same time, the Group will deal with social needs and issues by strengthening its check function through communication with external stakeholders.

JAL Group Code of Conduct

1. Safety
2. Pursuit of customer satisfaction
3. Trust with stakeholders
   (1) Information disclosure and dialogue
   (2) Prohibiting insider trading
4. Respect for human rights and job satisfaction
   (human rights and labor)
   (1) Respecting human rights and diversity
   (2) Safe and comfortable work environments
5. Mission and responsibility as a member of society
   (1) Contributing to regional revitalization through our business
   (2) Responsibility as a company that plays a role in social infrastructure
   (3) Responsibility as a corporate citizen
6. Passing on the precious earth to the next generation (global environment)
   (1) Global environmental preservation initiatives
   (2) Disclosure of environmental information and dialogue
7. Fair business practices
   (1) Reinforcing compliance
   (2) Preventing corruption
   (3) Fair business relations with business partners
   (4) Free and fair competition
   (5) Management of personal information and intellectual property
   (6) Eliminating relations antisocial forces

JAL Group Corporate Policy

1. Contribution to regional revitalization
2. Safe and comfortable work environments
3. Information disclosure and dialogue
4. Fair business practices

JAL Philosophy

1. Safety
2. Pursuit of customer satisfaction
3. Trust with stakeholders
4. Respect for human rights and job satisfaction
5. Mission and responsibility as a member of society
6. Passing on the precious earth to the next generation (global environment)
7. Fair business practices

Promotion Framework

The JAL Group holds CSR Committee meetings to contribute to the realization of a sustainable society. The Committee implements the PDCA cycle effectively to establish initiatives, sets KPIs, checks progress and considers action policies in relation to the 14 priority issues in the above table, and improves and promotes each initiative.

Meetings were held every six months up till fiscal year 2018, but to further drive ESG management, the frequency of meetings has been increased to quarterly from fiscal 2019.

D&I*: Diversity & Inclusion

*1 Diversity & Inclusion: Application and creation of different experiences and perspectives on accepting differences

*2 A state of achieving environment considerations, fair business practices, and respect for human rights, etc.

*3 The United Nations Global Compact is a framework for participating businesses, around the world to implement the Ten Principles in the areas of human rights, labor, the environment and anti-corruption. The JAL Group has been a signatory to the Global Compact since December 2004.
Environmental Management

Tackling Climate Change

CO2 Emissions reduction target and progress
At the general assembly of the International Civil Aviation Organization (ICAO) convened in 2010, two aspirational global CO2 reduction goals were agreed on for the international aviation sector: 2% annual fuel efficiency improvement, and carbon neutral growth for international flights from 2020 onwards. Additionally, at the general assembly convened in 2016, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was adopted. The scheme obliges airlines operating internationally to purchase or otherwise trade CO2 emissions rights from 2021 onwards for any amount exceeding the average CO2 emission level of 2019 and 2020. Airlines throughout the world are working to achieve these goals. We are implementing our emissions reduction targets in three phases—short term, medium term, and long term. The JAL Group’s short-term target is to reduce CO2 emissions from aircraft to 23% per revenue ton kilometer below the fiscal 2005 level by fiscal 2020.

Operational methods and other measures
In addition to “Eco Flight” activities in daily operations by cockpit crews with top priority on safety, we are conducting various activities in workplaces, such as reduction of aircraft weight and regular engine washing to improve fuel economy.

Aircraft renewal to fuel-efficient aircraft
Renewing aircraft to fuel-efficient aircraft such as the Airbus A350 and Boeing 787 can reduce CO2 emissions by approximately 15-25% per aircraft. The JAL Group will continue to renew its fleet to more fuel-efficient aircraft under a plan to further reduce its CO2 emissions.

Share of fuel-efficient aircraft in JAL Group’s fleet

Engine water washing
We regularly wash aircraft engines to remove dust and other small airborne particles stuck inside the engines to maintain and improve fuel economy.

Reduced use of auxiliary power unit (APU) (closed cabin shades exercise)
Closing windows and shades blocks out sunlight, lowers cabin temperature, and reduces use of air-conditioning. This shortens the operating time of the APU at the rear of the aircraft, and reduces CO2 emissions.

Lightened aircraft weight
The amount of water loaded onboard aircraft is being optimized based on past usage records to reduce aircraft weight.

Ascent with early acceleration
Ascending after takeoff while accelerating from an earlier point is effective for reaching cruising altitude earlier in the flight and reducing fuel consumption. Therefore, JAL is actively utilizing this approach to reduce CO2 emissions.

Reduced air resistance
Setting flaps at shallow angles and delaying the timing for lowering the wheels and flaps, while maintaining safety, is being conducted to minimize air resistance in flight and reduce CO2 emissions.

Reverse thrust measures
When certain conditions are met to allow the aircraft to stop safely, the engines’ reverse thrusters, which are used to decelerate when landing, are deployed at minimum output (idling) to reduce CO2 emissions.

Engine out taxi-use of only one engine on the ground
When taxiing to parking spots, our cockpit crews shut down one of the aircraft’s two engines to reduce CO2 emissions, only when specified conditions are met.
Use of Sustainable Aviation Fuel (SAF)

For many years, the airline industry has been working to reduce CO₂ emissions by using less fuel. However, to achieve further reductions in emissions, it is necessary to look at changing the actual fuel used.

With this in mind, Europe, the U.S., and other countries around the world have been developing and using SAF in practical applications, with full-scale use expected to start from 2030.

The JAL Group also is following this trend by making concrete investments, using SAF for scheduled services, and disseminating information to become a leading airline in the use of SAF.

Using SAF for JAL flights

JAL has a record of SAF use, including conducting Asia’s first test flight using SAF produced from non-edible feedstocks in 2009, and using SAF to fly from Chicago O’Hare International Airport to Narita International Airport in November 2017 and from San Francisco International Airport to O’Hare International Airport in January 2019. In June 2019, when JAL took delivery of a new Airbus A350, the maiden flight from the Airbus plant at Toulouse, France, to Haneda International Airport was powered by SAF.

Fulcrum BioEnergy’s SAF manufacturing process

In September 2018, JAL formed a strategic partnership with the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN) and Marubeni Corporation to invest in Fulcrum BioEnergy, Inc. in California, U.S.A. This was the first investment by a Japanese company in a general waste-based SAF manufacturing business.

Fulcrum has developed a process to manufacture SAF from general waste, which normally goes to landfill, that meet the fuel standard of ASTM International, an international standards organization. Its first production plant is currently under construction in Nevada, with operation to start in 2020. The company has plans to construct multiple plants as well, including one already announced for Indiana. All this made Fulcrum one of the companies most likely to achieve mass production of SAF.

For this reason, the JAL Group is working to build a closer relationship with Fulcrum and using Fulcrum’s SAF in its flights from North America and other areas to reduce CO₂ emissions.

Japanese domestic initiatives

The Japanese government established the Committee for the Study of a Process Leading to Introduction of Bio Jet Fuel for the Olympic Games and Paralympic Games Tokyo 2020 as part of efforts to achieve domestic SAF production ahead of Tokyo 2020. As a member of the committee, JAL will use domestically produced SAF for flights during 2020. As a member of the All Japan Team, it will also connect stakeholders and develop supply chains, from manufacturing to use of SAF to expand use of Japan-made SAF by 2030.

Publicizing SAF to increase use

The JAL Group is employing a range of channels to publicize SAF and further increase general awareness.

