With the aggravation and intensification of social issues in recent years, it has become a vital mission of companies to adopt a more committed stance to realize business operations in harmony with the environment and society. We feel that we need to be a company which gains the trust of society through efforts to rigorously pursue safety and sense of security and proactively tackle social issues. Therefore, we have included “Contribute to resolving social issues” such as the SDGs* in our 10 Year Grand Design, which encompasses the three years covering the new Medium Term Management Plan for Fiscal Years 2017 to 2020 as well as our goals after the year 2020.

The global pledge to “leave no one behind,” which is embedded at the heart of the SDGs must be achieved by 2030. It is inevitable that we implement measures to combat climate change such as CO$_2$ emission reduction, which is closely linked to aviation. I also feel that the JAL Group can play a major role in contributing to employee motivation, economic growth and community development.

The JAL Group will take action to raise staff awareness of their role in society, conduct operations taking into consideration social impacts and responsibly disclose financial and non-financial information. Furthermore, we will fulfill our corporate mission by implementing measures to raise SDGs awareness internally and externally, deepen the understanding of the SDGs by a greater number of people and contribute to the development of a sustainable society towards a sustainable earth and sustainable human-environment systems.

* SDGs: Sustainable Development Goals. A framework of realistic and concrete initiatives aimed at solving poverty, hunger, energy, climate change, social justice and other social issues. The SDGs were adopted at the United Nations Sustainable Development Summit held in New York in September 2015. They comprise 17 goals and 169 targets to be achieved by 2030. Companies are seen as key players in reaching these goals.
Initiatives to Achieve the SDGs

Basic stance
As JAL Group’s businesses are an integral part of air transport infrastructure, I feel that tackling issues related to our operations first and foremost will contribute to social and economic development.

Based on this thinking, we will pursue initiatives to achieve the SDGs in three areas, on the premise of maintaining flight safety – Coexistence in Harmony with the Earth, Regional Contributions and Nurturing the Next Generation. In addition, we will actively tackle social issues defined in the SDGs such as diversity and inclusion, respect for human rights and corporate governance, which support our business base, while fulfilling our role as an air transport operator.

Importance of internal penetration of the SDGs
In our initiatives to achieve the SDGs, it is important that awareness of SDGs have filtered throughout the JAL Group. We are working to share and penetrate the SDGs by disseminating information through in-house newsletters and the Intranet, and in-house training programs such as initial training for new employees and new managers and seminars by outside lecturers.

<table>
<thead>
<tr>
<th>ESG Categories</th>
<th>Issues to Be Addressed</th>
<th>Goals</th>
<th>Relationship with SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Coexist with the Earth (P54-57)</td>
<td>CO₂ emissions that are 23% lower than fiscal year 2005 by fiscal year 2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contribute to Communities (P62, P78-81)</td>
<td>Contributions to regional revitalization through the JAL NEW-JAPAN PROJECT and other projects</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nurture Future Generations (P62-63)</td>
<td>Swift support for disaster relief efforts and compassionate support for recovery efforts as air transport infrastructure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promoting Diversity and Inclusion (P46-47, P58-59)</td>
<td>Reach the goal of 1 million SORAICU® participants by fiscal year 2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Respect for Human Rights (P59)</td>
<td>Achieve 20% of JAL Group women in manager-level positions by fiscal year 2023</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Building Sustainable Supply Chains (P60-61)</td>
<td>Appropriately respond to the Sustainable Sourcing Code*1 for the Tokyo 2020 Games</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contribute to building a social legacy*2</td>
<td></td>
</tr>
<tr>
<td>Society</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintain flight safety (P20, P23-27, P126)</td>
<td>Zero aircraft accidents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase customer value (P28-31, P76-81)</td>
<td>Zero serious incidents</td>
<td></td>
</tr>
</tbody>
</table>
|                | Maximize corporate value through appropriate corporate governance (P70-75) | Achieve the world’s top customer satisfaction by fiscal year 2020 (NPS):  
- Domestic routes +5.3pt  
- International routes +4.5pt | |
|                |                                      | Increase corporate value and achieve accountability through highly transparent management and strong management monitoring | |

*1 A code formulated by the Tokyo Organizing Committee of the Olympic and Paralympic Games aimed at ensuring fairness and integrity as well as economic rationale in the sourcing of products and services essential to the delivery of the Games. The code also encourages procurement practices that give due consideration to sustainability.

*2 Long-term, sustainable benefits for society.
JAL Group Basic CSR Policy

We will contribute to realizing a sustainable society through efforts to resolve social issues, anchored in our firm commitment to flight safety which is the basis and value of existence of the JAL Group.

JAL Group’s Key CSR Issues (Materiality)

We will maintain flight safety, which is JAL Group’s universal priority issue, define our priority issues (materiality); Coexistence in Harmony with the Earth, Regional Contributions and Nurturing the Next Generation, and resolve social issues while referring to ISO 26000 and the Sustainable Development Goals (SDGs).

As social issues will change depending on the times and the environment, we expand opportunities for dialog with external experts and gain feedback on JAL Group’s initiatives in order to check the rationality of our priority issues. Through this process, we will respond to social needs and issues and realize a sustainable society.

CSR Management

To contribute to the realization of a sustainable society, the CSR Committee meets every six months according to the promotion framework shown on the left. The Committee implements the PDCA cycle effectively by clarifying JAL Group’s present situation of fulfilling society's expectations, clarifying issues, and considering the direction of responses, and enhances and promotes JAL’s CSR activities.

JAL Group Corporate CSR Policy

The JAL Group will: Pursue the material and intellectual growth of all our employees; Deliver unparalleled service to customers; and Increase corporate value and contribute to the betterment of society.

1. Leverage the advantages of our core air transport business
   Work to solve social issues through the air transport business, with top priority on ensuring flight safety.

2. Promote initiatives across the JAL Group
   Implement Group-wide initiatives targeting three CSR issues, cooperating with Group businesses as necessary.

3. Make a broad contribution to society as a member of society
   As a member of society, we will communicate the JAL Group’s firm commitment to safety and its safety initiatives, while working to resolve a broad range of issues facing society.

4. Focus on JAL’s unique strengths
   Develop initiatives and create value that only JAL can deliver through efforts that embody the JAL Philosophy, the basis of shared awareness, values, and thinking of all Group employees.
Dialog with Our Stakeholders

Through dialogs with external experts, we strive to gain our stakeholders’ understanding of JAL Group initiatives, and identify and adapt to changes in the business environment to resolve social issues.

ESG Management based on the JAL Philosophy

We discussed ESG management with Professor Iwao Taka on April 18, 2018. Professor Taka pointed out that there are important perspectives and issues that must not be overlooked when implementing measures expected of us in promoting ESG management. We also renewed our awareness of the importance of disseminating information on our activities.

A broad perspective contained in environmental problems

We held a discussion with the World Wildlife Fund for Nature Japan (WWF Japan) on April 6, 2018. WWF Japan explained global movements to realize a low-carbon society after the Paris Agreement and presented issues and expectations towards the JAL Group. We agreed with WWF Japan that JAL should press forward based on long-term goals.

