Response to Climate Change & Information Disclosure in Line with TCFD Recommendations

Nowadays, climate change and other environmental issues are becoming serious in the world. Japan has been heavily affected as well, suffering frequent major natural disasters caused by abnormal weather. Climate change has developed into a situation companies cannot overlook.

Against that background, we consider “realization of decarbonized society” as the most important issue based on the perception that risks and opportunities stemming from climate change have a major impact on our business strategy. We will go ahead with sustainability management.

In the future as well, the Group will support the TCFD recommendations, using them as guidelines for the appropriateness of the Group’s response to climate change. We will proceed with information disclosure in accordance with the four recommended items of “governance,” “risk management,” “strategy,” and “metrics and targets.”

Goverance over environmental issues

In order to promote sustainability management at all the Group companies in a cross-sectional manner, the “Group Management Meeting,” which is the highest decision-making body in business execution, holds talks and adopts resolutions regarding specific initiatives and measures associated with environmental issues. At a semianual meeting of the “Sustainability Committee,” we share policies and other matters on our response to environmental issues discussed and decided by the “Group Management Meeting,” and draw up execution plans concerning the Group’s environmental issues as well as monitoring progress in their implementation.

Meanwhile, the Board of Directors discusses and supervises the Group’s policies on response to environmental issues, policy execution plans and the like, acting on reports over discussions and decisions at the “Group Management Meeting” and the “Sustainability Committee.”

The President and Representative Executive Officers chairs the “Group Management Meeting” as well as the “Risk Management Committee” and the “Sustainability Committee,” both advisory boards of the Board of Directors. The President and Representative Executive Officers are responsible for management judgments associated with environmental issues. Details of matters discussed and decided by the “Group Management Meeting” and the “Sustainability Committee” are eventually reported to the Board of Directors.

Risk management

The Group, positioning risk as a starting point for strategy, defines it as “uncertainty that affects the achievement of the Group’s goals” and has two positive and a negative side.” We believe that a company will grow in a sustainable way by properly addressing risk.

Regarding risk associated with environmental problems, the Group examines it in detail at the “Sustainability Committee” and shares its results with the operating companies in the Group. Each operating company factors initiatives for climate change into execution plans, and confirms their progress while discussing them at each company’s meeting headed by its president. Details of such plans are reported to the “Group Management Meeting” as well as the “Risk Management Committee” and the “Sustainability Committee” to monitor their progress in execution. The results of progress are eventually reported to the Board of Directors.

Strategy

The Group conducts a scenario analysis to know the risks and opportunities posed by climate change to it and their impact. It is also designed to discuss the resilience of the Group’s strategy that assumes the world in 2030 and examine the need for additional action under a new scenario.

For reference, the scenario analysis uses existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). The Group assumes two possible worlds: one scenario assumes “limiting the average global temperature rise to no more than 2°C above pre-industrial levels,” or the Paris Agreement goal (a below-2°C scenario), and another scenario under which it is assumed that already published national policies and regulations are achieved without introducing new policies and schemes, entailing an increase in the volume of global greenhouse gas emissions from the current level (a 4°C scenario).

Regarding the “realization of decarbonized society,” which the Group regards as the most important goal at present, we are analyzing effects caused by climate change, discussing means of addressing them, and verifying the Group’s strategic resilience, all in connection with the Group’s business activities, on the basis of the above scenarios.

Impact on business and finance of the Group in below-2°C and 4°C scenarios for 2030

The Group believes that, among the financial impacts estimated for 2030 in the two scenarios, the introduction of a carbon tax* and fluctuations in renewable energy-derived electricity rates in Japan, in particular, will be important.

Financial impacts on the Group estimated for 2030

The Group will strengthen its strategic resilience from medium- to long-term perspectives in both below-2°C and 4°C scenarios. Therefore, we will seek to acquire new opportunities of growth in our business strategy and Medium-term Business Plan, formulating measures to properly avoid risks, or negative factors, while addressing opportunities, or positive factors, by proactively responding to market changes, for example.

Metrics & targets

In FY2020, the Group’s Scope 1 and 2 GHG emissions were 132,106 t-CO2 (down 18.7% from FY2019), and Scope 3 GHG emissions were 2,922,739 t-CO2 (down 22.7% from FY2019). The Group obtained third-party verification of its Scope 3 GHG emissions for FY2020.

The Group’s long-term GHG emission targets were approved by the Science-Based Targets initiative (SBTi) in 2019. Given progress in our initiatives to date, we have revised the Scope 1 and 2 target to a more ambitious goal of “reducing GHG emissions 60% from FY2017 by 2030.”

To achieve these long-term targets, the Group began procuring renewable energy-derived electricity at its facilities in FY2019, and joined “RE100®” in October 2020. Going forward, we will strive to increase procurements of renewable energy-derived electricity toward realizing carbon neutral.

Sustainability + TCFD

Overview of the Group’s risks and opportunities

The Group believes it important to respond to climate risks and opportunities using the strength of a corporate group with retail at its core. Specifically, we will take on the following initiatives, among others:

- Realization of a resilient supply chain by enhancing measures to address physical climate risks
- Contribution to local communities by creating sustainable stores through CSV initiatives with stores at the core
- Realization of new business opportunities through the realization of “circular economy”
- Positive response to low-carbon products & services meeting changes in the consumption behavior of consumers

Going forward, the Group will strengthen governance in environmental management, under the oversight of the Board of Directors, and proceed with the Group-wide initiatives, including the formulation of execution plans, toward the realization of medium- to long-term targets.