This includes articles about SAF in its inflight magazine SKYWARD and PR magazine Ashita no Tsubasa (“Wings of Tomorrow”), where topics on SAF are raised to present its significance and mechanisms, and JAL Group’s hopes for the future.

JAL also launched a project to turn used clothing into SAF over the Internet, social media and other channels to invite everyone to donate their used clothes.
The JAL Group is taking active steps to reduce noise near airports. Specifically, we are committed to “reduction of noise at source” and “noise abatement operational procedures” which are principal elements of the Balanced Approach, adopted by the International Civil Aviation Organization (ICAO), that airlines should follow. The ratio of ICAO Chapter 4 standard compliant aircraft is 100%, and the ratio of ICAO Chapter 14 standard compliant aircraft is 38%. As part of our noise abatement operational procedures, we follow noise abatement procedures at take off, and at Haneda Airport and Itami Airport in particular, which are close to residential areas, we operate under even tighter procedures. During landing, we operate with reduced flap, delayed flap and idle reverse and other noise abatement procedures. At San Francisco International Airport and Kansai International Airport, we also follow continuous descent operations (COD), which dramatically reduce noise and CO2 emissions.

Using Aircraft to Address Climate Change

The JAL Group began atmospheric observations in 1993 with the Meteorological Research Institute and the Nikko Foundation (currently JAL Foundation), which became the current CONTRAIL Project in 2005 with the addition of the National Institute for Environmental Studies (NIES) and JAMCO Corporation. Through the project, greenhouse gas data collected by scheduled international flights is published by the NIES and used in research studies globally. In 2018, we conducted 1,424 observations and 37 samplings using JAL aircraft. The published data was used in three peer-reviewed papers, nine international institute presentations, and six domestic institute presentations. In March 2019, the CONTRAIL Project was awarded the 1st Japan Open Innovation Prize, Minister of the Environment Award.

Detection of forest fires

The vast Russian Siberian taiga (coniferous forest zone), a habitat to many species of fauna and flora, absorbs CO2 gases on the Earth. To cooperate in containing forest fires, we began reporting in 2003 forest fires detected while flying over Siberia.

Noise Reduction

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CUSTOMERS AND REGIONS

Support for Disaster Relief and Recovery Efforts
JAL will continue to fulfill its role as a company responsible for Japan’s air transportation infrastructure by providing support to affected areas in relief and recovery phases after a disaster.

Post-disaster phase—Relief phase
JAL cooperates with a network of government organizations, regional public organizations, NGOs, and NPOs in the transportation of relief supplies and volunteers to disaster-stricken areas. We aim to support the flow of people and goods and contribute to a swift recovery of the affected areas.

HUMAN RIGHTS, DIVERSITY & INCLUSION

Diversity & Inclusion

Basic stance
In 2014, JAL Group top management declared their commitment to diversity. Since then, we have aspired to be a company where everyone can work in a positive atmosphere regardless of gender, age, nationality, race, ethnicity, religion, social class, disability, sexual orientation, gender identity, career or other personal attributes. Leveraging diverse ideas generated by diverse individuality, we will promote value creation, provide unparalleled service to our customers, and contribute to the betterment of society.

Career opportunities for female employees
The JAL Group have been increasing career opportunities for female employees and has set the target of 20% female managers in the JAL Group and at least 15% female organizational managers in JAL by the end of fiscal year 2023.

Our efforts have primarily focused on improving work environments, strengthening human resources development and nurturing the corporate culture. In fiscal year 2018, we abolished core time from our flextime system, introduced annual paid leave on an hourly basis, and eliminated impression-based evaluation in the new personnel evaluation system.

As of March 31, 2019, there were 13 female directors and female managers in the JAL Group and at least 15% female organizational managers in JAL.

Cultivating global human resources
In fiscal year 2018, we established the new Global Promotion Office in the Human Resources Strategy Department, responsible for reviewing the organizational operating system, and recruitment, development and assignment of human resources necessary for globalization. Employees in the Japan region centered on young mid-management staff will be provided more work experience and interactions in different cultures through overseas postings and internships at overseas companies. Employees in overseas regions will have more opportunities to learn about the company through training and work experience in regions other than their place of employment. We are also taking steps to develop a Shared foundation to more firmly instill cross-border personnel transfers and exchanges.

Promoting understanding for LGBT
The JAL Group has established a system that applies the same benefits for employees married to same-sex partners under law to employees (and their partner and families) registered as opposite-sex partners as defined by the company.

We also participate in LGBT-related events and seminars to contribute to promoting understanding of LGBT in and outside the company. In recognition of these initiatives, Japan Airlines Co., Ltd. was awarded the highest GOLD rating for the third year in a row in the PRIDE Index, an evaluation index established by a voluntary organization “work with Pride” concerning LGBT and other sexual minority-related initiatives implemented by corporations and other organizations.

Opportunities for people with disabilities
The JAL Group also takes a positive approach to promoting the active involvement of employees with disabilities. We promote their employment, develop worker-friendly environments such as providing training opportunities with consideration to characteristics of each disability, and hold seminars to increase understanding of disabilities. We are also expanding our range of activities, such as opening a new coffee shop “SKY CAFE Klatto” run by staff with mild intellectual disabilities in Tennozu Building, JAL Head Office in addition to those at Haneda and Narita offices, and a massage room “Largo” run by visually impaired employees at Haneda.

JAL has also been a member of ACE* since September 2016 and is participating in industry, academia and government partnerships.

* ACE is short for Accessibility Consortium of Enterprises, which aims to develop a new employment model for people with disabilities that contributes to corporate growth. Activities include seminars for human resources management and employees with disabilities, and publication of educational booklets to increase awareness, develop role models and provide recommendations to management and society.
Reemployment of senior employees
The JAL Group has a program for employees to continue working even after retirement if they wish. At JAL, roughly 80% of retirees continue to play an active role in various workplaces (as of March 31, 2019). By improving opportunities and working terms for continued employment, we will pass on know-how to the younger generation using the experience and knowledge of senior employees accumulated over many years of service.

Health Management

Basic stance
The driving force to becoming the world's most preferred and valued airline is the vitality of every JAL Group employee. That vitality is dependent on their physical and mental health. We regard the health of our employees and their families as the basis of life for every individual and a precious asset for JAL.

Promotion framework
Health management in the JAL Group is promoted based on the JAL Wellness 2020 health promotion program, led by the Chief Wellness Officer (CWO). Specifically, the JAL Wellness Promotion Committee, chaired by the CWO and composed of directors, holds discussions and makes decisions on health matters, while wellness leaders play the central role in activities at the workplace level, complemented by a support system comprised of executive officers.

Workstyle Innovation

Basic stance
We continue to move forward with a range of initiatives to innovate workstyles and create a basic framework for all employees to work with motivation. Innovations include the use of IT tools that give people more freedom in workstyles, improvements to offices and work environments, the introduction of "workation," "bleisure" and other programs to encourage employees to take long vacations, and improvement of teleworking to promote flexible workstyles.

In fiscal year 2018, we launched initiatives using AI and robotics to speed up work process reviews and integrate common tasks. In fiscal year 2019, we will further expand communication spaces that spark cross-section communication for value creation activities and for workstyle innovation with increased work efficiency.

Optimizing work hours
JAL seeks to cultivate a climate where employees with time limitations due to parenting, nursing care or other obligations can work in a fair manner and become a company where all employees can participate. We feel that increasing work efficiency and productivity will generate more free time for employees to refresh themselves physically and mentally and to achieve self-development, and that feeding back their experience to values to the company will lead to corporate growth. Therefore, we are taking measures to encourage employees to take annual paid leave under a plan and to optimize work hours.