< Views from the members >

- JAL should position environmental initiatives and information disclosure as its priority initiatives, and further, recognize the direct impact of aircraft renewal, route changes and other measures on environmental activities.
- I am aware that the JAL Philosophy has penetrated into JAL Group staff, but the main doctrine is to think and do what is right as a human being. Given this objective, every staff has a responsibility for environmental considerations and ESG. When briefing staff on ESG, you should go back to Dr. Inamori’s philosophy of “Do what is right as a human being,” and as a result, staff will get a clearer picture of the significance of ESG.
- Bribery and anti-competition practices are the greatest risks when companies expand their business internationally. Bribery, in particular, undermines discipline and order and causes administrative corruption of the counterpart country. This theme leads to the environment and human rights; therefore, you should be particularly aware of these issues when promoting ESG.
- I hope that the Olympic and Paralympic Games Tokyo 2020 will leave proud legacies for children across Japan. As JAL has considerable influence in society, please involve your suppliers and promote the creation of a sustainable society.

* CNG2020: A global CO\(_2\) reduction target. ICAO adopted the following goals for aviation: fuel efficiency improvement of 2% per annum and carbon neutral growth from 2020.

** Views from the members **

- Institutional investors are looking into the potential of companies in the ultra-long range (2050-2100), which is accelerating the movement among companies to respond to this trend.
- Companies are required to take action to achieve long-term reduction of CO\(_2\) emissions. It is also important to manage assets across their life cycle and actively use and disseminate renewable energy.
- To achieve CNG2020* established by the International Civil Aviation Organization (ICAO), JAL is advised to improve fuel efficiency, use biofuel to contribute to sustainable development, disclose details of purchased carbon offset credit and biojet fuel and reduce CO\(_2\) emissions above the targets. Close attention will be paid to how far JAL can exceed CNG2020 targets.
- The key points are participation in the establishment of international rules for biojet fuel and the selection of high-quality CO\(_2\) credit.

** Views from the members **

- CNG2020: A global CO\(_2\) reduction target. ICAO adopted the following goals for aviation: fuel efficiency improvement of 2% per annum and carbon neutral growth from 2020.

(From left) Naoyuki Yamagishi Leader Climate and Energy Group Conservation Division WWF Japan
Yosuke Ikehara Project Leader Climate and Energy Group Conservation Division WWF Japan
Takahiro Shimojo Executive Officer General Manager, Communication Division WWF Japan
Yuko Horio Vice President, Corporate Brand Promotion Department

(From right) Iwao Taka Professor, Faculty of Economics and Business Administration, Retiaku University Junko Okawa Vice Chairman Oversees JAL SDGs Takahiro Shimojo Executive Officer General Manager, Communication Division Yuko Horio Vice President, Corporate Brand Promotion Department
Initiatives to Coexist with the Earth

Reducing Environmental Impact and Promoting Environmental Protection through Business Activities

Basic Approaches

JAL Group’s Environmental Guidelines and Concrete Initiatives

The JAL Group recognizes the impact of its air transport business on the environment and understands it must work to reduce that impact and protect the environment through measures in all aspects of its business.

To this end we have developed environmental guidelines highlighting areas that the Group needs to tackle and a concrete action plan.

Environmental Guidelines and Action Plan


Tackling Climate Change

CO₂ Emissions Reduction Target and Progress

To reduce its environmental impact, the JAL Group has established a target of reducing CO₂ emissions from aircraft to 23% per revenue ton kilometer below the fiscal year 2005 level by fiscal year 2020.

Through measures taken in daily flight operations and scheduled fleet upgrades for improved fuel economy, we reduced CO₂ emissions in FY2017 by 2.4% year over year, and at the end of FY2017 a cumulative reduction of 17.8% from 2005.

CO₂ Reductions

Global Efforts to Reduce CO₂ Emissions

At the general assembly of the International Civil Aviation Organization (ICAO) convened in 2010, two aspirational goals were agreed on for the international aviation sector: 2% annual fuel efficiency improvement and carbon neutral growth from 2020 onwards. Airlines throughout the world are working to achieve these goals.

Achieving the goals will require initiatives in the following four areas: 1) New aircraft related technology, 2) Operational improvements, 3) CO₂ emissions trading, and 4) Utilization of biofuel.

The JAL Group is launching new initiatives to further utilize biofuel while continuing to enhance its existing measures.

1) New aircraft related technology

Upgrading to fuel-efficient aircraft such as the Boeing 787 can reduce CO₂ emissions by approximately 15-20% compared to conventional planes. While further stabilizing its financial base, the JAL Group will continue to upgrade its fleet based on a plan to more fuel-efficient aircraft to further reduce its CO₂ emissions.

Share of Fuel-efficient Aircraft in JAL Group’s Fleet

Fuel-efficient aircraft: A350, 787, 777, 737-800, E170/190

Actual figures to fiscal year 2017; plans from fiscal year 2018
2) CO₂ emission reductions from operational improvements
In addition to eco-flights by cockpit crew through optimal timing and selection of operational methods with top priority on flight safety, we are also conducting various activities in workplaces to reduce CO₂ emissions, such as reducing aircraft weight to improve fuel economy and regular engine cleaning.

CO₂ reduction initiatives are also being promoted through the Fuel-saving Project consisting of activities across organizations. Progress is monitored and results are shared throughout the company in order to implement the PDCA cycle for reducing CO₂ emissions.

*CO₂ reduced in fiscal year 2017

<table>
<thead>
<tr>
<th>Activity</th>
<th>CO₂ Reduced (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engine water washing</td>
<td>17,000</td>
</tr>
<tr>
<td>Reduced use of auxiliary power unit (APU) (closed cabin shades exercise)</td>
<td>900</td>
</tr>
<tr>
<td>Lightened aircraft loads</td>
<td>5,800</td>
</tr>
<tr>
<td>Ascent with early acceleration</td>
<td>5,500</td>
</tr>
<tr>
<td>Reduced air resistance</td>
<td>35,900</td>
</tr>
<tr>
<td>Reverse thrust measures</td>
<td>5,500</td>
</tr>
<tr>
<td>Engine out taxi – use of only one engine on the ground</td>
<td>5,200</td>
</tr>
</tbody>
</table>

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

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

Lightened aircraft loads
The amount of water loaded for use onboard our aircraft is being optimized based on past usage records in order to lighten aircraft weights. This initiative received the Awards Committee Chairman's Special Prize from the Japan Aeronautical Engineers' Association in fiscal year 2017.

Ascent with early acceleration
Ascending after takeoff while accelerating from an earlier point than normal, which is a noise reduction takeoff method, 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 inflight air resistance 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) in order 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.
3) CO₂ emissions trading
The ICAO General Assembly convened in October 2016 agreed to institute the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which mandates that international air transport operators reduce CO₂ emissions that exceed a standard level through emissions credits or use of biofuel.

The JAL Group is redoubling its efforts to reduce CO₂ emissions and has started to implement measures to reduce impact on profitability, including use of biofuel at prices equivalent to conventional fuels.

4) Utilization of biofuel (Sustainable Aviation Fuel: SAF)
As the all-important key to major CO₂ reductions, biofuel is being developed in countries worldwide. The full-scale use of biofuel on a global scale is expected from 2030, but the JAL Group is already working to increase its use in order to make major reductions to CO₂ emitted by its aircraft and help realize a recycling-based society.

**Initiatives in Japan**
The JAL Group conducted a test flight in January 2009 using Asia’s first biofuel produced from non-edible plant oils. Later, under a government-industry-academia framework for realizing biofuel production in Japan, we served as the Secretariat for the working group which studied the feasibility of biofuel production from city waste products. As result, we believe that the most promising approach is manufacturing biofuel from waste such as city garbage, which has a major advantage in terms of procurement of raw materials and transport costs.

