

Targets of Material Issues

Material Issue 1	
Business case	Human Capital For a company, human capital is the greatest capital and the driving force behind value creation. Human capital is a driving force for value creation and is a company's greatest capital. We believe that strategically investing in human capital development and improving the workplace environment to maximize the use of such human capital will lead to the medium- to long-term development of the company.
Business strategies	Developing human capital, creating an environment that allows people to continue to work, wellbeing, and improving human productivity
Long-term target	We have established productivity improvement indicators as Value-added productivity indicators related to human resources. FY2025 Target (vs. FY18) : +15% (16,400 yen per yer)
Target year	FY2025
Progress	The goal of value-added productivity is calculated by combining operating profit and personnel expenses, and dividing it by the number of employees. The target for the fiscal year 2025 is 16,400 yen per person, but the progress in the fiscal year 2023 was 17,300 yen. We aim to achieve the value-added productivity indicators for the fiscal year 2025 that we consider appropriate as the ANA Group, while making appropriate investments in human resources.
Executive Compensation	The achievement level of long-term targets is linked to the value of executive compensation. (Productivity Improvement Indicator)

Material Issue 2	
Business case	Diversity, Equity & Inclusion (DEI) If we are unable to foster a corporate culture of diversity, and provide a service that gives consideration to the diverse backgrounds of our customers, our customers will not support us, and we will not be able to grow our revenues for international flights.
Business strategies	Provide development programs for women's careers and global human resources; consolidate the attractiveness of our appraisal/appointment/support systems for employees.
Long-term target	Achieve an average score of 4.03 in the ANA Way Survey of employee satisfaction in FY2025.
Target year	FY2025
Progress	FY2023 : Score avg. 3.95
Executive Compensation	The achievement of long-term goals is linked to the amount of executive compensation (employee satisfaction)

Material Issue 3	
Business case	Climate Change If we do not take the lead and deliver policies relating to climate change- especially in light of the IATA, ICAO and COP 21 agreements - expanding our international flights business will require incurring heavy costs for the likes of emissions credits.
Business impact	Cost
Business strategies	Aggressive introduction of new aircraft with high environmental performance; Promotion of fuel-saving measures; Promotion of joint programs with fuselage/engine makers to develop new technologies; Contracts for SAF procurement and support/investment in SAF manufacturing companies; Investment in and support for venture companies seeking to develop Direct Air Capture (DAC) technology to capture and permanently "remove" CO2 directly from the atmosphere, which cannot be reduced by SAF or other means;
Target/Metric	CO2 emissions reduced by 10% or more in FY2019 CO2 emissions of less than 11.09 million tons. The target period is from 2023 to 2025.
Target year	FY2025
Progress	FY2023: CO2 emissions were reduced by 15.1% in FY2019 FY2023: CO2 emission amounts to 10.47 million tons
Executive Compensation	The achievement level of Targets is linked to the value of executive compensation. (CO2 Emissions at the End of FY2025)

Material Issues for External Stakeholders

Impact 1	CO2 emissions from aircraft operations that affect climate change
Topic relevance on external stakeholders	Since the Industrial Revolution, global economic growth has led to an increase in greenhouse gas emissions from corporate activities. With rising temperatures, natural disasters have increased significantly, and companies are now required to respond to climate change mitigation globally. The airline industry is one of the industries with the largest CO2 emissions, and its growth is linked to its emissions, which have a significant negative impact on climate change. With the expansion of transportation services provided by the ANA Group, the responsibility to reduce CO2 emissions, a negative externality, is significant, and the response to climate change is important.
Output Metric	CO2 Emission Reduction Targets
Impact Valuation	Social carbon costs impact by GHG reduction
Impact Metric	The carbon price represented by EU-ETS regulation
Information	We use the carbon price, which is the social cost of carbon, as an impact indicator. We have adopted the carbon price as a measure of the external impact of our CO2 reduction efforts, and have introduced internal carbon pricing based on the carbon price to promote our CO2 reduction efforts. EU ETS CO2 Credit Price Movement is contracted by us Bloomberg Inc. price chart of Bloomberg, which we subscribe to, as an indicator. As of February 2024, when EU ETS transactions will increase, the price will be approximately 100 EUR/t. The ICP is based on this price.