In fiscal year 2018, the average annual paid leave taken was 17.2 days, or 86% of the total entitlement, while the average monthly overtime total was 8.5 hours (excluding general JAL staff on shift work). The actual average for total work hours* in fiscal year 2018 was 1,874 hours, against a target figure of 1,850 hours, representing a 98.7% achievement of the target.

Respect for Human Rights

Basic stance
To realize the JAL Group Corporate Policy, we are promoting respect for human rights by practicing our behavioral guidelines in the JAL Philosophy. Having a correct understanding of human rights is essential to eliminate discrimination based on gender, age, nationality, race, ethnicity, religion, social class, disability, sexual orientation, gender identity, career and other personal attributes. Therefore, we are securing time to deepen understanding and increase awareness of human rights through internal training seminars, such as Seminars for New Employees and for New Managers.

Respect for human rights stipulated in the Code of Conduct
Based on the view that respect for human rights is a universal value and is consistent with the realization of the Corporate Policy, the JAL Group has stipulated "Respect for human rights and job satisfaction (human rights and labor)" in the Group's Code of Conduct in order to fulfill its responsibility to respect human rights of all stakeholders.

JAL Group Code of Conduct: Commitment to Society
Respect for human rights and job satisfaction
(1) Respect for human rights and diversity
The JAL Group is committed to fulfilling its responsibility to respect the human rights of all people. This means that we respect all stakeholders including customers and everyone who works for the JAL Group, do not discriminate based on gender, age, national or regional origin, race, ethnicity, religion, social status, disability, sexual orientation, gender identity or other attributes, and respect diversity so that everyone can exercise their originality. We also conduct ourselves in a way so that we do not cause harm to anyone or become involved in human rights violations in our business activities. Regarding respect for human rights, we will always address any issues, publicly disclose the current situation, and continue to make improvements through human rights due diligence* conducted in accordance with our Human Rights Policy.

(2) Highly rewarding work environments
The JAL Group takes steps to continuously be an organization that ambitiously embraces challenges and creates value. In addition, through healthcare management and continuous workstyle innovation, we create work environments that are healthy and safe, both mentally and physically, where employees find work rewarding.

Modern Slavery Act Statement
In accordance with the provisions of Section 54(1) of the UK’s Modern Slavery Act, the JAL Group discloses statements on steps taken to prevent modern slavery and human trafficking in the JAL Group and its supply chains. We consecutively disclosed our second statement in fiscal year 2018 and to assist in updating the content, we held a workshop, engaging the services of an external speaker and lawyer. At the workshop, in addition to legal matters relating to the Modern Slavery Act, we gained an in-depth, comprehensive understanding of the UN’s Guiding Principles on Business and Human Rights through case study of human rights issues at companies, initiatives by various stakeholders, such as NGOs and investors, and corporate valuation.

Going forward, the JAL Group will continue working to prevent modern slavery and human trafficking, while enhancing our knowledge of the laws and guidelines of other countries.

Modern Slavery Act Statement

*1 Total work hours (annual) = standard number of work days per year x standard number of work hours per day (8 hrs.) x overtime and rest day work hours. Monthly average overtime and rest day work hours per employee.

*2 Ratio of annual paid leave taken

* Japan Airlines Co., Ltd. only

SKY TERRACE communication space in the Tennozu Building
HUMAN RIGHTS, DIVERSITY & INCLUSION

Initiatives in Fiscal Year 2018

In fiscal year 2018, the JAL Group identified issues at each stage of the value chain by business. Further, while referring to issues raised by NGOs and civil society, and reflecting the opinions of specialists, we assessed the impact of issues identified using a plot graph with (1) severity of potential human rights impact on one axis; and (2) likelihood of human rights impact on the other axis. We then clarified high-priority human rights issues and countermeasures.

Important Human Rights Issues Identified in the Air Transportation Business

Issues directly related to JAL

- Forcing labor (including specified skilled workers and foreign students)
- Damage to health of local residents through release of chemical substances or polluted water from company facilities
- Infringement of right to work in a healthy and safe environment
- Infringement of right to access to redress measures (including right to redress for harassment from customers and suppliers)
- Involvement in human trafficking by using aircrafts

Issues occurring among suppliers

- Involvement in forced labor (including foreign technical interns, specified skilled workers and foreign students) at domestic subcontractors
- Involvement in damage to health of, or infringement of right of, local residents through release of chemical substances or polluted water from company facilities
- Involvement in violence to local residents
- Infringement of right to work in a healthy and safe environment
- Infringement of right to access to redress measures (including right to redress for harassment from customers and suppliers)
- Involvement in infringement of the right to privacy of local residents

Initiatives in Fiscal Year 2019

In fiscal year 2019, we will deal with issues in order of priority. Since the first half of fiscal year 2019, we have been working on three issues of particularly high priority: establishment of grievance mechanism, prevention of infringement of the right to work of foreign workers in Japan, and initiatives to prevent human trafficking.

Grievance mechanism

In fiscal year 2019, we will continue to review operating results of hotlines in the Group, and progressively open hotlines for customers and workers such as suppliers in the supply chain. We will also address human rights risks at suppliers through cross-section collaboration including procurement departments and product and service planning departments.

Preventing infringement of the right to work for foreign workers in Japan

The JAL Group will take steps to develop environments where all employees can work with motivation regardless of nationality. When accepting foreign workers applying the new “specified skilled worker” visa, we will create an environment that ensures job satisfaction as well as fulfilling standards.

Human trafficking prevention initiatives

In fiscal year 2019, we will provide education on the prevention of human trafficking, centered on divisions that could potentially be the scene of human trafficking and establish procedures to prevent human trafficking with reference to measures considered by international agencies.

CORPORATE GOVERNANCE

Basic Stance on Corporate Governance

The JAL Group aims to contribute to society through its business operations. As the leading company for safety in Japan’s transportation sector, we will provide unparalleled service to our customers while maintaining flight safety, the basic foundation of the JAL Group. We also endeavor to fulfill our economic responsibility of making profits by providing high-quality products through fair competition and fulfill our corporate social responsibilities. In line with this thinking, we have established the JAL Philosophy in accordance with the JAL Group Corporate Policy and will make speedy and appropriate decisions. At the same time, we will strive to establish a corporate governance system that results in a high level of management transparency, increase corporate value and achieve accountability.

The Board of Directors has established corporate governance that adheres to the Fundamental Policies of Corporate Governance as important policies in accordance with the Companies Act and relevant laws and regulations, and reviews it at least once a year. For the Fundamental Policies of Corporate Governance and the Corporate Governance Report, please refer to the JAL website.