We intend to continue contributing to this effort as a member of the All Japan Team consisting of government, industry and academia with a view to establishing a roadmap to commercial flights using domestically produced biofuel by 2020 and full-scale commercial production from 2030.

**Process of converting waste to aviation biofuel**

**Initiatives in the U.S.**
As commercial production of biofuel has already started in the U.S., the JAL Group is actively working to develop business relationships with strategic partners to promote biofuel, including participation in an event* where commercial flights are operated with biofuels which meet criteria and are of the same quality as conventional fossil fuels.

* JAL participated in Fly Green Day 2017 at Chicago O’Hare International Airport in November 2017, operating its Chicago-Tokyo flight loaded with biofuel for 5% of the fuel consumed on the flight.
Initiatives as an Eco-First Company

In 2010, we fulfilled our Eco-First Commitment, leading to official certification as an Eco-First Company. We will continue to implement our Sky Eco program, which aims to ensure the Earth and its abundant resources are passed on to the next generation so that they can continue to view and enjoy our beautiful planet from the skies.

Initiatives at Ground Facilities
Waste reduction and recycling
We promote the 3 R’s (Reduce, Reuse, Recycle) to help achieve a recycling-based society and continue to conduct activities such as discontinuation of printed manuals for cabin attendants, recycling of beverage cans, newspapers and plastic bottles from aircraft cabins, and reuse of air cargo packing materials in recycled plastic products.

Reducing electricity use
We continued to upgrade the lighting in maintenance facilities to LED and other energy efficient lights, achieving a 2.5% year-on-year reduction in domestic electricity use in fiscal year 2017. For the third consecutive year we were awarded certification as an Excellent Operator for Energy Conservation (S-Class) by the Ministry of Economy, Trade and Industry.

New initiatives
The JAL Group, Tokushima Prefecture and Tokushima Airport Building concluded an agreement on conducting joint environmental initiatives at Tokushima Awaodori Airport. We first plan to establish a hydrogen station at the airport in fiscal year 2018 and then begin using hydrogen forklifts that run on fuel cells.

Using Aircraft to Address Climate Change
CONTRAIL Project atmospheric observations
The JAL Group is part of the CONTRAIL Project, run jointly by the National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO Corporation, and the JAL Foundation.

Through the project, greenhouse gas data collected by scheduled international flights, is published by the National Institute for Environmental Studies and utilized in research studies globally.

Biodiversity Initiatives
Inflight meals and other initiatives
Inflight meals use food ingredients sourced for sustainability, including coffee beans certified by the Rainforest Alliance on international and domestic flights.

Buckingham Palace Declaration
The JAL Group has signed the Buckingham Palace Declaration prohibiting the transport of illegal wildlife and wildlife products.

Joining with International Air Transport Association (IATA) member companies and related government authorities, we will work to prevent the transport of illegal wildlife and wildlife products.

Protecting the red-crowned crane
The JAL Group works to protect the red-crowned crane, one of Japan’s designated natural monuments. In October 2017, volunteer JAL Group staff helped maintain the crane’s winter feeding grounds in Tsurui Village, Hokkaido.
Health Management

Ensuring flight safety, the basis of existence as a company, and providing top-level services are ultimately dependent on the physical and mental health of our staff. The JAL Group promotes health management under the strong leadership of top management, led by the Health Management Officer.

In addition, starting this year, we have actively participated in joint projects between industry, government and academia in order to proactively incorporate knowledge from external sources and further deepen JAL’s health management practices. One such project is the Research Program for Health Behavior Modification by Utilizing IoT, which is aimed at prevention of severe diabetes. Through participation and support for the program, JAL intends to further promote health management within the company while also broadly contributing to the promotion of health in society.

The JAL Group will continue taking measures to maintain and promote the physical and mental health of staff and contribute to society by providing safe and comfortable flights.

Opportunities for Senior Staff

The JAL Group established a framework for continuing employment within the Group after the retirement age for those interested in fiscal year 2012, even before the amended Act on Stabilization of Employment of Elderly Persons went into effect in April 2013. In fiscal year 2017, we revised our existing program to improve working terms and thereby provide greater opportunities. The improvements included allowing staff to continue working at the same company they worked prior to reaching retirement age. Enabling staff to continue to utilize the knowledge and experience they acquired over many years while transferring their skills to younger staff as a highly specialized professional team is helping to further raise the quality of services we provide to customers.

Opportunities for People with Disabilities

The JAL Group actively promotes the employment of people with disabilities. Kilatto, a coffee shop run by staff with low-level intellectual disabilities, operates at the Group’s Haneda and Narita offices and has recently expanded its activities to include temporary operations at JAL Head Office in the Tennozu Building during the summer period when early morning work is encouraged.

In addition, in fiscal year 2017, JAL was contracted by the Ministry of Health, Labour and Welfare to conduct a program for comprehensive support of teleworking by people with disabilities, which is one of the Ministry’s model programs for developing expertise on teleworking. For the program, JAL increased employment and teleworking opportunities for people with disabilities on a trial basis. Further, as a part of the model program, “inclusive design training” was held for staff members at group companies involved in employment of people with disabilities, employees responsible for training staff who frequently interact with customers and other related employees.

Going forward, we intend to increase work opportunities for people with disabilities and further establish a workplace environment defined by mutual respect and cooperation regardless of ability or disability.
Human Right Initiatives

To realize the JAL Group Corporate Policy, we are working to reinforce respect for human rights across the Group by putting our action policy – the JAL Philosophy – into practice. Educating our workforce about human rights is a vital step in eliminating discrimination based on gender, age, nationality, race, ethnicity, religion, social class, disability, sexual orientation, gender identity, career and other personal attributes. To address this issue, we are working to raise staff awareness of human rights through various internal educational programs, such as training courses for new hires and managers.

In compliance with the U.K.’s Modern Slavery Act, we publicly disclose initiatives being conducted by the JAL Group and its suppliers to prevent slave labor and human trafficking.

Within the Group, a hotline has been established accessible to all JAL Group staff to report and discuss harassment-related matters. A promise is also that staff will not be subjected to unfair treatment if they use the hotline.

JAL will continue to respect human rights, appropriately manage risks to prevent actions that infringe upon human rights and work to maintain processes by which reforms are implemented should risks materialize.

Modern Slavery Act Statement


As a participating company in the United Nation’s Global Compact, the JAL Group implements the compact’s Ten Principles for human rights, labor, the environment and anti-corruption.

LGBT Initiatives

Based on the statement from top management issued in 2016, JAL is continuing activities to deepen understanding of LGBT-related issues.

These have included conducting an e-learning course for all staff and a discussion session with LGBT students who will be starting the job search process. We also conducted training that involved direct discussions with LGBT individuals for staff who interact with customers onboard aircraft and at airport counters and participated in external events promoting understanding of LGBT issues.

Our initiatives have been highly regarded, and in fiscal year 2017, as in 2016, JAL received a Gold ranking in the Pride rating system, established by work with Pride, an LGBT volunteer group that promotes and supports the establishment of LGBT-related diversity management at corporations and other organizations.

We will continue working to deepen understanding of LGBT issues in the JAL Group through such activities as training courses to raise staff awareness and participating in external events.
Supply Chain Initiatives

Building Strong Partnerships with Suppliers and Promoting Sustainable Procurement Activities

With our suppliers
The JAL Group needs the cooperation and support of many suppliers to operate its flights and provide products and services to customers on a daily basis. As explained below, we are working to build strong partnerships with suppliers based on mutual trust by ensuring fair and transparent procurement activities. Showing our appreciation for the work carried out by suppliers is also a key part of our business relationships.