Impact 2	Respect for the human rights of foreign workers at outsourcing companies that support the aviation industry.
Topic relevance on external stakeholders	ANA Group outsources many operations at airports, such as ground support and in-flight catering, to numerous partner companies. In the midst of a shortage of the Japanese labor force, they are increasingly relying on foreign workers to sustain and expand its business activities. Recognizing the human rights risks for foreign workers in Japan due to differences in language, customs, and culture, ANA Group conducts surveys to understand the actual working conditions and provides support for improvement, including for partner companies. It is believed that this initiative has led to an increase in satisfaction among foreign workers at partner companies and has contributed to an increase in the number of hires.
Output Metric	Number of serious complaints handled
Impact Valuation	Improvement of working conditions.
Impact Metric	Improvement of satisfaction among foreign workers.
Information	ANA Group conducts various surveys to understand the working and living environment of foreign workers employed by partner companies in the supply chain. In particular, we monitor the number and content of voices from workers received through the complaint handling system. Over the past three years since 2021, they have received a total of 18 cases, and have responded appropriately and promptly to each one. In cases where we identified potential risks, we analyze the situation and causes in cooperation with partner companies, and conduct Improvement activities for the physical working environment. (refer to the human rights report). As a result of these improvement activities, they conduct regular follow-up surveys to measure the impact on workers. This includes conducting on-site interview surveys and questionnaires with workers to measure whether their satisfaction has improved. In fact, the results of the survey conducted in 2023, across 18 companies, received an average high rating of 4.54 (out of 5) for the 34 questions aligned with the Dhaka Principles.

Emerging Risk

Emerging risk 1	
Description	<p>Potential uncertainty in the current large aircraft manufacturer system</p> <p>Recently, a series of issues questioning the quality of aircrafts manufactured by Boeing, an aircraft manufacturer, has occurred. In January 2024, an aircraft manufactured by Boeing, had an accident where a hole opened in the fuselage during the flight. In April of the same year, there was an internal whistleblowing by the company's employees about sloppy quality control, leading to significant quality issues related to the company's aircrafts. Thus, there is a potential uncertainty in the current large aircraft manufacturer system.</p>
Impact	<p>In order to ensure safety, if a manufacturing defect or a similar problem occurs or is discovered in an aircraft, it may be necessary to preventively suspend the operation of the aircraft. In such cases, cancellation or reduction of flights may occur due to a shortage of aircraft, which could potentially affect the business operation of our group.</p> <p>If it takes time for Boeing to resolve quality issues and to restore trust, and if an aircraft supplier is limited to one company for the time being, it could cause us a problem in aircraft procurement and affect the business operation of our group in the medium to long term.</p>
Mitigating actions	<p>We are committed to achieving high-quality operations including safety, through close information and opinion exchange with aircraft manufacturers and others on a regular basis. Right after the recent quality issues of Boeing, we have been receiving explanation on the situation directly from Boeing, and we are striving to understand the situation accurately.</p>

Emerging risk 2	
Description	<p>Further instability in global geopolitical situation</p> <p>As our group has been expanding our international airline business in search of further growth opportunities, global geopolitical situation has been becoming increasingly unstable due to the events including unexpectedly arising Israel-Hamas War. In particular, predicting when and where geopolitical events will occur and how the situation will develop afterwards has become increasingly difficult.</p>
Impact	<p>As we have been expanding international air transportation against the backdrop of the globalization of economic activities, if this trend were to stagnate or reverse due to conflicts between major powers or political instability, business travel / tourism demand could slump and aircraft operations themselves could become unsustainable, affecting our group's revenues. In addition, if diplomatic relations with the countries we serve deteriorate, trade may be suspended, and a decline in demand for cargo flights would have a significant impact on our group's business.</p> <p>Furthermore, the instability of the global geopolitical situation could affect not only our international business but also our domestic business through a decrease in the number of foreign tourists visiting Japan. In addition, the impact of increased business costs and other factors such as the cancellation of flights over war and conflict areas and the rerouting of aircraft may have a wide range of effects.</p>
Mitigating actions	<p>In developing our international flight business, we do not make decisions based solely on short-term profitability when building our airline network, but take into consideration the risks associated with international situations and avoid excessive bias toward specific countries and regions.</p> <p>In the event that an emergency response is required due to a deterioration in global geopolitical situations, we will flexibly and promptly change flight plans and routes to reduce the impact of such an emergency.</p> <p>In addition, we have a Business Continuity Plan (BCP) in place to ensure the prompt recovery and continuation of business operations in the event of armed attack or other difficulties in the continuation of air transportation operations.</p> <p>Furthermore, we are focusing on expanding revenues from non-aeronautical businesses in order to limit the impact of a decline in revenues from the airline business.</p>

Internal Reporting System

The number of reports was 273, an increase of 20% compared to last year. However, more than half of the reports were minor reports related to human relationships, and there were no significant compliance violations.