Evolution of improvement of JAL’s Corporate Governance System

- FY2012 JAL formulates Fundamental Policies of Corporate Governance
- FY2015 Corporate Governance Committee established
- FY2015 New Management Committee established to clarify separation of oversight and executive functions
- FY2015 Authority over matters subject to resolution of the Board of Directors delegated to executive function.
- FY2015 Board effectiveness evaluated (questionnaire format)
- FY2015 Discussions begin on succession planning for senior management positions
- FY2016 Number of External Directors increased from 2 to 3
- FY2017 New remuneration system introduced for officers, including performance-linked remuneration and share-based remuneration
- FY2017 JAL formulates Training Policy for Directors and Audit & Supervisory Board members
- FY2017 Board effectiveness evaluated (independent organization engaged to conduct 3rd assessment using a questionnaire and interview format)
- FY2017 Succession plans formulated for the President and other company leaders (compliance with the Corporate Governance Code)
- FY2018 Compliance with the revised Corporate Governance Code
- FY2019 Risk Management Council established (oversight function of the Board of Directors strengthened)
- FY2019 Board effectiveness evaluated (4th assessment using knowledge and experience gained from third party organization, anonymous questionnaire format)
CORPORATE GOVERNANCE

Board of Directors and Directors

Board of Directors
The Board of Directors ensures strong management oversight based on a high level of management transparency through the election of candidates for the positions of Director, Audit & Supervisory Board member and Executive Officer, decides their remuneration, and makes important decisions. To separate the management oversight function and executive function, the Board appoints a Director who does not serve concurrently as an Executive Officer as Chairperson, and an appropriate number of three or more External Directors who qualify as highly independent. External Directors provide advice on JAL’s management and proper supervision of the execution of duties from practical and multilateral perspectives. To carry out efficient decision-making, the board may delegate decision-making concerning matters set forth in the Administrative Authority Criteria Table to the President pursuant to Regulations for Kessai (written approval) and Administrative Authority approved by the board. The Management Committee has been established for contributing to appropriate and flexible decision-making concerning management issues by the Board of Directors and the President. The Board of Directors has established the Corporate Governance Committee, comprised of the Chairperson of the Board and External Directors, which reviews the Fundamental Policy of Corporate Governance every year. The Committee evaluates Board effectiveness in terms of board composition, culture, oversight, board operations, discussions on management strategies and dialogue with shareholders, takes appropriate action and discloses its findings.

Corporate Governance System

Directors
Legal considerations are explained to the Directors to ensure that they are aware of their responsibilities, including the “fiduciary duty of loyalty” and the “duty of ensuring prudent management.” The term of office is set at one year to confirm their accountability each fiscal year. The Company has also introduced a remuneration system for Directors (excluding External Directors) based on sound financial incentives designed to promote sustained growth. External Directors are appointed from among persons with vast knowledge and experience in various fields to ensure diversity. Those who do not qualify as highly independent as defined by the “Standards for Independence of External Directors” established by the Company are not appointed. Furthermore, one External Director among the External Directors is appointed Lead Independent External Director to improve coordination with the Audit & Supervisory Board members and internal divisions. For the standards used in determining the independence of External Directors, please refer to the JAL Group’s Fundamental Policies of Corporate Governance.

Key Topics of Discussion by the Board of Directors

- Reviews of corporate governance and establishment of response policies
- Decision of directors, including oversight of succession plans for the President and other company leaders
- Establishment and progress management of medium- to long-term strategies
- Establishment and review of capital policy, including shareholder returns
- Risk management system, including monitoring of responses to events
- Decision and oversight of other important executive duties

Establishment of Various Committees

To build a corporate governance system that results in high management transparency and strong management monitoring, various committees have been established under the Board of Directors. External Directors make up the majority of each of the committees, ensuring independence from JAL’s executive management.

<table>
<thead>
<tr>
<th>Committee</th>
<th>Corporate Governance Committee</th>
<th>Nominating Committee</th>
<th>Compensation Committee</th>
<th>Personnel Committee</th>
<th>Officers Disciplinary Committee</th>
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<tbody>
<tr>
<td>Chairperson</td>
<td>Eizo Kobayashi</td>
<td>Masatoshi Ito</td>
<td>Eizo Kobayashi</td>
<td>Yuji Akasaka</td>
<td>Eizo Kobayashi</td>
</tr>
<tr>
<td>Board member</td>
<td>Yoshiharu Ueki</td>
<td>Masatoshi Ito</td>
<td>Sonoko Hatchoji</td>
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<td>Yoshiharu Ueki</td>
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<td></td>
<td>(Masatoshi Ito)</td>
<td>(Yuji Akasaka)</td>
<td>(Eizo Kobayashi)</td>
<td></td>
<td>(Sonoko Hatchoji)</td>
</tr>
</tbody>
</table>

Number of meetings: 3, 7, 3, 2, 2

Functions
The Corporate Governance Committee respects initiatives under the JAL Group’s Fundamental Policies of Corporate Governance at least once a year, conducts analyses and evaluations to verify whether they contribute to sustainable growth and enhancement of corporate value in the medium to long term, and provides necessary recommendations and reports to the Board of Directors.

When submitting a proposal to the General Meeting of Shareholders concerning the appointment of the positions of Director and Audit & Supervisory Board member, the Nominating Committee makes a comprehensive judgment of the personal, knowledge, ability, experience and performance of the candidate in response to inquiries from the Board of Directors and reports back to the board.

When appointing or dismissing an Executive Officer, the Board of Directors consults the Personnel Committee and takes the Personnel Committee’s response into account before making a decision.

Key topics of discussion in FY2018
- Deliberations and recommendations regarding board effectiveness
- Revision of the Fundamental Policies of Corporate Governance in accordance with updates to the Corporate Governance Code
- Candidates for the positions of Director and Audit & Supervisory Board member
- Responses to the Corporate Governance Code and the evaluated board effectiveness
- Officer remuneration (basic remuneration, annual incentives, long-term incentives)
- Structure of Executive Officers
- Disciplinary actions against officers
Audit & Supervisory Board and Audits

Audit & Supervisory Board
The Audit & Supervisory Board makes appropriate judgments from an independent, objective perspective, based on their fiduciary responsibilities to the shareholders, when fulfilling their roles and responsibilities, such as auditing the execution of Directors' duties, appointing or dismissing accounting auditors and executing rights concerning auditors’ remuneration.

Audit & Supervisory Board Members
Audit & Supervisory Board members monitor important matters concerning corporate management, business operations and the execution of duties by reviewing important Kessai (written approval) documents, as well as participating in board meetings and other important meetings. Furthermore, Audit & Supervisory Board members and staff members conduct an annual audit of each business site, subsidiary and affiliated company and report the results to the Representative Directors. They also share information with internal audit departments and accounting auditors and hold regular meetings with corporate auditors of subsidiaries to improve and strengthen auditing within the JAL Group.

Audit & Supervisory Board members are provided with company information, and opportunities to participate in external training and external associations, etc. External Audit & Supervisory Board members are appointed from among persons with vast knowledge and experience in various fields, and those who do not qualify as highly independent as defined by the “Standards for Independence of External Directors” established by the Company are not appointed. External Audit & Supervisory Board members ensure sound management by conducting audits from a neutral and objective standpoint, with the cooperation of internal audit departments and accounting auditors.

Support and Training Policy for Directors and Audit & Supervisory Board members
Legal considerations are explained to Directors to ensure that they are aware of their responsibilities including the fiduciary duty of loyalty and the duty of care as a prudent manager and opportunities are provided for continuous participation in external training, affiliated organizations and such. We provide opportunities to Audit & Supervisory Board members for continuous participation in external training, affiliated associations, etc., in addition to providing corporate information.

To deepen the understanding of the Company of Directors and Audit & Supervisory Board members, we provide safety education such as a memorial climb up Mt. Osutaka and visits to the Safety Promotion Center, in addition to visiting frontlines. We also provide advance explanations on agenda items to be submitted for deliberation, as necessary, and opportunities to explain other matters at their request.

In addition, the Forum of Independent External Officers, comprised of External Directors and Audit & Supervisory Board members, and sponsored by the Lead Independent External Director, is held several times a year. The participants are briefed on JAL’s international network strategy, competition strategy, human resources strategy, and risk management, in order to deepen their understanding of the Company's business.