1. Fair and transparent procurement
When selecting suppliers, we assess a broad range of factors, such as the company’s reputation and its corporate social responsibility (CSR) initiatives, in addition to the quality and cost of its products and services and delivery performance. We also work to ensure fair and transparent procurement activities by offering numerous opportunities for many suppliers in Japan and overseas to do business with the JAL Group.

2. To provide safe and reliable services to customers
To ensure sense of security to customers when they board our flights, we are cultivating a culture with our suppliers to put top priority on safety and conduct rigorous quality management to offer the finest hospitality.

3. Promoting procurement based on CSR
We are working with suppliers to promote procurement activities in line with the JAL Group CSR Policy. Specific initiatives are aimed at legal compliance, protecting the global environment, respecting human rights, appropriate labor practices, fair business practices and responding to consumer issues.

JAL Group Supplier Code of Conduct
We established the JAL Group Supplier Code of Conduct in April 2016. The code, which is available in Japanese, English, and Chinese, is based on the principles of the United Nations Global Compact and covers four key areas: (1) human rights, (2) health and safety, (3) business management, and (4) the environment. We ask all our suppliers to understand and comply with the Supplier Code of Conduct.

JAL Group Supplier Code of Conduct


Building a sustainable supply chain
To verify compliance with the JAL Group Supplier Code of Conduct, we utilize Sedex Information Exchange Limited (Sedex*1), which we joined in 2015.

JAL actively utilizes the CSR information platform provided by Sedex. Initially, we requested suppliers that provide products used directly by our customers, such as inflight meals and merchandise, to become Sedex members, and now in 2018 we are further expanding activities and asking a total of 603 suppliers—selected based on transaction volume regardless of product type or domestic/overseas location—to become a member of Sedex and respond to a self-assessment questionnaire.

Going forward, we intend to conduct supply chain risk assessments based on the results of the self-assessment questionnaire using Sedex and request improvements as needed of suppliers for which it is determined there is a high likelihood of risks materializing.

By coordinating with suppliers through Sedex, we hope to contribute to the attainment of the SDGs and help resolve other issues facing society. In addition, as an Official Airline Partner of the Olympic and Paralympic Games Tokyo 2020, we also intend to actively promote initiatives based on the Sustainable Sourcing Code*2.

*Sedex, the Supplier Ethical Data Exchange, is a non-profit 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 A set of guidelines established by the Tokyo Organising Committee of the Olympic and Paralympic Games to ensure that services truly necessary for the Olympics Games are procured while considering not only economic rationality but fairness, transparency and other ethical principles as well and also to ensure procurement takes adequate account of sustainability issues.

* International standards: ISO 14001, SA 8000, OHSAS 18001, Ethical Trading Initiative (ETI) Base Code, etc.
Coexist with the Earth
Aviation fuel is one of the key products purchased by our procurement division and many countries are now developing biofuel as a highly effective way of achieving large reductions in CO₂ emissions. Utilizing biofuel manufactured from city garbage and other waste products, JAL will continue to actively work to substantially reduce CO₂ emitted by its aircraft and help establish a more recycling-based society.

For details on biofuel, refer to P56, “Utilization of biofuel.”

Procurement Division’s Personnel Training and Development
The JAL Group annually conducts training on the basics of procurement for new members of the Procurement Division with a focus on transaction ethics and supply chain sustainability, recurrent training for all members of the Procurement Division and training on international procurement standards with outside instructors in order to further educate and develop our procurement professionals.

In addition, JAL’s Procurement Division is taking the lead in workstyle innovation and creating a workplace that allows diverse personnel to excel. JAL was selected from among a number of companies for The GEP Procurement Team Award at the World Procurement Awards 18 held by Procurement Leaders,* a global procurement network.

* One of the world’s largest procurement networks with over 700 global corporations participating

Business Partner Day*
The JAL Group holds annual communication meeting “Business Partner Day” with suppliers, primarily companies that indirectly provide materials to the Group. The meeting is used as a forum to ensure suppliers understand the Group’s basic stance on procurement and to share information and ideas. In January 2018, a total of 48 companies participated in this meeting.

During Business Partner Day, we explain the JAL Group’s basic approach to procurement, the JAL Group Supplier Code of Conduct and criteria that have to be met to secure orders. We also encourage suppliers to become members of Sedex and talk about ways of working with them to optimize the management and increase the competitiveness of the entire supply chain. Suppliers are also invited to join JAL maintenance factory tours to give them a deeper understanding of the JAL Group.

* “Business Partner Day” are held every year and are organized by the Procurement Division. Similar meetings are also run by the Airport Operations Division, IT Planning Division and other departments based on their areas of specialization.

Supplier Satisfaction Survey
The JAL Group administered a supplier satisfaction survey to 48 companies in February 2018 in order to confirm that procurement activities are being conducted fairly and transparently. The survey found that suppliers both understand and support the JAL Group’s fair and transparent practices. Some suppliers also indicated a desire for improved communication with Procurement Division members. Based on these findings, we will continue to carry out training and other programs for Procurement Division staff.
Regional Contribution Activities

JAL NEW-JAPAN PROJECT

JAL is assisting regions across Japan to discover, commercialize and market hidden tourist spots and distinctive regional products. Specifically, we not only promote popular local delicacies through our inflight magazine, website and inflight meals, but also promote flows of goods and people to the relevant regions through tourism promotion and the Sixth-Sector Industrialization of agricultural, forest and fishery products*. Our ultimate aim is to realize sustainable regional development and create new demand for air travel.

Support for Disaster Relief and Recovery Efforts

JAL will continue to fulfill its role as a company responsible for Japan’s air transport infrastructure by providing support to affected areas in the relief and recovery phases after a large-scale disaster.

Post-disaster phase – Relief phase

JAL cooperates in the transport of relief supplies and volunteers to affected areas in the event of a large-scale disaster as a member of the Joint Committee for Coordinating and Supporting Voluntary Disaster Relief. We aim to support flows of people and goods such as emergency relief supplies and contribute to a swift recovery of the affected areas.

Recovery phase

In addition to providing economic support to affected areas such as promoting industrial development and tourism demand, we feel that providing emotional support to the residents in affected areas is also an important duty. Based on this idea, we assist with publicity of regional products in collaboration with prefectural governments and conduct staff study tours in affected areas to support recovery.

Nurturing the Next Generation

JAL SORAIKU®

JAL SORAIKU® is a program which features hands-on programs unique to JAL. It aims at nurturing the next generation by giving children insight into the wonders of the sky and encouraging them to think about their future. We target a total of one million participants by the end of fiscal year 2020.

Content of JAL SORAIKU®

- JAL Factory Tour – SKY MUSEUM
- JAL Paper Plane Classes
- JAL Sky Eco Classes
- JAL Career Talk for Students
- JAL Safety Demonstrations by Cabin Attendants
- JAL Job Interview Simulation for Students
- JAL STEAM SCHOOL

JAL Factory Tour – SKY MUSEUM

JAL Factory Tour – SKY MUSEUM is run at the JAL Maintenance Center adjacent to Haneda Airport. The tours are free and give visitors the opportunity to learn about the various types of jobs in an airline and observe aircraft maintenance services at close distance. The SKY MUSEUM attracted over 130,000 visitors in fiscal year 2017.

