


# Materiality definition process

---

Azul Linhas Aéreas 2022



São Paulo - SP  
May 2022

- 
- 1. Objectives and Motivations**
  - 2. Materiality: GRI Standards Definition 2021**
  - 3. Process steps**
  - 4. Results: Material Topics Azul 2022**
  - 5. Material Topics - details**
    - 1. Linkages with GRI Standards Topics**
    - 2. Linkages with the Sustainable Development Goals (SDGs)**

## **Attachments**

- **Result of the online stakeholder survey**

*\*The GRI disclosure items covered in this process are identified in the upper left corner of each slide.*

# 1. Objectives and Motivation

---

# Objective and motivations

---



## Goal of the process:

Define Azul's material topics considering the context and impacts of each topic, according to the 2021 updated version of the GRI Sustainability Reporting Standards (GRI Standards), to guide the strategy, the company's sustainability management and its sustainability reporting process.

## Motivations for reviewing the material topics:

- Evaluate important issues deriving from changes in the industry context;
- Understanding the company's impacts, risks, and opportunities in relation to the topics and improving the vision of how the company generates value;
- Transparency in the process of strategy making and performance reporting, making it possible to communicate more and better on the issues that are actually relevant to stakeholders;
- Meeting the requirements of financial and non-financial reporting standards (sustainability report and integrated report).

# 2. Materiality

---

GRI Standards 2021 Definition

## Materiality: Update on GRI 2021 definition

---

In 2021 the GRI Sustainability Reporting Standards (GRI Standards) were updated and the changes will be effective as of January 1, 2023. One of the main changes in this revision deals with material topics, which now have a specific booklet with guidelines for their definition and reporting, the "GRI 3: Material Topics 2021".

In the updated process, the prioritization of material topics considers the impacts of these topics.

But after all, what makes a topic material?

According to GRI Standards 2021, the significance/significance of an impact is determined by:

- **Severity of impact**
- **Probability of the impact occurring.**

Organizations may be involved in impacts through their own activities, products and services, or as a result of their business relationships with other entities (e.g. suppliers).

## 3. Process steps

---

# Azul Materiality Analysis

## Complete Process

The process of materiality determination sought to identify the company's material topics, i.e., those most relevant to direct the management strategy and also the communication with its stakeholders.

The process was carried out from February to May 2022. **Consultations** were conducted with documents analysis and stakeholder interviews according to the requirements of GRI 3: *Material Topics 2021*, which guide organizations to address information on topics that:

- Reflect the significant economic, environmental, and social impacts of the organization.

The process was conducted in the following steps:





# Azul Materiality Analysis

## Detailing the methodology

According to the GRI Standards 2021, the definition of **material topics** for report content is based on the **organization's current and potential impacts on its business activities and relationships.**

The prioritization of these topics should consider:

- **The severity of the impact, considering scale, scope and character/irretrievability**
- **Probability of the impact occurring**

Using a tool developed by BSD Consulting, the issues mapped out in the identification and assessment process of Azul's impacts were classified considering relevant documents and the result of the impact severity and probability analysis.



# Azul Materiality Analysis

## Secondary sources



- **Objective of the review:** To identify the context of the organization and the main issues and impacts for Azul and for the sector, considering the economic, social and environmental pillars.

### Secondary Sources

#### Internal Azul Documents

1. Sustainability Report 2020;
2. Sustainability Strategy 2020;
3. CVM Reference Form 2021;
4. Climate Change Questionnaire;
5. Sustainability Release and Post 2021;
6. Results 1Q21/ 2Q21/3Q21/4Q21;
7. Announcements to the Market;
8. Fundamentals Sheet/ 4Q21;
9. Noise certification rating.

#### Sectoral Studies / Sustainability Studies

1. The Sustainability Yearbook 2021 - S&P Global and RobecoSAM
2. The Global Risks Report 2022 - World Economic Forum
3. SASB Airlines
4. MSCI - ESG Industry Materiality Map
5. Mobilizing Sustainable Transport for Development - Analysis and Policy Recommendations from the United Nations Secretary-General's High-Level Advisory Group on Sustainable Transport
6. Blueprint for a green recovery - A sustainable growth plan for building global connectivity following the worst crisis in aviation history - ATAG Air Transport Action Group, 2020
7. Mobility performance Brazil, 2020 - Sustainable Mobility for all
8. Global Roadmap of action Toward Sustainable Mobility, 2019 - Sustainable Mobility for all

# Azul Materiality Analysis

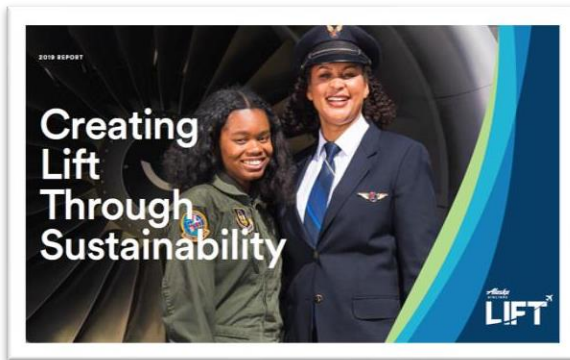
## Secondary sources



- Objective of the review: To identify the main issues and impacts for Azul and for the sector from the point of view of sustainability, considering the economic, social, and environmental axes.

### Secondary Sources

#### Benchmarking



2019 Alaska Airlines Report

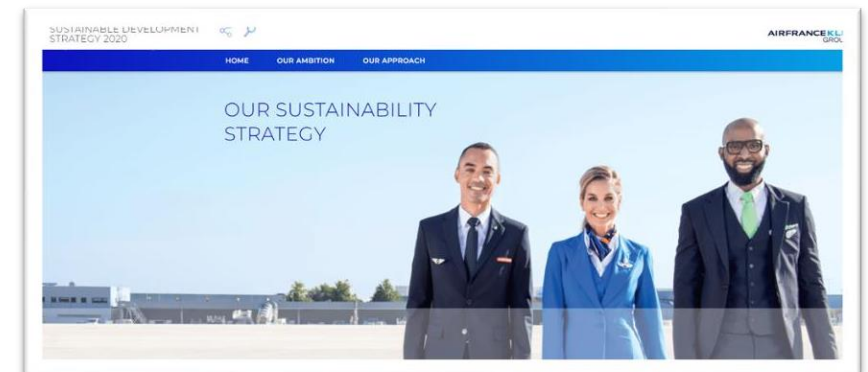


ESD Delta 2020 Report



Corporate Responsibility Report, 2021 United

Sustainable Development Strategy, 2020 AIRFRANCE KLM Group



# Azul Materiality Analysis

## Internal interviews



- **Objective of the interviews:** To identify and prioritize the relevant sustainability topics for Azul, as well as the related impacts and challenges considering the economic, social and environmental pillars.