In fiscal year 2018, newly appointed External Directors and External Audit & Supervisory Board members were given safety education, including field visits and a tour of the Safety Promotion Center, and were provided opportunities to deepen their understanding about JAL's history and the JAL Philosophy.

Successors to the President and Other Leaders
The Company defines the President and other board members as persons with qualities to steadily get positive results toward realizing the Corporate Policy by working together with every staff based on a firm commitment to flight safety, which is the foundation of the JAL Group, and display of initiative in practicing the JAL Philosophy. The Company assists candidates for President and other posts to quickly acquire grounding and discipline necessary for management through practical and diverse experiences.

The Nominating Committee holds ongoing discussions on potential successors to the president and other company leaders responsible for reforming the Group and driving growth to ensure the Corporate Policy and management strategies are maintained, and reports on these discussions to Directors.

Evaluating Board Effectiveness
Under the Fundamental Policies of Corporate Governance, every year the JAL Group assesses board effectiveness and appropriately reviews board operations, while referring to evaluations of individual Directors and other resources.

Board effectiveness was assessed this year for the fourth time; details are as follows. Moreover, at least once every three years, an independent organization is involved in the evaluation, the most recent evaluation conducted in fiscal year 2017.

Assessment Process

Process for Evaluating Board Effectiveness

- Determination by the Corporate Governance Committee on how to proceed with board-effectiveness evaluation, including details of the questionnaire.
- Individual questionnaire for Directors to maintain anonymity.
- Tabulation of questionnaires by Secretariat of the Board.
- Discussion by the Board of Directors about issues and measures.
- Further discussion by the Board.
- Recommendations.
- Decision made on policy for initiatives by the Board of Directors.

Results of assessment
It was confirmed that the Board of Directors conducts free and open-minded discussions, with the opinions of External Directors respected by internal Directors, who have been appointed in a good balance including from frontline divisions given the importance of flight safety. In addition, External Directors have been highly accessible to information as requested, and the roles of External Directors are being appropriately fulfilled through efforts centering on the Lead Independent External Director.

Future issues and initiatives for Board enhancement
On the other hand, several needs have been confirmed by the Board of Directors, including the need to shift toward strategic discussions in order to present JAL's overall direction when formulating the next Medium Term Management Plan starting in 2020, strengthening preventive and continuous risk management in order to support sound growth, bolstering the oversight function of the Board by enhancing its monitoring capacity, and promoting constructive dialogue with shareholders. Going forward, we will steadily put such initiatives into action.
Remuneration of Directors

Remuneration Policy for Directors (excluding External Directors) and Executive Officers

Basic policy
1. To support the sustainable and steady growth of the Company and the JAL Group and to increase corporate value over the medium and long term, the Company will encourage the performance of duties consistent with its Corporate Policy and management strategies and provide strong incentives for the achievement of specific management targets.

2. To encourage a healthy entrepreneurial spirit, the Company will establish appropriate proportions for annual incentives (performance-linked bonuses) linked to fiscal year performance and for long-term incentives (performance-linked share-based remuneration) linked to corporate value in accordance with medium- to long-term performance, designed to promote alignment of interests with its shareholders.

3. The Company will reward the management team appropriately based on the Company's business performance.

Remuneration levels and composition
1. The Company will set appropriate remuneration levels based on the Company's operating environment and with reference to objective data on remuneration in the marketplace.

2. Considering factors including the nature of the Company's business and the effectiveness of incentive remuneration, fixed remuneration and performance-linked remuneration are comprised as follows.

(Assuming 100% achievement against targets)
(1) Amount of fixed basic remuneration: 50%
(2) Amount of annual incentives (performance-linked bonuses) to be paid according to the degree of achievement against targets: 30%
(3) Amount of long-term incentives (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets: 20%

The above ratio is for guidance only and adjustments can be made to reflect changes in the price of the Company's shares or other factors.

Framework for incentive remuneration
1. Annual incentives (performance-linked bonuses)
   The amount to be paid every fiscal year as an annual incentive will vary from approximately 0 to 200 depending on the degree of achievement, with 100 representing the amount to be paid when achievement is in line with performance targets.

   ■ Performance Evaluation Indices
   - Net profit attributable to owners of parent
   - Indices related to safe flight operations
   - Individual evaluation indices for each officer, etc.

   Evaluation indices will be considered for review as necessary in accordance with changes in business conditions, the roles of each officer and other factors.

2. Long-term incentives (performance-linked share-based remuneration)
   The number of shares to be granted every fiscal year as a long-term incentive will vary from approximately 0 to 220 depending on the degree of achievement, with 100 representing the number to be granted when achievement is in line with performance targets. The performance evaluation period will be three years, with performance for three consecutive fiscal years evaluated every year.

   ■ Performance Evaluation Indices
   - Indices prioritized in the Medium Term Management Plan
     - Consolidated operating profit margin
     - Consolidated ROIC
     - Customer satisfaction, etc.

   Evaluation indices will be considered for review for each Medium Term Management Plan period. With respect to common stock granted to eligible Directors and Executive Officers through the share-based remuneration plan, the Company will establish a target number of held shares for each position and impose limits on share sales to further promote the aligning of interests with shareholders.

Procedures for determining remuneration
Matters related to remuneration for Directors and Executive Officers will be decided by the Board of Directors following a deliberation and recommendation process by the Company's voluntarily established Compensation Committee (refer to P67).

Compliance

Compliance promotion system
To promote compliance with all applicable laws, regulations and rules governing our corporate activities, we have designated the General Affairs Department of Japan Airlines Co., Ltd. to oversee all compliance matters and are focusing on elevating staff awareness through various measures.

1. Every JAL Group staff is encouraged to practice the JAL Philosophy in their day-to-day work and can view the following regulations and handbooks related to compliance on the Group's Intranet.

   - JAL Group Regulations on Preventing Insider Trading
   - JAL Group Handbook on Protecting Personal Information
   - Information Security Action Handbook
   - Guide to the Antimonopoly Act
   - Group Hotline Regulations

2. The following diverse initiatives are implemented for Group employees. Furthermore, in fiscal year 2018, we dedicated special efforts to alcohol-related training.

   - Face-to-face compliance education, including measures at individual business sites
   - The publication of quarterly compliance newsletters
   - Seminars about laws and regulations organized by the Legal Affairs Department
   - Practical exercises on how to deal with targeted email attacks and other threats
   - Biannual e-learning on information security

Through these initiatives, we aim to foster a culture of compliance across the entire JAL Group, ensure business activities are in tune with accepted social standards and reduce legal risk.

In addition, a director from each JAL Group company is given overall responsibility for compliance at their respective company. These directors comprise the JAL Group Compliance Network, which is responsible for swiftly sharing relevant information and strengthening the compliance framework at each Group company. This includes sending quarterly email newsletters containing useful information, such as news about compliance developments inside and outside the Group and compliance case studies.

Whistle blowing contact point
We have set up a Group Hotline with contact points in the Company and a law firm, which can be used by any person working for the JAL Group. This enables us to promptly identify and remedy cases of misconduct, power harassment and other issues and reinforce compliance management.

Corruption prevention measures
In order to pursue profit in a fair manner, the JAL Group has, based on the global tide of business scope expansion and efforts to prevent bribery and prevent money laundering, stipulated corruption prevention as part of the JAL Group Code of Conduct “Commitment to Society.” The JAL Group complies with anti-corruption laws and regulations in countries and regions where it conducts air transport business, such as Japan’s Unfair Competition Prevention Act, the U.S. Foreign Corrupt Practices Act, the British Bribery Act, and the Chinese Commercial Bribery Act. We will take steps to prevent bribery and corruption which could lead to suspected bribery, and prevent corruption as a member of society.