Reporting on breaches

Number of breaches to Code of Conduct (FY 2023)	
Corruption or Bribery	0
Discrimination or Harassment	0
Customer Privacy Data	0
Conflicts of Interest	0
Money Laundering or Insider trading	0

Policy Influence

Contributions and Other Spending		FY2020	FY2021	FY2022	FY2023
Lobbying, interest representation or similar	million yen	0	0	0	0
Local, regional or national political campaigns / organizations / candidates	million yen	3.0	3.0	6.0	11.0
Trade associations or tax-exempt groups	million yen	40.7	39.9	50.7	48.3
Other	million yen	0	0	0	0
Total amount	million yen	43.7	42.9	56.2	59.3
Data coverage	%	100	100	100	100

Largest Contributions & Expenditures (FY2023)	
Political organizations	
Liberal Democratic Party	million yen 11.0
Trade associations	
RSB (Roundtable on Sustainable Biofuels)	million yen 0.7
WSS (IATA World Sustainability Symposium)	million yen 0.1
International Air Transport Association (IATA)	million yen 22.0
The Scheduled Airlines Association of Japan	million yen 19.3
All Japan Air Transport and Service Association	million yen 6.3

Corruption & Bribery

Charitable contributions (FY 2023)	
Cash contributions	million yen 3.8

Supply Chain Risk

Description of supply chain	
Total number of Tier-1 suppliers	1,780
Number of critical suppliers	345
tier 1	244
non-tier 1	101
Ratio of total spend on significant suppliers in Tier-1 %	80.9
Ratio of assessed suppliers	77.4
Number of sustainability high-risk suppliers	
tier 1	85
non-tier 1	57
Ratio of corrective action	100.0
Definition of critical suppliers	
The ANA Group selects its key suppliers by comprehensively considering various ESG perspectives, including environmental, social, and governance aspects, as well as sector-specific and country-specific risks. We also take into account factors such as the scale of procurement, the indispensability of the goods or services, the soundness of the supplier's business, and the relevance to the overall business of the ANA Group, including aviation transportation. This holistic approach allows us to assess the impact that suppliers have on our operations and prioritize those that are deemed crucial.	
Supply chain risk management measures	
Every year, or at the start of a contract, we conduct ESG surveys in accordance with the "ANA Group Supplier Code of Conduct." For surveys targeting domestic companies, we utilize information from Tokyo Shoko Research Co., Ltd. For surveys targeting overseas companies, we employ a third-party approach conducted by Asuene Corporation. We also consider human rights as a critical risk area in terms of sustainability and conduct human rights due diligence as an important method for identifying risks in the supply chain.	
Definition of high risk suppliers	
The biggest risk facing our business is the safety of our passengers. We will incur significant negative economic impact if any problem develops in flight operation or maintenance. In terms of flight operation, we also carry significant environmental risk. Next, the Group has a strong brand, particularly in Japan, as a result of our high quality service. Therefore, if any issues develop relating to our service, our brand will suffer, and we will incur significant negative economic impacts. For this reason, our employees involved in ground handling and catering also face high risk. Moreover, these jobs also carry human rights risks, since they are labour-intensive. Therefore, we directly assess our employees involved in flight operation, maintenance, ground handling, and catering, who are deemed to be vulnerable to the above risks. In the results of this assessment, we define any party that is found to have even a small issue in the aforementioned areas to be 'sustainability high-risk'.	

Supplier Selection

ESG factors for supplier selection	
We decide to select/continue with ANA Group Procurement Policy, which includes ESG particularly regarding the environment and security.	
Applied ESG assessment	100
Weight of ESG factors	50

Supply Chain Management KPI

KPI 1	
Target	Annual assessment coverage for critical suppliers (% of suppliers assessed)
Target year	70%
Progress	FY2023
	% FY2021 FY2022 FY2023
	67.3 76.2 77.4
KPI 2	
Target	Annual corrective action coverage for high-risk suppliers (% of suppliers assessed)
Target year	100%
Progress	FY2023
	% FY2021 FY2022 FY2023
	100 100 100
KPI 3	
Target	Coverage of suppliers that take ESG e-learning prepared by ANAHD, in significant suppliers
Target year	50%
Progress	FY2023
	% FY2023
	51.3