### Primary Sources

#### Internal interviews

- Interviews were conducted with 10 Azul executives and 1 board member. The interviews took place in March 2021 in person and online.

Name	Area/Position
Abhi Shah	CRO
Alexandre Malfitani	CFO
Ana Paula Viana Machado	Enterprise Risk Manager
Carolyn Trabuco	Advisor
Diogo Youssef	Engineering and Flight Dispatch Manager
Fábio Campos	IR Director
Felipe Starlling	IT General Manager
Flavio Costa	COO
John Rodgerson	CEO
Maria Leticia Machado	Legal
Rafael Linares	Fleet and Aircraft Program Director

# Azul Materiality Analysis

## Online survey



- **Objective of the consultations:** To prioritize the relevant sustainability issues for Azul, as well as the related impacts and challenges considering the economic, social and environmental pillars.

### Primary Sources

- **Online survey**

- Through an online survey, external stakeholders and Azul crew members were consulted.
- The survey consisted of a list of 12 topics where the stakeholder should select 5 that they considered most relevant to Azul. Then justify his choice indicating the impacts associated with the selected topic. This last part was optional.
- You were invited to answer the questionnaire\*:
  - 13,000 crew members; 4 investors
  - 3 clients; 4 partners
  - 4 suppliers
- Participants were invited by email and the survey was available from May 2 to May 13, 2022.
- **895 interactions** were considered in the questionnaire for prioritizing the topics (response rate of 7% of the total guests)

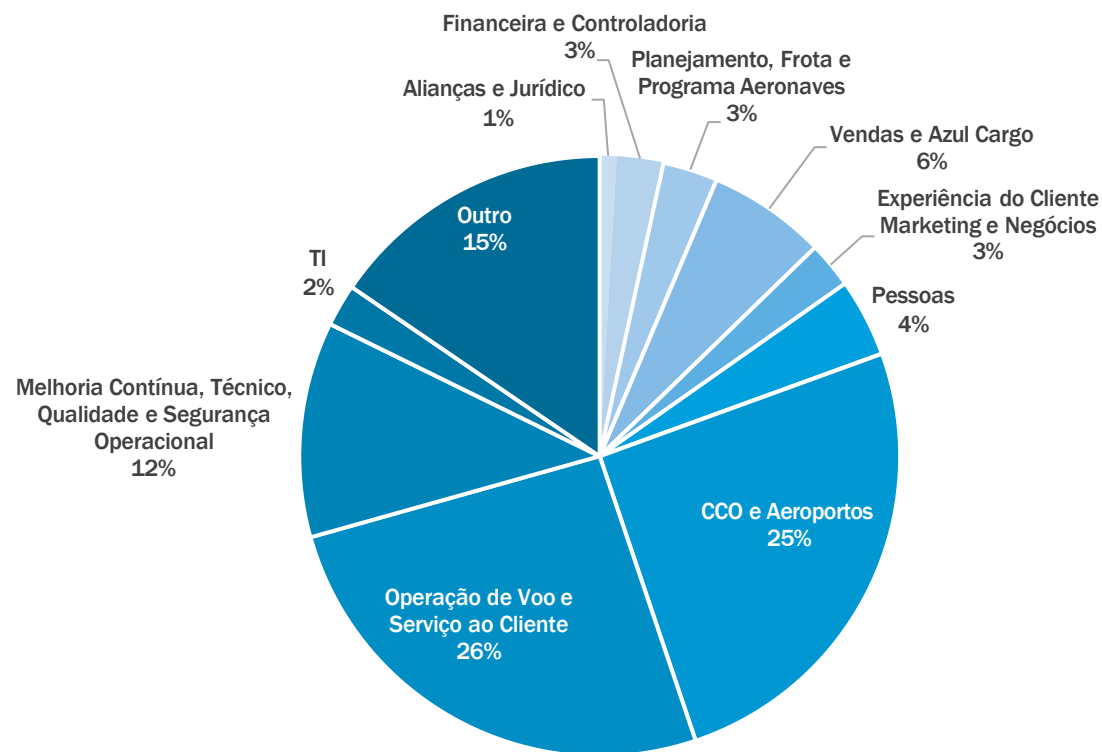
#### Response rate by audience

Crew members	7%
Customers	67%
Investors	75%
Suppliers / Partners*	113%

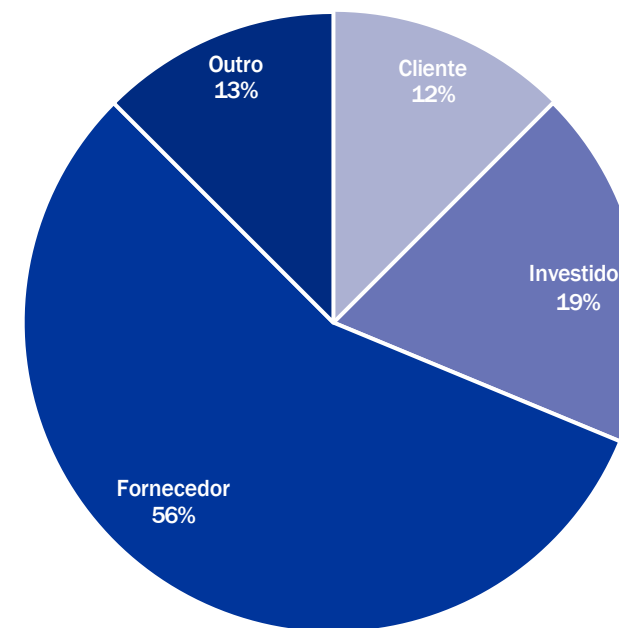
\*There was no response as "partners" so we assume that the stakeholder has identified himself as a supplier given the higher number of responses in relation to the number of guests for this audience. It is also possible that the invitation was forwarded by the stakeholder to other representatives of the company.