JAL Group Code of Conduct “Commitment to Society” - Preventing Corruption
We do not give or accept bribes of any form, whether direct or indirect, in our business activities domestically or internationally. In addition, we do not give or accept undue cash, gifts or entertainment or any other benefits in excess of social norms.
BOARD OF DIRECTORS
(As of June 30, 2019)

Directors

1. Yoshiharu Ueki (DOB September 16, 1952)
   Representative Director, Chairman
   Governance, Nominating, Compensation, Personnel, Disciplinary

   Since joining the company, Chairman Ueki has acquired very high levels of insight into flight safety and frontline experience as cockpit crew. As Representative Director and President since 2012, he has demonstrated strong leadership and decision-making capabilities, overseeing the preparation of the Medium Term Management Plan and executing it responsibly. From 2018, he continues to help strengthen the oversight function of the Board as Chairman of the Board and as a member of the Corporate Governance Committee, the Nominating Committee, Compensation Committee and other committees.

2. Yuji Akasaka (DOB January 3, 1962)
   Representative Director, Executive President
   Chairman of the Management Committees, Chairman of the Council for Group Safety Enhancement, Chairman of the Corporate Brand Promotion Council, Chairman of the JAL Philosophy Committee, General Manager of JAL ULD, Chairman of the Risk Management Council

   Since joining the company, President Akasaka has served mainly in the Engineering & Maintenance Division and has acquired very high levels of frontline experience and insight into flight safety. He also gained extensive knowledge and a network of connections in the airline maintenance industry. Since 2015, he has continued to strengthen the planning and decision-making capabilities to JAL Engineering Co., Ltd. as President and has strengthened the flight safety foundation. As Representative Director and President since 2018, he aims to realize the Corporate Policy through joint efforts with all employees by maintaining flight safety, the basic foundation of the JAL Group, and guiding employees in practicing the JAL Philosophy by showing by example.

3. Tadashi Fujita (DOB October 21, 1956)
   Executive Vice President
   Advice to the President, Chief Wellness Officer, Chairman of the JAL Wellness Promotion Committee

   Since joining the company, Executive Vice President Fujita has worked mainly in the sales department at Head Office. As General Manager, Director, Managing Division Passenger Sales, he assumed broad responsibility for the entire passenger sales division and achieved positive results. As Representative Director and Executive Vice President serving as Advice to the President since 2016, he is contributing significantly to further improving and strengthening the management team.

4. Hideki Kikuyama (DOB March 19, 1960)
   Director, Senior Managing Executive Officer
   General Manager, Finance & Accounting Division

   Since joining the company, Director Kikuyama has held successive positions in IT systems, passenger reservations, human resources and industrial affairs, corporate planning and other divisions at Head Office and branch offices in the Americas and other regions. From 2014, he has brought his strong leadership and a network of connections in the airline maintenance industry. From 2016, he has contributed greatly to maximizing route profitability. As Director, Senior Managing Executive Officer of the Finance & Accounting Division since 2019, he has assured highly transparent information disclosures that are comprehensible for shareholders and investors, and has demonstrated precise management decision-making capabilities that support shareholders’ interests.

5. Shinichiro Shimizu (DOB December 13, 1962)
   Director, Senior Managing Executive Officer
   General Manager, Secretariat’s Office

   Since joining the company, Director Shimizu has held successive positions in personnel and industrial affairs divisions related to cockpit crew and cabin attendants, and has acquired exceptional leadership and strong decision-making capabilities. As General Manager of Personnel Management since 2013 and the Secretary’s Office since 2016, he has made considerable contributions to improving and raising JAL’s performance through precise evaluation of JAL positions from a high-level perspective.

6. Ryuzo Toyoshima (DOB August 17, 1959)
   Director, Senior Managing Executive Officer
   General Manager, Managing Division Route Marketing

   Since joining the company, Director Toyoshima has held successive positions in industrial affairs related to cockpit crew, including Vice President, and has acquired exceptional leadership and strong decision-making capabilities. As General Manager of Corporate Control since 2015, he has contributed significantly to the expansion of the amoeba management system within the JAL Group.

7. Nobuyoshi Gondo (DOB May 1, 1964)
   Director, Managing Executive Officer, Safety General Manager
   General Manager, Corporate Safety & Security Manager, Career Assistance & Support

   Since joining the company, Director Gondo has acquired very high levels of insight into flight safety and frontline experience as a cockpit crew. Drawing on his experience acquired as General Manager, Corporate Safety & Security, he has contributed greatly to maintaining safety, the basic foundation of the JAL Group.

8. Eizo Kobayashi (DOB January 7, 1949)
   External Director
   Chairman of the Management Committees

   As the head of management at a global general trading company, External Director Kobayashi has extensive experience and vast business insight into global business management and leadership of diversified group companies. He brings practical and diverse perspectives to the management and provides sound business supervision for JAL.

9. Masatoshi Ito (DOB September 12, 1947)
   External Director

   As the head of global enterprises, External Director Ito has great business insight and extensive experience in marketing and business strategy. He brings practical and diverse perspectives to the management and provides sound business supervision for JAL.

10. Sonoko Hatchoji (DOB January 15, 1950)
    External Director
    Chairman of the Management Committees

    External Director Hatchoji has experience in financial product development, loans and risk management at banks, and vast knowledge and extensive experience in corporate strategy, marketing strategy and hotel management. She also has diverse perspectives in areas such as education reforms at universities. She draws on this experience to provide JAL with management advice and sound business supervision.
MESSAGE FROM EXTERNAL DIRECTORS

JAL Group Corporate Governance for Sustainable Growth

The JAL Group has three independent External Directors. They actively contribute to meetings of the Board of Directors and various voluntary committees, and their experience and knowledge are drawn upon when formulating Group strategies and making management decisions. Going forward, we will continue to realize sustainable growth for the JAL Group by incorporating objective advice offered by External Directors in management.

Build a Corporate Climate That Tolerates Mistakes

During the four years since I was appointed as an External Director at JAL, I have been heavily involved in strengthening governance, most recently as chairperson of the Corporate Governance Committee. From time to time, we have reviewed board operations, taking into account the results of the first four annual evaluations of board effectiveness. Looking ahead, I will contribute to realizing the vibrant operation of the Board of Directors, while responding sincerely to external requests for stronger governance.

When considering JAL’s management issues from a medium- and long-term perspective, one element that is both a strength and a potential weakness is human resources. While I fully appreciate that employees have advanced capabilities including hospitality, considering international flight slots will expand and competition will intensify due to the development of airports in metropolitan areas, being a work force with strong conservative and specialist elements could also be a drawback. It is advised to improve development of human resources capable of managing the next-generation and creating new value by further strengthening cross-section personnel exchanges, assigning overseas human resources to important posts and collaborating with other companies. Another issue is building a corporate climate that tolerates mistakes. Only by pursuing challenges will JAL be able to pioneer a new age.

Develop into an Enterprise That Creates New Value

As chairperson of the Nominating Committee, I am also involved in the appointment of candidates to the positions of Director, and I get a real feeling of JAL’s open corporate culture each day. For instance, we can prepare carefully before meetings, because reference materials for Board meetings are provided to us in advance. We are also involved in discussions from the early stages of review when drafting Medium Term Management Plans.