JAL Paper Plane Classes

JAL Paper Plane Classes are held by approximately 1,300 JAL Group staff volunteers, who are certified instructors by the Japan Origami Airplane Association. In fiscal year 2017, a total of 33,121 people attended these classes. The JAL Origami Plane World Competition will be held in 2020.

*N: To comprehensively and integrally promote agriculture, forestry and fisheries (primary industry 1), the manufacturing industry (secondary industry 2) and the retail business (tertiary industry 3) and create new added-value by using regional resources. 1+2+3=6th sector industry.
TOPICS
Developing the Next Generation through Sports

JAL is conducting various projects under the theme “Developing the Next Generation through Sports.” The projects are conducted nationwide to support children, who will be the leaders of the future, in making their dreams come true and promoting discovery and learning.

“Asuchalle” School
JAL has been providing all-round support to the Challenge For Tomorrow School visiting program “Asuchalle” sponsored by the Nippon Foundation Paralympic Support Center since April 2017. This program was launched by the Center in April 2016 and provides elementary, junior and high school students with hands-on para-sport experiences with Paralympic athletes and opportunities to listen to their experiences. It is a forum where children learn the value of having dreams and goals, and the importance of removing barriers in society and respecting diversity. With JAL’s sponsorship, the wheelchairs and staff involved in the forums are transported by air. In fiscal year 2017, forums were held for 42,741 children at 263 schools and tour goal is 200,000 children at 1,000 schools by the year 2020.

JAL Next Athlete Project
Launched in April 2017, the JAL Next Athlete Project is built on two pillars; Sports Ability Evaluation Workshops and Discovering the Next Generation of Paralympic Athletes.

Sports Ability Evaluation Workshops
By measuring six different sports abilities with the latest special measurement devices, each participant is told which of the 64 sports best suits his or her strength and in which sport that strength can be applied effectively. JAL plans to hold workshops at all 47 prefectures by 2020 to enable children from across Japan to discover their potential and have goals or dreams to work towards.

Discovering the Next Generation of Paralympic Athletes
By contacting our special e-mail address, we send staff to hold a Sports Ability Evaluation Workshop using the special measurement devices mentioned above. We have made steady progress in this activity, as we have been contacted by 73 people, evaluated some of them and referred to the relevant paralympic sports association. JAL will continue to work for Japan’s growth into a caring society.

Scenes from Challenge For Tomorrow School
Scenes from Sports Ability Evaluation Workshops
The disabled can also participate in a Sports Ability Evaluation Workshop.
Directors

Yuji Akasaka  
Representative Director, President  
Chairman of the Management Committee,  
Chairman of the Council for Group Safety  
Enhancement,  
Chairman of the Corporate Brand Promotion  
Council,  
Chairman of the JAL Philosophy Committee

Yoshiharu Ueki  
Representative Director, Chairman

Masatoshi Ito  
External Director

Eizo Kobayashi  
External Director

Sonoko Hacchoji  
External Director
<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Contributions and Experience</th>
</tr>
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<tbody>
<tr>
<td>Yoshiharu Ueki</td>
<td>Representative Director, Chairman</td>
<td>From his start as a pilot, Chairman Ueki has accumulated extremely high levels of frontline experience and knowledge on flight safety. As Representative Director and President since 2012, he oversees the preparation of the Medium Term Management Plan and accomplished the Plan through his strong leadership and decision-making capabilities. He brings his experience and expertise to the Board in strengthening its supervisory function as a member of the Nominating Committee, Compensation Committee and other committees.</td>
</tr>
<tr>
<td>Junko Okawa</td>
<td>Vice Chairman, Oversees JAL SDGs</td>
<td>Ms. Okawa acquired first-hand experience and insight as a cabin attendant, and from 2010, as General Manager, Cabin Attendants Division, she accomplished various divisional tasks and goals drawing on her strong managerial perspective and high performance ability. Currently, as Vice Chairman overseeing JAL SDGs, she contributes significantly to promoting business in harmony with the environment and society in order to help bring about a sustainable society.</td>
</tr>
<tr>
<td>Yuji Akasaka</td>
<td>Representative Director, President, Chairman</td>
<td>President Akasaka served mainly in Engineering &amp; Maintenance Division and 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. He brought his strong leadership and decision-making capabilities to JAL ENGINEERING CO., LTD. as President since 2014 and strengthened the basis for flight safety.</td>
</tr>
<tr>
<td>Tadashi Fujita</td>
<td>Representative Director, Executive Vice President, Aide to the President, Chairman, JAL Wellness Promotion Committee</td>
<td>Executive Vice President Fujita worked in sales departments at Head Office and branch offices in Osaka, Okinawa, Paris and other regions. As Executive Officer of the Managing Division Passenger Sales, he had overall responsibility for all Profit Centers and achieved strong results. Currently, while performing the duties of Representative Director and Executive Vice President, he also serves as Aide to the President. He brings his experience and expertise to the Board in further reinforcing and enhancing management.</td>
</tr>
<tr>
<td>Norikazu Saito</td>
<td>Director, Senior Managing Executive Officer, General Manager of the Finance &amp; Accounting Division</td>
<td>Director Saito has specialized for many years primarily in finance and accounting, constantly deepening his knowledge of finance, accounting, IR, and other fields. In his current position as Director, Senior Managing Executive Officer and General Manager of the Finance and Accounting Division, he brings his prowess and competencies to the Board to assure highly transparent information disclosure that is comprehensible to shareholders and investors and precise management decisions that support shareholders’ interests.</td>
</tr>
<tr>
<td>Hideki Kikuyama</td>
<td>Director, Senior Managing Executive Officer, General Manager of the Managing Division Route Marketing</td>
<td>Director Kikuyama engaged in work ranging from IT systems, passenger reservations, and human resources and industrial affairs to corporate planning at Head Office and branch offices in Osaka, the U.S. and other regions. Currently as Director, Senior Managing Executive Officer and General Manager of the Managing Division Route Marketing, he brings his experience and expertise to the Board in improving and stabilizing route profitability in a precise and effective manner.</td>
</tr>
<tr>
<td>Toshinori Shin</td>
<td>Director, Senior Managing Executive Officer, General Manager of the Flight Operations Division, Safety General Manager</td>
<td>Director Shin acquired high levels of frontline experience and expertise on safe operations, etc. as a pilot. Today, as Director, Senior Managing Executive Officer, General Manager of the Flight Operations Division and Safety General Manager, he brings his know-how and capabilities to the Board to strengthen management of the Group’s safety initiatives and reach appropriate decisions on important safety measures and investments at Board meetings and other meetings.</td>
</tr>
<tr>
<td>Shinichiro Shimizu</td>
<td>Director, Managing Executive Officer, General Manager, Secretary’s Office</td>
<td>Director Shimizu successfully engaged in personnel and industrial affairs related to cockpit crew, cabin attendants and other divisions and exercised strong leadership and planning and coordination capabilities. As General Manager of Human Resources since 2013 and the Secretary’s Office since 2016, he is making considerable contributions to improving and stabilizing JAL’s presence through precise evaluation of JAL’s position from a high perspective.</td>
</tr>
<tr>
<td>Eizo Kobayashi</td>
<td>Independent External Director</td>
<td>External Director Kobayashi provides the Board with sound direction and advice based on his experience and expertise as top management of a general trading company. He also serves as Senior Representative for Business Community Relations of ITOCHU Corporation, External Director of OMRON Corporation and External Director of Japan Exchange Group, Inc., among other capacities.</td>
</tr>
<tr>
<td>Masatoshi Ito</td>
<td>Independent External Director</td>
<td>External Director Ito has rich experience and deep insight acquired as top management of global enterprises engaged in marketing from the customers’ perspectives, offering the Board appropriate supervision and advice from practical and multilateral perspectives. He also serves as Representative Director and Chairman of Ajinomoto Co., Inc., President of the Japan Advertisers Association Inc. and External Director of Yamaha Corporation, among other capacities.</td>
</tr>
<tr>
<td>Sonoko Hacchoji</td>
<td>Independent External Director</td>
<td>External Director Hacchoji draws on extensive experience in financial product development, loans and risk management at banks, customer-centric marketing and management strategy in hotel management and education reforms at universities to oversee and provide advice to the Board from diverse perspectives. She also serves as External Director of Nishin Steel Co., Ltd. and Special Advisor to the President and Chief Strategy Officer of Tsuda University.</td>
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</table>
Audit & Supervisory Board Members