# Online survey participation

## Crew members by area



## External public



# 4. Results

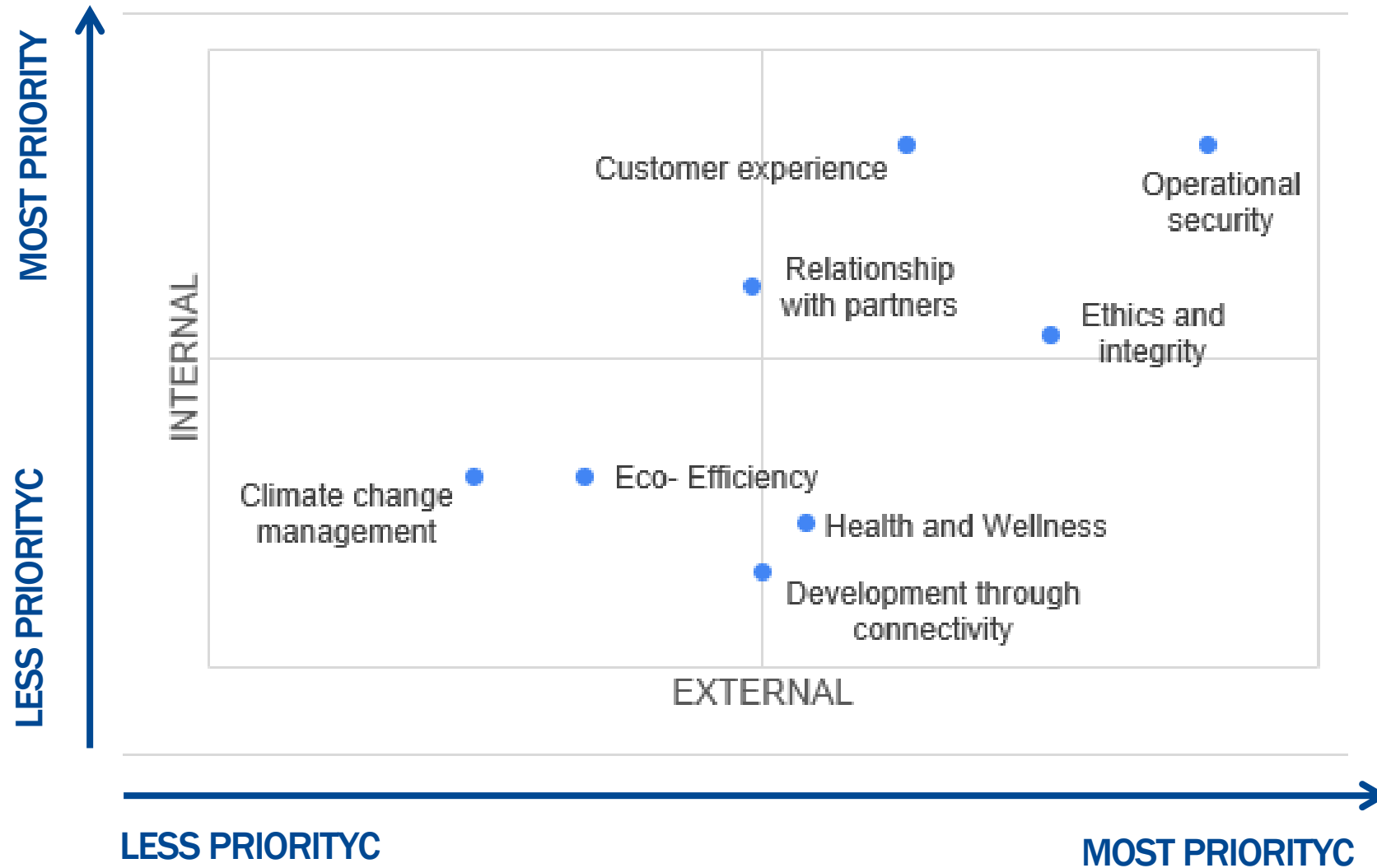
---

Material Topics Azul 2022



# Azul Materiality 2022


## Material Topics





# Azul Materiality 2019/2020 x 2022

	Material Topics	Strategic topics
<b>2019</b>	<ul style="list-style-type: none"> <li>Flight Safety</li> <li>Customer Satisfaction</li> <li>Ethics and fighting corruption</li> <li>Crewmembers' health and safety</li> <li>Engaged and trained professionals</li> <li>Innovation and technological updating</li> <li>Good Relationships with Partners</li> <li>Social Development through Connectivity</li> </ul>	<ul style="list-style-type: none"> <li>Operational Security</li> <li>Ethics and integrity</li> <li>Customer Experience</li> <li>Health and Wellness</li> <li>Development through Connectivity</li> <li>Relationship with Partners</li> <li>Ecoefficiency</li> <li>Climate Change Management</li> <li>Diversity, Equity &amp; Inclusion</li> <li>Social investment and engagement</li> </ul>



**Strategic topics** are those of greatest impact and relevance to Azul and will be part of the company's ESG strategy.

To prioritize the material topics, a percentage of 60% was used as a cut-off line. Therefore, the topics with a classification higher than this value are **strategic topics** that have reached the threshold defined for materiality and need to meet the GRI Standards in the annual/sustainability report in its entirety.

In 2021, the **terminology** of some material topics was revised and the descriptions/subtopics that make it up were updated.

# Azul's Commitments x Material and Strategic Topics 2022

## Sustainable Development Goals Map



SDG goal						
Ensure healthy lives and promote well-being for all	Achieve gender equality and empower all women and girls	Promote sustained, inclusive and continuous economic growth, full and productive employment besides decent work for all	Build resilient infrastructure, promote sustainable industrialization and foster innovation	Make cities inclusive, safe, resilient and sustainable	Take urgent action to combat climate change and its impacts	Strengthen the means of implementation and revitalize the global partnership for sustainable development
Azul's commitments						
Promote safety as Azul's #1 value; Provide a proactive employee wellness program; Promote medical care through our network (Pink October, organ transport, Barretos Hospital).	Ensure women's full and effective participation and equal opportunities for leadership at all levels; Fight all forms of discrimination against women.	Establish trainee and scholarship programs; Protect human rights in our operations and supply chain; Create direct and indirect jobs through our sustainable growth.	Support infrastructure development in local airports; Encourage innovation amongst Crewmembers.	Promote local economic development by connecting underserved (or not served) cities; Ensure that services are not limited to high-density urban destinations, but also remote areas.	Maintain the youngest fleet in Brazil with fuel-efficient aircraft; Monitor, relate and manage Greenhouse Gas Emissions.	Establish partnerships with government authorities, regulators, manufacturers and suppliers on issues involving actions to promote health and safety (people and operations) and climate protection.