On the other hand, one area where I feel there are issues to resolve is the ability to create new ideas for the future. Up until now, all airlines have operated businesses with a focus on “hard” services, namely, establishing routes and attracting customers. Nowadays, however, customer needs are diversifying. Imagination and creativity, which is the ability to look ahead 10 and 20 years from now and create new systems, are needed to survive in the aviation industry. I feel that such experience is still lacking, both at the organizational and individual levels.

Application of artificial intelligence (AI) and other technological innovations is advancing at a rapid pace worldwide. Looking ahead, I will draw on my experiences at a consumer goods company, where we developed global management, and offer advice at Board meetings and other meetings to create a company capable of offering new value in addition to air transportation.

Don’t Forget Experiences from the Bankruptcy

JAL’s Board of Directors and various committees readily seek and accept critical opinions. They are also very open forums where participants engage in substantive discussion. The same is also true of the Management Committee and other executive meetings.

This corporate culture seems to have been cultivated from the fact that many officers and employees who experienced the bankruptcy, learned lessons and reflected them in the JAL Philosophy. It is essential not to be complacent with the status quo but instead secure diversity in the Board if we are to take the company to the next stage, a global airline.

While it appears that current favorable performance is supported by these efforts, I feel that it is essential not to be complacent with the status quo but instead secure diversity in the Board if we are to take the company to the next stage, a global airline. With regard to female managers, there is a considerable number of talented women actively involved as executive officers, general managers and Vice Presidents, and I expect it is only a matter of time before we see sustainable development of female posts. “Be humble, avoid arrogance, and continue to extend efforts.” The words of Honorary Adviser Dr. Kazuo Inamori are displayed in a room where directors work together side by side and not in private rooms. It is almost 10 years since the bankruptcy. Going forward, I will continue to play my role as an External Director to maintain this corporate climate and increase corporate value.
AUDIT & SUPERVISORY BOARD MEMBERS

Yasushi Suzuki
Audit & Supervisory Board Member

During his career at JAL, Mr. Suzuki has engaged primarily in maintenance operations such as maintenance planning and engineering. He has made a substantial contribution to the Board with his extensive insight into production. He has been a member of JAL’s Audit & Supervisory Board since July 2012, and he also chairs the Japan SAP Users’ Group. Main concurrent positions: Nil

Norikazu Saito
Audit & Supervisory Board Member

Working primarily in finance and accounting departments, Mr. Saito made a substantial contribution to management of the JAL Group with his extensive knowledge of finance, accounting, investor relations (IR), and other fields, before serving as Director, Senior Managing Executive Officer and General Manager of the Finance and Accounting Division from June 2014. He has been a member of the Audit & Supervisory Board since June 2019. Main concurrent positions: Nil

Shinji Hatta
External Audit & Supervisory Board Member

Professor Hatta is an authority on financial auditing theory and corporate internal control and has served as an External Audit & Supervisory Board Member for JAL since July 2012. Main concurrent positions: Professor at Ohara Graduate School of Accounting, Professor Emeritus at Aoyama Gakuin University, external Audit & Supervisory Board Member for the Development Bank of Japan Inc. and a council member on the Japanese government’s Financial Services Agency Business Accounting Council, among other positions.

Osamu Kamo
External Audit & Supervisory Board Member

Independent Officer

Attended 19 of 19 Board of Directors meetings
Attended 13 of 13 Audit & Supervisory Board meetings

Since his certification as an attorney in April 1973, Mr. Kamo has accumulated extensive experience and expertise in compliance and corporate governance. He has served as an External Audit & Supervisory Board Member for JAL since June 2016. Main concurrent positions: Attorney for the Girza Sogo Law Firm, committee chairperson for CHANS (Office for Government Procurement Challenge System, under the jurisdiction of the Japanese Cabinet Office), and External Auditor for Aezar Corporation, among other positions.

Shinsuke Kubo
External Audit & Supervisory Board Member

Independent Officer

Attended 15 of 15 Board of Directors meetings since being appointed as a member of the Audit & Supervisory Board Board
Attended 9 of 9 Audit & Supervisory Board meetings

After joining Sanwa & Co. Tokyo Marunouchi Office (current Deloitte Touche Tohmatsu LLC), Mr. Kubo cultivated extensive experience and achievements and gained deep insight into accounting through his involvement in many corporate audits, share listings, corporate reorganization proceedings, M&A deals and other projects. He has served as an External Audit & Supervisory Board Member for JAL since June 2018. Main concurrent positions: Managing Partner of Kyodo Accounting Office and Representative Director of Japan Enterprise Sustainable Transformation Advisory Co., Ltd., among other positions.

Note: The number of Board of Directors meetings and Audit & Supervisory Board meetings attended by Independent External Auditors are the actual attendances for fiscal year 2018. Mr. Kubo was newly appointed at the 60th Ordinary General Meeting of Shareholders on June 19, 2018, and became a member of the Audit & Supervisory Board on the same date. The number of meetings that he was eligible to attend is therefore different to other external members of the Audit & Supervisory Board.

SUPPLY CHAIN INITIATIVES

Supply Chain Management

Basic stance

1. Fair and transparent procurement

When selecting suppliers, we comprehensively assess a broad range of factors, such as product and service quality, costs and delivery, the company’s reputation and corporate social responsibility (CSR) and sustainability initiatives. We also ensure fair and transparent procurement activities by offering numerous opportunities for domestic and international suppliers to do business with the JAL Group and conduct fair and transparent procurement activities at all times.

2. To provide safe and reliable services to customers

To deliver peace of mind to customers when they board our flights, we cultivate a culture of safety as top priority with our suppliers and conduct rigorous quality management to offer the finest hospitality.

3. Promoting sustainable procurement activities

We work with suppliers to build sustainable supply chains, including initiatives aimed at legal compliance, global environment preservation, respecting of human rights, appropriate labor practices and fair business practices.

Revision of the Supplier Code of Conduct

The JAL Group has observed the JAL Group Supplier Code of Conduct since April 2016, but given the recent global focus on supply chain management, we significantly revised the code in July 2019. The revised code covers eight key areas on the major premise of securing safety: (1) quality assurance, (2) human rights and labor, (3) safety and sanitation of work environment, (4) global environment, (5) business management, (6) expansion to suppliers, (7) contribution to regions and society, and (8) establishment of internal promotion systems. Commentary on social background and examples of specific initiatives has also been added. As in the past, we ask all our suppliers to understand and comply with the Supplier Code of Conduct, as we aim to establish sound supply chains with considerations for sustainability to achieve the Sustainable Development Goals.

Cooperating with suppliers and monitoring

To verify compliance with the JAL Group Supplier Code of Conduct, we utilize Sedex Information Exchange Limited (Sedex®), which we joined in 2015. Using the CSR information platform provided by Sedex, we select certain Group suppliers based on transaction volume regardless of product type or domestic/overseas location and ask them to become Sedex members and to respond to a self-assessment questionnaire. In fiscal year 2018, 150 suppliers answered the self-assessment questionnaire. Going forward, we will continue to conduct supply chain risk assessments based on results of the self-assessment questionnaire using Sedex, and request improvements as needed of suppliers with a high likelihood of risks materializing.

By coordinating with suppliers through Sedex, we hope to contribute to the achievement of the SDGs and help resolve other social issues. In addition, as an Official Airline Partner of the Olympic and Paralympic Games Tokyo 2020, we are actively promoting initiatives based on the Sustainable Sourcing Code. *1

Evaluation of CSR activities, advice on improvements, monitor progress

Suppliers

Evaluate CSR activities, advice on improvements, monitor progress

View supplier data

Provide CSR data, submit reports on improvements

Build mutual understanding and trust

Provide CSR data based on international standards*2

Sourcing Code.*2

Sourcing Code.*2

of the Olympic and Paralympic Games Tokyo 2020, we are actively promoting initiatives based on the Sustainable Sourcing Code.*2

*1 Sedex, the Supplier Ethical Data Exchange, is a nonprofit organization established in the U.K. in 2004 that provides a platform for managing and sharing corporate ethical information with the aim of ensuring responsible business practices on supply chains.