(As of July 1, 2018)

Hisao Taguchi
Audit & Supervisory Board Member

Mr. Taguchi has served in various departments, including sales, personnel affairs and flight operations. He was appointed Executive Officer and CEO for the Americas Office in April 2007 and Executive Vice President in February 2010. He has been a member of the Audit & Supervisory Board since February 2012.

Yasushi Suzuka
Audit & Supervisory Board Member

During his career at JAL, Mr. Suzuka 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. A member of JAL’s Audit and Supervisory Board since July 2012, he is also chairperson of the Japan SAP Users’ Group.

Shinji Hatta
Audit & Supervisory Board Member (Independent External Auditor)

Professor Hatta is an authority on financial auditing theory and corporate internal control and has served as an External Auditor for JAL since July 2012. He also serves as Professor at Ohara Graduate School of Accounting, Professor Emeritus at Aoyama Gakuin University, external auditor 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
Audit & Supervisory Board Member (Independent External Auditor)

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 Auditor for JAL since June 2016. He also serves as an attorney for the Ginza 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 Azearth Corporation, among other positions.

Shinsuke Kubo
Audit & Supervisory Board Member (Independent External Auditor)

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 Auditor for JAL since June 2018, as well as Managing Partner of Kyoei Accounting Office and Representative Director of Japan Enterprise Sustainable Transformation Advisory Co., Ltd., among other positions.
The JAL Group has three External Directors, who supervise Group management from an external perspective and provide appropriate advice. In this section, the External Directors present their views and recommendations such as their evaluation or expectations towards the JAL Group.

Corporate governance that actively draws on external perspectives

I will use my frontline experience in other industries and user perspective to contribute to increasing corporate value of the JAL Group.

I assumed the position of External Director in June 2018. Since starting work after graduation, I built a career in the financial sector for over 30 years and the hotel sector for nearly 10 years. In both sectors, I dealt with new business launches such as financial product development and business development, that is, wildcat businesses rather than cash cows. I gained experience in controlling, so to say, the accelerator and brake in an unknown world. But the upside was that I had opportunities to interact with various business partners, take notice of different corporate cultures and listen to the views and decisions of management and staff. Although learned a little bit of everything, I realized that although Japanese companies appear to be the same on the surface, many different values, perspectives and ways of thinking existed within.

I hope my knowledge would be useful to the JAL Group, which upholds the slogan “Challenge, Leading to Growth” in its new Medium Term Management Plan towards realizing the JAL Vision.

Working on the frontline in other industries was rewarding at times and exhausting at other times. But it was always clear to me that the thoughts and efforts that frontline workers including myself put into products and services had a major impact on corporate value. Most importantly, I learned that when frontline workers and management aligned mental vectors, corporate value could be maximized.

JAL works faithfully to penetrate the JAL Philosophy into frontlines each day. It acts as the source of energy for every staff in his or her performance of job duties. I have high hopes that the JAL Philosophy will contribute significantly to aligning the mental vectors of frontlines and management.

I still have much to learn about the airline industry, but I will keep in mind my experiences as an aircraft user at different stages of my life and use the experience gained by shifting industries to fulfill my role as External Director and help increase JAL’s corporate value as it pursues its growth strategies.
I hope to use my experience at a trading company to support JAL in implementing its growth strategies.

It was very clear to me during discussions at Board meetings concerning the Rolling Plan for the Medium Term Management Plan that JAL is serious about tackling management issues guided by the JAL Philosophy.

During our review of the Medium Term Management Plan, various problems were placed on the table without exception and we held frank and open discussions. As we are allowed to share problems from an external perspective with the Board members, we offer candid views from the perspectives of common sense and different industries. I believe this contributes to engaging and meaningful discussions of a higher level than I have seen at other companies. Taking into account the unpredictable operating environment of the JAL Group, I feel that it is highly recommendable to hold substantial discussions such as those at JAL Board meetings.

JAL tends to take a somewhat cautious approach when tackling management issues, which might reflect the very painful period it went through in the past. The business environment is currently buoyant due to the steep rise in inbound visitors to Japan. The biggest issue currently facing JAL is how to change the thinking of every staff, from top management right down to frontline staff, and implement the next growth strategies. Technology, human resources and other business resources will be needed, but what is necessary at this stage is to forge partnerships domestically and internationally in areas where resources are not immediately available and collaborate in order to seek "the best for all" with partners, instead of "the best for one" company alone. Building these partnerships will be challenging, but as I have extensive experience in forming domestic and international partnerships, I would like to provide advice through the Board of Directors based on my knowledge.

I have confidence in JAL’s Board effectiveness as seen in open, in-depth discussions and execution of the succession plan.

JAL has a corporate culture which allows open discussion, facilitates information-sharing and encourages frank opinions. I think this comes from its history of overcoming difficulties and a forward-looking attitude to create a new company. During discussions by the Board about the Medium Term Management Plan, I also felt a culture of meticulousness. The members first exchanged views and then held repeated discussions, while going back to any concerns for verification. Furthermore, at Board meetings, the directors do not merely listen to explanations but also hold dialogs with the External Directors. In addition to the directors, External Auditors actively present their views, resulting in highly effective Board.

One of JAL’s management issues is the importance of possessing a long-term perspective. The Medium Term Management Plan is a rolling three-year plan, but given the large amount of investment required in the airline industry, three years is too short a time to verify the results. We need to have a 10-year perspective. Another issue is stakeholder engagement with your shareholders, customers, partner airlines and other stakeholders. Up till now, JAL has been focused on revitalizing the company. Going forward, I feel that the Group needs to deepen stakeholder engagement to adapt to the rapidly changing operating environment. The consumer goods company where I previously worked for faced similar issues. Therefore, I feel my experience will be useful in this area.

JAL’s new President was appointed through the execution of the succession plan by the Nominating Committee, which I chaired, including other External Directors and directors. The Committee organized the requirements of the succession plan, interviewed the candidates and checked their views as President and other points. This process took some time, but functioned effectively.
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 transport sector, we work to ensure safe operations – the cornerstone of our business – while offering the highest level of service to customers. We also endeavor to fulfill our economic responsibility to all stakeholders by generating an adequate level of profits through the provision of high-quality products and services based on fair competition, while also meeting our wider responsibilities to society.