Operational  
Security  
Health and  
Wellness

Ethics and integrity  
Relationship with Partners  
Social investment and engagement

Diversity, Equity & Inclusion

Training and development

Innovation and technological updating

Development through  
Connectivity

Customer Experience

Climate Change Management  
Ecoefficiency

# 5. Details of the material topics

---

Azul Materiality 2022



# Material Topics 2021

## Details and Relation to the GRI Standards

This section will present the results of the materiality process, contemplating the mandatory items to be reported according to the **GRI Standards 2021 G3: Material Topics\***.

**GRI item 3-1** refers to the explanation of the **process used to determine material topics**, including:

- How it identified **actual and potential**, negative and positive **impacts** on the economy, environment, and people, including human rights impacts, in its activities and business relationships;
- How it prioritized the impacts for reporting based on their significance;
- Which stakeholders and experts were involved in the process of determining the material topics.

Items also contemplated in this section, present in the **GRI Standards 2021**, referring to material topics:

- **GRI 3-1 b:** Specify the stakeholders and experts whose views informed the process of determining material topics.\*\*
- **GRI 3-2:** List of material topics
- **GRI 3-2 a:** describe the actual and potential, negative and positive impacts on the economy, environment and people, including impacts on their human rights

\*There is still no official translation of the updated standard into Portuguese. The terms used here are free translations.

\*\* In addition to the BSD analysis, the Sustainability Accounting Standards Board | SASB Airlines and the International Air Transport Association | IATA Airline Sustainability Reporting Handbook were considered as expert sources of information.

# Material topics 2021

## Detail of the material topic

### Climate Change Management

Operate more efficiently (fuel use, fleet modernization, incorporation of more sustainable fuels, etc.) in order to reduce emissions.

#### Identified impacts and opportunities

- This topic is associated with the aviation industry because of the amount of fuel required and the consequent emissions generated throughout the chain.
- **Prioritized in relevant sector documents** and with specific indicators for reporting: Sustainability Accounting Standards Board | SASB Airlines - Greenhouse Gas Emissions and in the International Air Transport Association | IATA Airline Sustainability Reporting Handbook - Energy and Emissions.
- **The risks and opportunities related to climate change** have been taking more space in global discussions and have already become **criteria for stakeholders' decision making**.
- **The modernization of the fleet**, which is being carried out for Azul, is an important initiative and has the image associated with **reducing the need for fuel and emissions**.
- Also, the observation of the market movement in relation to the **development of new, more sustainable fuels** is fundamental in order to be always up-to-date in relation to the existing options and make **responsible and sustainable choices** for the company and society.



### Crew Survey.

- *"Even though it is expensive, there is a very large political and advertising capital in promoting flights with less polluting fuel. It's true that reducing consumption and negotiating prices will always be central to Azul's operations and the impacts we generate on the environment, but we also need to position ourselves as a sustainable player in the market and that involves investing in innovative ways to make our flights 'perceptibly greener'." (People)*
- *"We have contact with great executives in ESG. This is a very relevant topic for companies. Those that don't create effective means to contribute to this topic may be left out of investment rounds, of the choice of use of the product/service by clients, of the image/brand impacted. In the segment we are in, with the use of aircraft, contributing to this issue is essential." (Customer Experience Marketing and Business)*
- *"If we do our part in reducing emissions we will be getting closer with the customer and raise the name of our brand in the market, setting this example, making the market tend to follow the same practices and generating a flow of companies that permeate sustainability and conservation of our planet. (Alliances and Legal)*
- *"Reduction in climate effects, customers demanding a positioning from companies, reduction in CO2 consumption, investors admiring companies with this profile." (Financial and Controlling)*



### External survey:

- *"Airlines are big emitters, but essential to the economy. The path to decarbonization is more complicated for this sector than for the energy sector, for example. That said, investing in fleet modernization, SAF at scale, and innovation that are long-term decarbonization solutions. Investment in quality offsets is an important initial solution, but industry leaders are moving beyond offsets to invest in carbon capture and storage projects."* (Investor)
- *"Sustainability is the most relevant global topic in our days, the management responsible for this topic must be totally linked to the technological innovations and updated with the sustainability guidelines aiming at the future, because sustainability is only consolidated when actions are thought in the medium and long term"* (Supplier)

# Material Topics 2021

## Detail of the material topic

### Ecoefficiency

Reduce the need for material use and waste generation, circular economy.

#### Identified impacts and opportunities

- The topic is also present in the IATA document on Waste and effluents.
- Besides the financial advantages for Azul, eco-efficiency can bring a competitive differential and image gain for the company.
- Seeking alternative solutions for packaging, paper use, among others, should be a constant concern for all companies, aiming to create new consumption patterns where fewer resources are needed.
- Taking the advantage of the interrelation of actions it is possible to have gains on other fronts, as in the example of the digitalization of documents carried on the aircraft that resulted in less weight, less fuel, and more space.
- The issue of eco-efficiency and circular economy has been gaining space and will have gains if thought of in a collaborative way, either with peers or with suppliers seeking innovation in processes and operations, willingness to break patterns and create new models for success.





### Survey crew:

- *"Reducing has two main points: Reducing usage by prioritizing technology and more effective ways help the environment and the company's financials." (CCO and Airports)*
- *"I also consider it as mandatory and not very widespread today at Azul" (Customer Experience Marketing and Business)*
- *"Alignment with sustainable practices that make the company a 'benchmark' in the airline industry and increases the feeling of pride in working at Azul. Encourage the culture of reuse and recycling" (Other)*
- *"Here I mention what bothers me the most, the ABSURD amount of waste that is generated on flights, both on board service and crew meals, such as plastic, paper, Styrofoam, etc, etc, etc. It is a lot of garbage! I suggest putting the meals in little boxes to be reused and not packed in plastics and Styrofoam, and I suggest putting pet bottles (or even glass bottles) of water to perform the in-flight service. I also suggest not packing the baskets in plastic bags and doing the trash pickup with the trash trolley, to avoid using so many trash bags." (Flight Operation and Customer Service )*



### External Survey

- *"More and more, concern for the environment is treated as one of the main fronts for companies." (Supplier)*

# Material topics 2021

## Detail of the material topic

### Health and Wellness

Occupational safety, health & wellness, quality of life for all the company's crew members.