*2 Guidelines established by the Tokyo Organising Committee of the Olympic and Paralympic Games to ensure that services truly necessary for the Olympic Games are procured with consideration for economic rationality, transparency and also other ethical principles and to ensure procurement with consideration for sustainability.
SUPPLY CHAIN INITIATIVES

Identifying High-Risk Products

To provide customers with safe and reliable services including inflight meals and cabin service products used in flight, we are mindful to procure goods and services with consideration to sustainability of the environment, human rights, labor and other social issues. In fiscal year 2018, we screened all products procured by the JAL Group, and identified those products with particularly high risk. Going forward, we will conduct supplier audits when serious issues are detected and further achieve sustainable procurement by interviewing and engaging experts and NPOs.

Process for Identifying High-Risk Products

1. Take inventory of products
2. Prioritize products based on likelihood of risk and impact
3. Create a risk map
4. Identify products with high sustainability risk

Use of Certified Products

Nowadays, responsible procurement requires environmental and social impacts to be considered, and a typical means for this is “certification” programs. The JAL Group promotes the use of certified materials by comparing the standards used in various certification programs, setting a high, international third-party certification as the standard benchmark, and using safety-related certification programs for inflight meals and cabin service products.

Adoption of FSC certified products

Having established sustainable procurement standards for paper, in September 2018, we began using FSC® certified*4 goods for cabin service products in cabins and lounges. Currently, we have already adopted FSC certified paper cups, paper hand towels and menu cards, and by fiscal year 2020, we aim to have adopted FSC® certified products for all onboard paper cabin service products including sanitary products and magazines such as SKYWARD.*5

Adoption of ASIAGAP certified products

Having established sustainable procurement standards for agricultural products, in December 2018, we began using ASIAGAP certified*6 leaf lettuce in select inflight meals in Business Class and Economy Class. The lettuce is sourced from well-managed farms, which are managed in environmentally, socially, and economically appropriate manner, to consumers in a visible way, thereby returning economic benefits to farmers. For further details, please see the official Sedex website.

Use of ASC certified marine products

In Business Class and Economy Class, the lettuce is sourced for sustainability in 2011 ahead of other airlines. JAL CAFÉ LINES is an onboard service that aspires to serve the best tasting coffee. We began introducing coffee sourced for sustainability in 2011 ahead of other airlines. Now, Rainforest Alliance certified*10 coffee beans are used in Economy Class on all flights.

<Introduction of sustainably sourced marine products>

Having established sustainable procurement standards for marine products (wild and aquaculture), in June 2019, we began using such marine products in select inflight meals in Business Class. The marine products are sourced through AEDN Co., Ltd. In fiscal year 2020, we will start to use and offer a variety of sustainably sourced MSC certified*8 and ASC certified marine products in menus.

<Deeper relationship with sustainable coffee>

JAL CAFÉ LINES is an onboard service that aspires to serve the best tasting coffee. We began introducing coffee sourced for sustainability in 2011 ahead of other airlines. Now, Rainforest Alliance certified*10 coffee beans are used in Economy Class on all flights. Then, in December 2018, we began offering Doi Tung coffee on board flights to and from Bangkok. Doi Tung coffee was the outcome of a project in impoverished mountain areas of Thailand to convert fields of poppies grown for opium production into coffee plantations. The coffee was developed collaboratively by the Mae Fah Luang Foundation, which tackles poverty in Thailand, and Mi Cafeto Co., Ltd., which provided local guidance on coffee cultivation technologies.

The JAL Group remains committed to reducing various risks along supply chains through the procurement of recommended certified materials, ensuring reliability and safety for customers and striving for sustainable procurement.

*10 Rainforest Alliance certification
Rainforest Alliance certification indicates that a farm has been audited and assessed as meeting standards required for environmental, social and economic sustainability.
Pursuing Food Safety for Inflight Meals and Lounge Meals

JAL believes that health management at catering companies preparing inflight meals requires direct management and direct guidance, rather than being outsourced to an external agency. For this reason, hygiene audits are conducted by professional auditors familiar with FSSC22000*11—the global standard for food hygiene management—to confirm that inflight catering companies at all destinations we serve are operated properly in accordance with HACCP*12

> *FSSC 22000 certification: FSSC 22000 is the world’s foremost international standard for food safety management systems, consisting of ISO 22000 plus additional requirements, designed to reduce risks associated with the safe provision of food.
> *HACCP: HACCP is a method of process control whereby hazards, such as contamination by microbes, metal or other impurities, are predicted for each process from the receipt of ingredients to the serving of meal, and particularly important processes are constantly monitored and recorded to help prevent those hazards.

Dialogue with External Expert

To better understand how social conditions and the business environment are changing and to reflect those changes in our initiatives, JAL engaged in dialogue with an external expert on the global supply chain of the aviation business.

**Setting Clear Standards**

While supply chain management requires a multifaceted perspective, social issues in particular require respect for human rights and the right to work and an order of priority according to guiding principles on business and human rights. This requires you to think of the obvious risks to people involved in your supply chains. You need to understand that, if these risks eventuate, they could also pose a risk to your company, and have a solid understanding of what should really be prioritized. When prioritizing initiatives, I think it is important you clarify the basis on which priorities have been set, for instance, whether you select areas where JAL buys an extensive range of services or products with higher transaction values, or areas with higher human rights risks in the country where you operate. I also think it is important that, once clarified, this should be clearly described in JAL Group policies.

**Required Initiatives**

The key to addressing human rights and labor issues in supply chains is to listen to the views of workers, community members and other people who are rights-holders but are unable to complain directly or to express their views to the company. To achieve this, you need to create highly effective grievance mechanisms for handling complaints or opinions. By selecting and auditing those suppliers found in the analysis of self-assessment questionnaires as requiring further auditing, you could verify conditions of workers, community members and other people involved. However, since auditing all suppliers is impossible, you need to build a user-friendly mechanism to receive complaints directly from workers and be able to implement remedial measures quickly when human rights violations are revealed. In addition, when building such a mechanism, a major factor in enhancing its effectiveness will be third-party intervention, creating a gap between Europe and Japan.

As for environmental issues on the supply chain, action is needed to deal with single plastic related to Ocean plastic pollution, a prominent issue in recent years which countries have begun regulating. Consideration will also need to be given to the procurement of raw materials, including paper.

**Conclusion**

The JAL Group is already investigating and shedding light on human rights issues. Once these human rights impact assessments have been conducted, it is essential that human rights due diligence be undertaken from high priority areas where there is significant risk, even if there are difficult obstacles to overcome. While it seems likely that supply chain issues will be ranked high in priority, it is important in supply chain management to clearly convey JAL Group’s philosophy on respecting human rights and your Supplier Code of Conduct to tier 1 suppliers and to exercise your influence (leverage) in seeking action from tier 2 and subsequent suppliers further upstream. Holding a series of study and training sessions to develop a deeper understanding for supply chain management both inside and outside JAL, and readily disclosing Group information should also serve as a valuable initiative in enhancing corporate loyalty.

*For more details on our human rights initiatives, please refer to pages 63–64.*