In line with this thinking, we have established the JAL Philosophy in accordance with the JAL Group Corporate Policy, “The JAL Group will pursue the material and intellectual growth of all our employees, deliver unparalleled service to our customers, and increase corporate value and contribute to the betterment of society.” We will strive to enhance corporate value and achieve accountability by establishing a corporate governance system that results in a high level of management transparency and strong management oversight, while at the same time engaging in speedy and appropriate management decision-making.

The Board of Directors has established corporate governance that adheres to the Fundamental Policies of Corporate Governance as a key set of rules subsequent to the Companies Act, relevant laws and regulations, and the Articles of Incorporation, and reviews it at least once a year.

Corporate Governance System

Board of Directors
The Board of Directors ensures a high level of management transparency and strong management oversight through the election of candidates for the positions of Director, Corporate Auditor, and Executive Officer, decides their remuneration, and makes important decisions.

In order to separate the management oversight function and business executive functions, 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 to provide appropriate advice.

In order 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 the purpose of 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, which comprises the Chairperson of the Board and External Directors, to evaluate the effectiveness of the Board of Directors with reference to self-evaluations by each Director once a year, review the operation, and so forth, of the board appropriately, and disclose a summary of its findings.

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 in order 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 in order to ensure diversity. Those who do not qualify as highly independent as defined by the "Standards for Independence of External Directors" (described below) 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 Corporate Auditors and internal divisions.

Board of Corporate Auditors

The Board of Corporate Auditors 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.

Corporate Auditors

The Corporate Auditors 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, the Corporate Auditors, together with staff members of the Corporate Auditors Office, 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 the internal audit departments and accounting auditors and hold regular meetings with Corporate Auditors of subsidiaries to improve and strengthen auditing of the JAL Group.

The Corporate Auditors are provided with the means to acquire a sufficient understanding of their required roles and responsibilities through the provision of corporate information and opportunities for regular participation in external training and external associations, and so forth, for which the Company bears the necessary expenses.

External Corporate Auditors 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" (described below) established by the Company are not appointed. Eternal Corporate Auditors ensure independence of External Directors" (described below) established by the Company are not appointed. Eternal Corporate Auditors ensure independence of External Directors. Those who do not qualify as highly independent as defined by the "Standards for Independence of External Directors" (described below) 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 Corporate Auditors and internal divisions.

Establishment of Various Committees

Corporate Governance Committee (Chairperson: Eizo Kobayashi, Lead Independent External Director)

The Corporate Governance Committee inspects initiatives under the JAL Group Fundamental Policies 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. The committee comprises three External Directors (Eizo Kobayashi, Masatoshi Ito and Sonoko Hacchoji) in addition to Chairperson Yoshiharu Ueki.

Nominating Committee (Chairperson: Masatoshi Ito, External Director)

When submitting a proposal to the General Meeting of Shareholders concerning the appointment of candidates to the positions of Director and Corporate Auditor, the Nominating Committee makes a comprehensive judgment of the personality, knowledge, ability, experience and performance of the candidate in response to inquiries from the Board of Directors and reports back to the board. The Nominating Committee also continually discusses potential successors to the president and other company leaders responsible for reforming the Group and driving growth in order to ensure the Corporate Policy and management strategies are maintained, and reports on these discussions to Directors. The committee comprises three External Directors (Eizo Kobayashi, Masatoshi Ito and Sonoko Hacchoji), Chairperson Yoshiharu Ueki and President Yuji Akasaka.

Compensation Committee (Chairperson: Eizo Kobayashi, External Director)

The Compensation Committee discusses matters concerning the amounts of compensation paid to Directors, Executive Officers and Corporate Auditors based on requests from the Board of Directors and reports back to the board. The Compensation Committee members are the same as the Nominating Committee members.

Personnel Committee (Chairperson: Yuji Akasaka, President)

When appointing or dismissing an Executive Officer, the Board of Directors

Composition of Voluntary Committees

<table>
<thead>
<tr>
<th>The Chairperson</th>
<th>Director, Chairperson</th>
<th>Representative Director, President</th>
<th>External Director</th>
<th>External Director</th>
<th>External Director</th>
</tr>
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<tbody>
<tr>
<td>Board Member</td>
<td></td>
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<tr>
<td>Corporate Governance Committee</td>
<td>Yoshiharu Ueki</td>
<td>Eizo Kobayashi</td>
<td>Masatoshi Ito</td>
<td>Sonoko Hacchoji</td>
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<tr>
<td>Nominating Committee</td>
<td>*</td>
<td>Yuji Akasaka</td>
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<td>Compensation Committee</td>
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<td>Personnel Committee</td>
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<tr>
<td>Officers Disciplinary Committee</td>
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</tbody>
</table>

*As a Director
consults the Personnel Committee and takes the Personnel Committee’s response into account before making a decision. The Personnel Committee members are the same as the Nominating Committee members.

**Officers Disciplinary Committee**
(Chairperson: Eizo Kobayashi, External Director)
Any disciplinary action imposed on Directors or Executive Officers is determined by the Officers Disciplinary Committee. The Officers Disciplinary Committee members are the same as the Nominating Committee members.

**Evaluating the Effectiveness of the Board of Directors**

Under its Fundamental Policies of Corporate Governance, every year the JAL Group assesses the effectiveness of the Board of Directors and appropriately reviews its functioning while making reference to evaluations of individual Directors and other resources. The effectiveness of the Board of Directors was assessed this year for the third time; details are as follows.

**Assessment Process**
The prior two assessments consisted only of questionnaires, but for the most recent assessment, the third conducted thus far, a questionnaire was combined with an interview in order to review initiatives to enhance governance that came out of the previous effectiveness assessments and to make further improvements to governance. In addition, the interviews were performed by an independent organization in order to maintain anonymity.

The primary items for assessment on the questionnaire were the composition, operation, culture, supervision and discussion about management strategies by the board. Additionally, the interview focused on questionnaire responses and awareness of problems with the board.

The independent organization reported to the Board of Directors on the results of the assessment, and the board then discussed response measures and its future format. Based on these discussions, the Corporate Governance Committee formulated recommendations that were then further discussed by the board. As a result of this process, the board decided on the following initiatives for the future.

**Summary of Assessment Results and Initiatives Going Forward**
It was confirmed that the Board of Directors conducts discussions with the opinions of External Directors respected by internal Directors, who have been appointed in a good balance 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.

At the same time, in order to further increase corporate value during the Company’s next stage under a new president and new management team, it was found that the board needs to increase its discussions on the Company’s long-term vision, growth strategies and risk management, further instill a shareholder’s perspective within the Group as whole, including the Board of Directors, enhance training for Directors, and create a training and development program for the next generation of Directors. The Company intends to steadily carry out these and other related initiatives going forward.

**Standards for Independence of External Directors**

We have set out the following standards to determine whether External Directors qualify as independent (in principle, a person to whom none of the following apply shall be judged to be independent).

1. A person who executes or has executed business in the Company or a consolidated subsidiary during the past 10 years.
2. A person who could be described by any of items a~f during the past three years.
   a. A business counterpart or a person executing business for a business counterpart whose transactions with the Company for one business year exceeded 1% of the consolidated revenue of the Company or the business counterpart.
   b. A major shareholder of the Company or a person executing business for a shareholder holding an equity ratio of 5% or more in the Company.
   c. A major lender to the Company or a person executing business for such a lender.
   d. A person who receives over 10 million yen in donations annually from the Company, or a person belonging to an entity receiving such donations.
   e. A person receiving remuneration of over 10 million yen, excluding Director’s remuneration, from the Company or a person belonging to an organization receiving remuneration exceeding 1% of the consolidated revenue of the Company.
   f. A person executing business for the Company who also executes business for another company as External Director.
3. The spouse or a relative within the second degree of kinship of an individual described in 1 or 2.