#### Identified impacts and opportunities

- Present in SASB - Labor Practices and IATA - Working Conditions documents.
- Crew issues in general gained momentum after the changes experienced during the pandemic.
- Mental, physical, and emotional health are now being treated more systematically by the companies, because, besides having a direct impact on the operation, it also becomes a differential for attracting and retaining talent.
- Although the issue of diversity, equity, and inclusion was independently consulted during Azul's materiality process and has not been prioritized in this cycle, creating an environment of respect, valuing differences, with room for different ways of being and acting, is a conduct expected and observed by society and certainly valued by the crewmember, reflecting directly on their health and well-being.



### Survey crew:

- *"Understanding the priority points for its collaborators and actively working for this, is fundamental to maintain the focus, energy and disposition of Azul's crew members. A person who has stability in his personal life and a good quality of life tends to have more disposition and proactivity, being able to bring increasingly better results." (Planning, Fleet and Aircraft Program )*
- *"Wellness includes job security, overall mental and physical health, quality of life, and also the person knowing and being able to rest in their rest periods." (Planning, Fleet and Aircraft Program )*
- *"With the team feeling more secure, valued, cared for by the company, it will bring greater engagement and commitment." (Sales and Azul Cargo)*
- *"If the employee is satisfied with the work environment and feels healthy and well, he will produce more and better, and consequently produces savings for the company and for society. The work performed will be safer, which generates reference for the others. It will be a cycle of continuous improvement generated automatically by the employees themselves" (Continuous Improvement, Technical, Quality and Operational Safety)*



### External Survey

- *"Quality of life and employee wellness is among the main points to develop a good work environment, avoid high turnover and allow employees to give their best, consequently improving work delivery and customer satisfaction." (Supplier)*
- *"Concern for job safety, health and welfare make the organization a better environment for employees." (Supplier)*

# Material topics 2021

## Detail of the material topic

### Customer Experience

Customer service, communication, and contact with the client. Differentiated services and service channels.

#### Identified impacts and opportunities

- Present in the IATA document - customer experience.
- This topic has been placed as **central to business** in many sectors. The way business is thought of now takes more account of **customers' needs and expectations**, causing companies to mold themselves to them rather than the other way around.
- Offering quality services, ease of access, data security, and privacy, among others, directly impact the customer's **trust and favorability towards** the company.
- Monitor the performance in all interactions with this audience (advertising, ticket purchase, service at the airport, service channels, on-board service, etc.) seeking to identify points of improvement and see all points of contact as opportunities to build customer loyalty and to get to know them better.
- In a highly competitive environment, this topic has **greater importance** and **new opportunities** have opened up with **digital channels** and innovations in customer service.



### Survey crew:

- *"Even if you present a good solution to the public, with products or services that solve their problems, the lack of good service will directly impact the results." (Continuous Improvement, Technical, Quality and Operational Safety)*
- *"We are in the age of consumer experience, in which they prioritize brands with which they can have consumption experiences. Therefore, we have to do our utmost to delight our customers, aiming at building loyalty to our Azul brand." (Continuous Improvement, Technical, Quality and Operational Safety)*
- *"Without a customer we have no flights. Keeping a customer is more important than winning a new one" (TI)*
- *"Satisfied customers buy more and helps ensure business continuity and sustainability." (TI)*
- *"Efficient services and differentiated service channels is what will make our customers loyal to our company." (Flight Operations and Customer Service)*
- *"Speed of service and diversification of access to communication channels should be the focus for maintaining high NPS, and consequently, customer loyalty." (CCO and Airports)*
- *"Customers (internal and external) are the essence of any business model. Without them, there is no business. Keeping them satisfied should be an ongoing challenge." (CCO and Airports)*



### External survey:

- *"Having as a very important point to ensure the profitability of the company is the responsibility of everyone involved. Thus, customer satisfaction, as measured by NPS and other indicators, provides adequate guidance for the orientation of actions that can provide:*
  - *higher average ticket per passenger;*
  - *loyalty and frequency;*
  - *consolidation of the company as top of mind when it comes to choosing 'who to fly with'.*

*All of this translates into revenue. And revenue, coupled with effective cost control, perpetuates the company and everyone involved." (Supplier)*

- *"Several peers have NPS metrics tied to executive compensation. Customer satisfaction is key to ensuring that customers identify the company as a travel provider choice and help protect market share" (Investor)*

# Material topics 2021

## Detail of the material topic

### Ethics and integrity

Promoting integrity and ethical business relationships (fair competition, combating smuggling and corruption).

#### Identified impacts and opportunities

- Present in the SASB document as Competitive Behavior and in the IATA document as Conduct and Compliance, this topic is applicable to any company.
- Strengthened by the **Brazilian reality** that has low rates related to compliance<sup>1</sup>, **it is necessary to strengthen the mechanisms for managing the topic** to ensure the desired conduct and avoid image, reputation, and financial risks.
- Also because of the characteristic of the business, which favors **transit between locations**, it is necessary to pay attention not only to **internal conduct**, but also to the **company's operation**, which can be used as a mechanism for criminal conduct such as **smuggling**, for example.
- The **training of crew members** to identify such situations, as well as a **reliable channel for denunciations** must be guaranteed by Azul in order to reduce the risk of involvement in these situations.

<sup>1</sup> <https://www.transparency.org/en/cpi/2021/index/bra>



### Survey crew:

- *"Ethics and integrity are important to generate moral value for the company, They create the 'reputation' that other companies will want to follow and that will make it chosen by customers." (Continuous Improvement, Technical, Quality)*
- *"Ethics and integrity are fundamental to have a good relationship, a company with a work environment where everyone feels good and confident to develop the best for vitality, commitment and satisfaction with the work developed" (Flight Operation and IC Service)*
- *"I believe this topic is important because credibility, trust and good practices make us more respected and admired before our customers and society." (Sales and Azul Cargo)*
- *"Integrity in relationships has proven to be a decisive factor in the decision making of corporate customers and leisure, it is critical to the perpetuity of the company." (Planning, Fleet and Program)*



### External survey:

- *"When we talk about Ethics and integrity, we are talking about the image associated with customer and market trust since, this topic is part of the entire process to which the organization belongs and the target of the organization can only be defined after this process is well defined and presented to the market and customers." (Supplier)*
- *"This will bring more business in the long run, no shortcuts should be allowed" (Investor)*



# Material topics 2021

## Detail of the material topic

### Operational Security

Risk management and promotion of operational safety, regulatory compliance.

#### Identified impacts and opportunities

- Present in the SASB document as Accident and Safety Management.
- The topic is already consolidated within Azul presented as its very first value.
- The financial and image impacts associated with the operational safety issue are also known and monitored by the company.
- Qualifying all crew members and those responsible for operational safety, ensuring the necessary requirements for carrying out maintenance, inspections, etc. is paramount for a safe operation.



### Survey crew:

- *"It is non-negotiable. Having total control of the regularity of the operation, as well as, ensuring that your employees have full participation in making this concept effective."(CCO and Airports)*
- *"Safety makes all people connected with Azul, both customers and employees, feel confidence in the company, as by the lack of safety accidents and incidents can happen, bringing great damage to the company and loss of life." (Flight Operation and Customer Service)*
- *"Any failure in flight safety demonstrates to customers doubts about our maintenance process and crew training." (Planning, Fleet and Aircraft Program)*
- *"The negative impact that can occur for the company if an accident happens is catastrophic, so we need to appreciate and value maintenance. Focusing on quality and training is very important, and as I follow this area closely I see that there is much to be done. A good maintenance makes us feel safe to travel with Azul and the customer should also know more about this to feel more and more secure to use our flights." (Financial and Controllershship)*



### External survey:

- *"Operational safety and regulatory compliance, even beyond what is required by law, are fundamental licenses to operate in the industry. Safety incidents affect the health and safety of people, corporate reputation, cost of capital, and customer choice. For investors, safety management systems, as well as performance and incident management, provide a window into the quality of management and governance." (Investor)*
- *"It is a primary goal of air operators, given the severity of the impacts that an accident can overall, both from the standpoint of loss of life and material damage, and image for the company."(Regulator)*
- *"...It can be seen that thanks to standardized operational doctrines, and by virtue of the proactive philosophy of the SGSO programs, it is possible to significantly and qualitatively increase and improve the safety of airline operations within an aeronautical organization in any area of operation. These programs are not restricted only to flight operations and crew members and technicians, but cover the entire aeronautical organization that makes use of them, aiming at standardization and Safety Management in Operations, covering all employees and collaborators of the organization, even if they do not have direct contact with the flight operation." (Supplier)*

# Material topics 2021

## Detail of the material topic

### Development through Connectivity

Attendance of more isolated regions (route availability); Transport of health professionals; Income generation in the connected sites.

#### Identified impacts and opportunities

- Opportunity for Azul to strengthen its **positive impact** with an integrated view of the effects of its strategy to expand routes **servicing isolated regions, income generation and local development through direct and indirect opportunities** arising from the company's presence. It is likely that the company has a relevant impact on the increase of GDP and HDI of certain regions and needs to monitor this more closely.
- The company had and still has an important role in the **population's access to health care** by transporting patients and doctors and contributing to the distribution of vaccines throughout the country.
- Besides the impact on **image and reputation** associated with the fact that it provides **effective social gain** by providing access to health care for populations in isolated or less structured regions, Azul becomes a **company admired** by its crew members, fostering the **pride of belonging**, which **directly impacts the crew members' performance and attracting and retaining talent**.
- It is this **integrated vision** that should be exercised by the company to **strengthen its performance on environmental, social, and governance issues**.

# Development through Connectivity

## Highlights of the queries



### Survey crew:

- *"Besides being fully aligned with Azul's routing strategy, transporting health professionals and supplies is a priority for the human condition in more remote parts of the country." (TI)*
- *"I believe that economic growth is the only tool to foster the improvement of life for all people in a certain region. The direct and indirect impact that a regular airline operation has on a city (especially in smaller cities) is fantastic, I am proud to tell everyone that Azul provides a better life for all Brazilians, especially those who do not live in urban centers, and especially, who are not hostage to routes between big cities." (Continuous Improvement, Technical, Quality and Operational Safety)*
- *"I believe this is one of the most positive impacts of Azul. Connecting remote regions brings development and resources to places that were previously difficult to access." (Customer Experience Marketing and Business)*
- *"The greater our capillarity, the greater the development of the less favored regions and those lacking resources, we can and must, along with development, multiply the importance of Sustainability."(Sales and Azul Cargo)*
- *"Serving isolated regions fosters social and economic development, which contributes to reducing social inequality." (Planning, Fleet and Aircraft Program)*
- *"This development will be good for those who live in remote regions, but on the other hand it may be expensive for those who will use it, and often it is poorer people who are in these regions. Something needs to be developed that would be good for both. Maybe a sponsor to pay for tickets for the needy who are in these remote regions and need to travel to other cities. Take advantage of the moment of online shopping and create distribution points near these places to generate income. Maybe some services where Azul hires labor can also be included" (Financial and Controllershship)*



### External survey:

- *"Azul has helped create more jobs with better connectivity over the years and we think that should continue." (Investor)*

# Material topics 2021

## Detail of the material topic

### Relationship with Partners

Relationship with suppliers and associates, value addition through strategic partnerships

#### Identified impacts and opportunities

- Present in the IATA document as Supply Chain Sustainability Management.
- Azul can expand its impact by looking at its value chain and fostering sustainability at its partners.
- Actions such as **selection using sustainability criteria**, supplier self-assessment followed by **support for improvement**, audits focused on socio-environmental issues, **prioritization of local labor**, **balance between purchase criteria** (price x generated impact), among others are actions carried out by peers and that bring benefits to all involved and to society.
- The **partnerships help Azul to achieve its goals of promoting safety, climate protection, innovation, and other opportunities.**

# Relationship with Partners

## Highlights of the queries



### Survey crew:

- *"The industry is very complex and as we see today a failure in the supply chain of one partner can affect the operation of our entire business. We have to have a reverse CRM with all our main partners and develop a way to monitor this operation in order not to compromise our business. How many suppliers do we have today? Do we monitor them all in a systemic way?" (Planning, Fleet and Program)*
- *"To provide services for our company, our partners must be engaged with our values and ethical conduct. Negotiations must occur in a transparent manner so that our partners are also able to have their profitability to ensure their survival in the market, thus being able to practice sustainability requirements in their organizations." (Others)*
- *"I believe that our relationship with partner companies that have the same vision of sustainable development is important so that we have the opportunity to engage partners in seeking sustainable improvements in their service delivery to us." (Finance and Controllershship)*
- *"Azul must be concerned with the relationship with its partners, because many of them are present at the time of our operations and are seen by our customers, that is, they are somehow tied to our name Azul. Having a partner with values different from those preached by the company can be harmful to Azul, for example keeping a partner involved in any case of corruption or in poor working conditions of its employees or that does not have transparency in their relationships go against our values and we cannot support these postures and much less have this tied to our name." (CCO and Airports)*
- *"Partnering with important companies and associations that also have best practices, culture and credibility are important associations and make us even stronger." (Sales and Azul Cargo)*