(Note) “A person executing business” refers to an executive director or executive officer.

**Reason for Election of External Directors**

During the election process for External Directors, the Company consistently strives to ensure comprehensive diversity while nominating candidates with a wealth of experience in various fields who are also equipped with insight, specialized knowledge and other strengths. Election of nominees is also based on the Standards for Independence of External Directors presented above.

For the reasons for selection of External Directors, please refer to P66-67: Board of Directors and Officers.
Training Policy for Directors and Corporate Auditors

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 Company provides opportunities for Corporate Auditors to sufficiently understand their roles and responsibilities by providing corporate information and opportunities for participation in external training programs and associations, the cost of which is covered by the Company.

To give External Directors and Corporate Auditors a deeper understanding of the Company's operations, they are encouraged to participate in internal meetings and opportunities are created for workplace inspection tours and discussions on key issues.

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. Taking into account factors including the position of the Company's business and the effectiveness of incentive remuneration, the Company sets proportions for (1) the amount of fixed basic remuneration*, (2) the amount of annual incentives (performance-linked bonuses) to be paid according to the degree of achievement against targets, and (3) the amount of long-term incentives (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets, as follows:

   Guideline in the case of 100% achievement against targets:
   (1) : (2) : (3) = 50% : 30% : 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.

   * This amount excludes allowances in cases where an Executive Officer serves concurrently as a Director or where an Executive Officer has representative authority.

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. The indices for evaluating performance will include net profit attributable to owners of parent, indicators related to safe flight operations and individual evaluation indices for each director. These indicators will be reviewed as necessary in accordance with changes in business conditions, the roles of directors 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. The indices for evaluating performance will be items prioritized in the Medium Term Management Plan, including consolidated operating profit margin, consolidated ROIC and customer satisfaction. These items will be considered for review in every 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 in order 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. A majority of the members of the Compensation Committee will be External Directors and the Chairperson will be appointed from among the External Directors.

Succession Planning for CEO and Other Senior Management Positions

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

For key corporate governance data, please refer to P.102-103: ESG Data.
COMPLIANCE/RISK MANAGEMENT

Promoting Compliance

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.

Every JAL Group staff is encouraged to practice the JAL Philosophy in their day-to-day work and can view regulations and handbooks related to compliance on the Group’s Intranet such as JAL Group Regulations on Preventing Insider Trading, the JAL Group Handbook on Protecting Personal Information, Information Security Action Handbook, Guide to the Antimonopoly Act and Group Hotline Regulations.

We have also 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.

Furthermore, we are implementing a wide range of initiatives to support this framework. For example, we hold classroom compliance training courses for every JAL Group staff at every business office, publish quarterly compliance newsletters, arrange seminars about laws and regulations organized by the Legal Affairs Department, conduct practical exercises on how to deal with targeted email attacks and other threats and provide e-learning on information security biannually. 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, an executive from each JAL Group company is given overall responsibility for compliance at their respective company. These executives 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.

Risk Management

The JAL Group manages risks by dividing them into three categories: (1) corporate risks associated with management in general, excluding risks related to air transportation; (2) operational risks associated with aviation safety, aviation security and other issues related to air transportation; and (3) strategic risks associated with business management that may have a material impact on corporate revenues and expenditures.

We have established the following five committees in order to identify, analyze and assess existing risks and implement appropriate measures to mitigate those risks.

1. Risk Management Committee
   The Risk Management Committee is headed by the Executive Office of General Affairs, and primarily comprises general managers of divisions responsible for managing frontline departments. The Committee takes responsibility for overall risk management encompassing corporate risks, operational risks, and strategic risks to stabilize Group-wide management activities. It has also established the JAL Group Basic Policies on Risk Management. When existing risks are identified, it reports on the progress of responses and shares information with Group management via the Management Liaison Committee.

2. Information Security Committee
   The Information Security Committee is headed by the Executive Officer of General Affairs and the Executive Officer of IT Planning, and comprises the leaders of relevant departments. The Committee conducts activities specific to information management, upgrades information security measures, and strives to reduce corporate risk.

3. Group Council for Safety Enhancement General Meeting
   The Corporate Safety and Security Department promotes safety rigorously under the direct control of the President. The Group Council for Safety Enhancement General Meeting, with the Corporate Safety and Security Department serving as Secretariat, shares information on safety in daily operations, decides countermeasures, considers important measures related to safety and checks policies.

4. Group Operational Safety Promotion Committee
   Organized as a committee under the Group Council for Safety Enhancement General Meeting, the Group Operational Safety Promotion Committee maintains and strengthens collaborative, safety-related measures among departments, divisions and Group airlines with the aim of enhancing the safety of Group air transport operations as a whole. The Committee comprises the Executive Officer (who serves as Chairperson) of the JAL Operational Safety Promotion Committee, leaders of departments responsible for JAL safety management appointed by the Chairperson and Executive Officers responsible for safety at Group airlines.
5. Financial Risk Committee

The Financial Risk Committee is chaired by the Executive Officer of Finance and Accounting and includes the President, Executive Vice President and leaders of relevant departments and divisions. The Committee identifies financial risks as appropriate and strives to facilitate improvements in corporate management. More specifically, it conducts regular simulations of financial conditions and reviews the results. In the event of a major financial crisis, large-scale disaster or other major risk-generating event that the Committee expects to exert a large, quantifiable impact on the Group, it calculates the estimated financial impact and, if necessary, pursues collaborative responses with the Risk Management Committee.

Information Security Measures

The JAL Group fell victim to a data security breach in September 2014. Hackers attacked the JAL Mileage Bank’s systems and gained illegal access to the customer information management system. We deeply regret the inconvenience and concern caused to customers and all those affected by this incident. In response, we are strengthening information security as a top priority issue and taking steps to prevent recurrence.

Specifically, information security measures were moved up ahead of schedule to build a robust system to detect and monitor increasingly sophisticated and complex cyber-attacks, while preventive measures are being continuously upgraded to the highest level.

Business Continuity Plan (BCP)

To respond to specific risks that threaten our ability to fulfill our responsibilities as a public transport operator such as pandemic influenza, unidentified infectious diseases or earthquakes, we have established a business continuity plan (BCP) that enables us to continue business effectively in emergency situations based on guidelines established in collaboration with regulatory bodies and other relevant institutions. The BCP covers basic matters such as policies and procedures necessary to ensure the safety of JAL Group staff and their families and maintain air transport operations essential to the JAL Group, including reservations, information provision, payments and settlements. It is reviewed regularly and revised as required to improve its application.

During the outbreak of Ebola hemorrhagic fever in West Africa in 2014, we activated our BCP regarding responses to pandemic influenza or unidentified infectious diseases. We coordinated our actions with relevant government bodies, developed necessary systems and added the Policy for Handling the Ebola Virus Disease (International Flights) to our BCP.

To facilitate speedy confirmation of the safety of all JAL Group staff and their families in the event of a large-scale disaster, we introduced a safety confirmation system in 2007. The Group-wide system was upgraded in 2014 to make safety-related information more readily available. Communication exercises and other drills are conducted regularly throughout the JAL Group to foster staff awareness of risk management and reinforce preparedness for unexpected situations.