# Relationship with Partners

## Highlights of the queries

---



### External survey:

- *"An ecosystem that houses an airline is complex and requires multiple specialties that are very difficult to develop in-house. Selecting partners with the best qualifications and establishing balanced, as fair and seamless relationships as possible is paramount and adds a lot of long-term value." (Supplier)*
- *"This topic is very important, because transparency combined with ethics and integrity between the organization and its partners make the provision of services much more satisfactory to the end customer making - it more solid both in the market and in the financial scenario." (Supplier)*
- *"Long-term partnerships with relationships aimed at achieving the best solutions are key to Azul's sustainable development." (Supplier)*



# Strategic topics

Topics that have impact and relevance for Azul and that will be part of the company's ESG strategy, but are not required to be reported fully according to the GRI Standards in the report.

## Innovation and technological updating

Innovative solutions that meet customers' needs and alternatives that bring efficiency and security to operations.

## Training and development

Engagement with company culture, training and career development of employees

## Diversity, Equity & Inclusion

Inclusive environment, promotion of diversity and equity at all levels of the organization

## Social investment and engagement

Volunteer Program, Scholarship Program, support to social projects.

# 5.1 Content of the Sustainability Report

---

Cross-referencing material issues with GRI Standards

SASB Indicators

# Content - Sustainability Report

## Material Topic x Related GRI Topic

Material topic	Description	Related GRI Topic	GRI Disclosure Items	Item published in the 2020 Azul Sustainability Report	
Climate Change Management	Operate more efficiently (fuel use, fleet modernization, incorporation of more sustainable fuels, etc.) in order to reduce emissions.	GRI 103 Forms of Management 2016: GRI 302 Energy 2016	103-1 Explanation of the Material Topic and its Limit	-	
			103-2 Management approach and its components	-	
			103-3 Evaluation of the form of management	-	
		GRI 302 Energy 2016	302-1 Energy consumption within the organization	Yes	
		GRI 103 Forms of management 2016: GRI 305 Emissions 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-	
			GRI 305 Emissions 2016	305-1 Direct greenhouse gas (Scope 1) emissions	Yes
				305-2 Indirect emissions (Scope 2) of greenhouse gases (GHG) from the acquisition of energy	Yes
				305-4 Greenhouse gas (GHG) emissions intensity	Yes

• For each material GRI topic it is necessary to disclose how it is managed and at least one performance indicator to meet the essential *agreement option*.

# Content - Sustainability Report

## Material Topic x Related GRI Topic

Material Subject	Description	Related GRI Topic	GRI Disclosure Items	Item published in RS Azul 2020
Ecoefficiency	Reduce the need for material use and waste generation, circular economy.	GRI 103 Forms of management 2016: GRI 301 Materials 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 301 Materials 2016	301-1 Materials used, by weight or volume	Yes
		GRI 103 Forms of management 2016: GRI 306 Waste 2020	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
			306-1 Waste generation and significant waste-related impacts	No
		306-2 Managing significant impacts related to waste	No	
GRI 306 Waste 2020	306-3 Generated waste	No		

Material topic	Description	Related GRI Topic	GRI Disclosure Items	Item published in RS Azul 2020
Customer Experience	Customer service, services, communication, and contact with the client. Differentiated services and service channels.	GRI 103 Forms of Management 2016: GRI 418 Customer Privacy 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	Yes
		GRI 418 Customer Privacy 2016	418- 1 Substantiated complaints regarding breaches of customer privacy and loss of customer data	

# Content - Sustainability Report

## Material Topic x Related GRI Topic

Material Subject	Description	Related GRI Topic	GRI Disclosure Items	Item published in RS Azul 2020
Health and Wellness	Occupational safety, health & well-being, quality of life for all the company's crew members...	GRI 103 Forms of Management 2016: GRI 402 Labor Relations 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 402 Labor Relations 2016	402-1 Minimum notice period regarding operational changes	No
		GRI 103 Forms of Management 2016: GRI 403 Occupational Health and Safety 2018	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
			403-1 Occupational health and safety management system	Yes
			403-2 Hazard identification, risk assessment, and incident investigation	Yes
			403-3 Occupational health services	Yes
			403-4 Worker participation, consultation and communication with workers regarding occupational health and safety	Yes
			403-5 Worker training in occupational health and safety	Yes
			403-6 Worker health promotion	Yes
			403-7 Prevention and mitigation of occupational health and safety impacts directly linked to business relationships	Yes
			403-8 Workers covered by an occupational health and safety management system	Yes
			GRI 403 Occupational Health and Safety 2018	403-9 Industrial accidents
		403-10 Occupational diseases	Yes	

# Content - Sustainability Report

## Material Topic x Related GRI Topic

Material Subject	Description	Related GRI Topic	GRI Disclosure Items	Item published in RS Azul 2020
Ethics and integrity	Promoting integrated business relationships (fair competition, combating smuggling and corruption).	GRI 103 Forms of Management 2016: GRI 205 Fighting Corruption 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 205 Fighting Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Yes
		GRI 103 Forms of Management 2016: GRI 206 Unfair Competition 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 206 Unfair Competition 2016	206-1 Legal actions for anticompetitive behavior, anti-trust, and monopoly practices	No

Material topic	Description	Related GRI Topic	GRI Disclosure Items	Item published in RS Azul 2020
Operational Security	Risk management and promotion of operational safety, regulatory compliance.	GRI 103 Forms of Management 2016: GRI 416 Consumer Health and Safety 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 416 Consumer Health and Safety 2016	416-1 Assessment of health and safety impacts caused by product and service categories	Yes
			416-2 Cases of non-compliance regarding health and safety impacts of products and services	No
		GRI 103 Forms of Management 2016: GRI 419 Socioeconomic Compliance 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
GRI 419 Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the socioeconomic area	No		

- For each material GRI topic it is necessary to disclose how it is managed and at least one performance indicator to meet the essential *agreement option*.

# Content - Sustainability Report

## Material Topic x Related GRI Topic

Material Subject	Description	Related GRI Topic	GRI Disclosure Items	Item published in RS Azul 2020
Development through Connectivity	Attendance of more isolated regions (route availability); Transport of health professionals; Income generation in the connected sites.	GRI 103 Forms of Management 2016: GRI 203 Indirect Economic Impacts 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 203 Indirect Economic Impacts 2016	203-1 Infrastructure investments and support services	No
			203-2 Significant indirect economic impacts	No

Material Subject	Description	Related GRI Topic	GRI Disclosure Items	Item published in RS Azul 2020
Relationship with Partners	Relationship with suppliers and associates, value addition through strategic partnerships	GRI 103 Forms of Management 2016: GRI 308 Environmental Assessment of Suppliers 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 308 Supplier Environmental Assessment 2016	308-1 New suppliers selected based on environmental criteria	No
		GRI 103 Forms of Management 2016: GRI GRI 414 Social Assessment of Suppliers 2016	103-1 to 103-3 Explanation of the material topic and its Limit, Management approach and its components, Evaluation of the management approach	-
		GRI 414 Social Assessment of Suppliers 2016	414-1 New suppliers selected based on social criteria	No

# Content - Sustainability Report

## SASB Items

SASB Topic	Code	Reporting Metrics
Greenhouse gas emissions	TR-AL-110a.1	Scope 1 gross global emissions
	TR-AL-110a.2	Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emission reduction targets, and an analysis of performance against targets
	TR-AL-110a.3	Total fuel consumed, percentage of alternative fuel and sustainable fuel
Labor Practices	TR-AL-310a.1	Percentage of the active work force covered under collective agreements
	TR-AL-310a.2	Number of worker stoppages and total idle days
Competitive Behavior	TR-AL-520a.1	Financial losses from anti-competitive conduct litigation and what corrective actions were taken
Accident Management and Safety	TR-AL-540a.1	Description of the implementation and results of a safety management system
	TR-AL-540a.2	Number of air accidents
	TR-AL-540a.3	Number of aviation security measures taken by the government
Activity Metric	TR-AL-000.A	Available Seat Kilometers (ASK) - Number of seats multiplied by the kilometers traveled
	TR-AL-000.B	Passenger load factor
	TR-AL-000.C	Revenue passenger kilometers (RPK) - number of paying passengers carried in a kilometer
	TR-AL-000.D	Revenue ton kilometers (RTK) - the product of the volume of tons transported by the kilometers traveled



# Material Topics Azul 2022

## Relationship to the SDGs

**What are SDGs:** The Sustainable Development Goals (SDGs) are a global agenda adopted during the United Nations Summit on Sustainable Development in September 2015 consisting of 17 goals and 169 targets to be achieved by 2030.

### The private sector and the SDGs:

- The sector can assume a relevant role in meeting the SDGs by putting assets at its disposal (it is able to generate value in business and for society).
- Integrating the SDGs into your activities is, besides corporate citizenship, a strategic positioning necessary for the future success of your business.
- The SDGs are a timely agenda for the industry to position itself and engage in building a more just, inclusive and sustainable society and to act in a purposeful way in favor of sustainable development in its core operations and in places where it has an impact.
- The sector has the challenge of reviewing its production methods, its relationship with the territories in which it operates, and the company's relationship with its stakeholders. The construction of partnerships for this purpose, such as those proposed by the SDGs, is a key tool, broadening the dialogue and expanding spaces for action.



# Material Topics Azul 2022

## Relationship with the Sustainable Development Goals (SDGs)



Among the 17 SDGs established by the UN, 10 are directly related to the material issues highlighted in this cycle: SDG3, SDG8, SDG9, SDG10, SDG11, SDG12, SDG13, SDG15, SDG16, and SDG17.

# Material Topics Azul 2022

## Relationship with the Sustainable Development Goals (SDGs)

Material Subjects	SDG Goal (directly related to the topic)
<b>Climate Change Management</b>	<p>11.6 By 2030, reduce the negative environmental impact per capita of cities, including by paying special attention to air quality, municipal waste management, and others</p> <p>13.2 Integrate climate change measures into national policies, strategies and planning</p>
<b>Eco efficiency</b>	<p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>
<b>Health and Wellness</b>	<p>3.5 Strengthen prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol</p> <p>8.8 Protect labor rights and promote safe and secure work environments for all workers, including migrant workers, in particular migrant women, and people in precarious employment</p>
<b>Customer Experience</b>	<p>16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements</p>
<b>Ethics and integrity</b>	<p>15.c Strengthen global support for efforts to combat illegal hunting and trafficking of protected species, including by enhancing the capacity of local communities to pursue sustainable livelihood opportunities</p> <p>16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children</p> <p>16.5 Substantially reduce corruption and bribery in all its forms</p> <p>16.4 By 2030, significantly reduce illegal financial and arms flows, strengthen the recovery and return of stolen resources, and combat all forms of organized crime</p> <p>16.6 Develop effective, accountable and transparent institutions at all levels</p>
<b>Operational Security</b>	<p>8.8 Protect labor rights and promote safe and secure work environments for all workers, including migrant workers, in particular migrant women, and people in precarious employment</p>
<b>Development through Connectivity</b>	<p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all</p> <p>8.9 By 2030, develop and implement policies to promote sustainable tourism that generates jobs and promotes local culture and products</p> <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and cross-border infrastructure, to support economic development and human well-being, with a focus on equitable and affordable access for all</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, regardless of age, gender, disability, race, ethnicity, origin, religion, economic or other status</p>
<b>Relationship with Partners</b>	<p>8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking, and ensure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms</p> <p>17.16 Strengthen the global partnership for sustainable development, complemented by multisectoral partnerships that mobilize and share knowledge, expertise, technology, and financial resources to support the achievement of sustainable development goals in all countries, particularly developing countries</p>

# Thank you!



Beat Grüninger  
[beat.grueninger@elevatelimited.com](mailto:beat.grueninger@elevatelimited.com)



Debora Morgensztern  
[debora.morgensztern@elevatelimited.com](mailto:debora.morgensztern@elevatelimited.com)

**ELEVATE**



an ELEVATE company

BSDConsulting, an ELEVATEcompany  
Rua José Maria Lisboa, 860 cj. 73/74  
Jardim Paulista, São Paulo - SP  
T/F: +55 11 3051-4600  
[www.bsdconsulting.com](http://www.bsdconsulting.com)  
[www.elevatelimited.com](http://www.elevatelimited.com)