

Scope 3 GHG Emission Reduction Undertaken with Business Partners



Background
Toward realizing a decarbonized society, companies are required to identify and manage the amount of GHG emissions associated with not only their own business activities but also supply chain activities. Emission reductions are being given priority from the perspective of corporate risk management as well as environmental aspects.

Goals (commitments)
We will strive to procure and sell eco-friendly products and services together with suppliers and, at the same time, replace electric power with renewable energy and pursue greater energy conservation, thus contributing to the realization of decarbonized society.

Targets/KPIs for FY2023

- 10% cut in Scope 3 GHG emissions (vs. FY2017, consolidated)

Major actions in FY2020

- 22.7% cut in the Group's Scope 3 GHG emissions (vs. FY2019, consolidated)
- Reduction in waste
- Switch to eco-friendly packaging materials
- Promotion of telework, greater efficiency in business trips

Efforts for Scope 3 GHG emission reduction in collaboration with suppliers

As the Group is a corporate group with retail at its core, about 90% of its total GHG emissions are constituted by emissions stemming from the production of goods and services purchased from suppliers (Scope 1 emissions), and by emissions involved in product transport and distribution (Scope 4 and 9). For this reason, we believe it important to reduce Scope 3 GHG emissions not only by the Group independently but also in collaboration with suppliers.

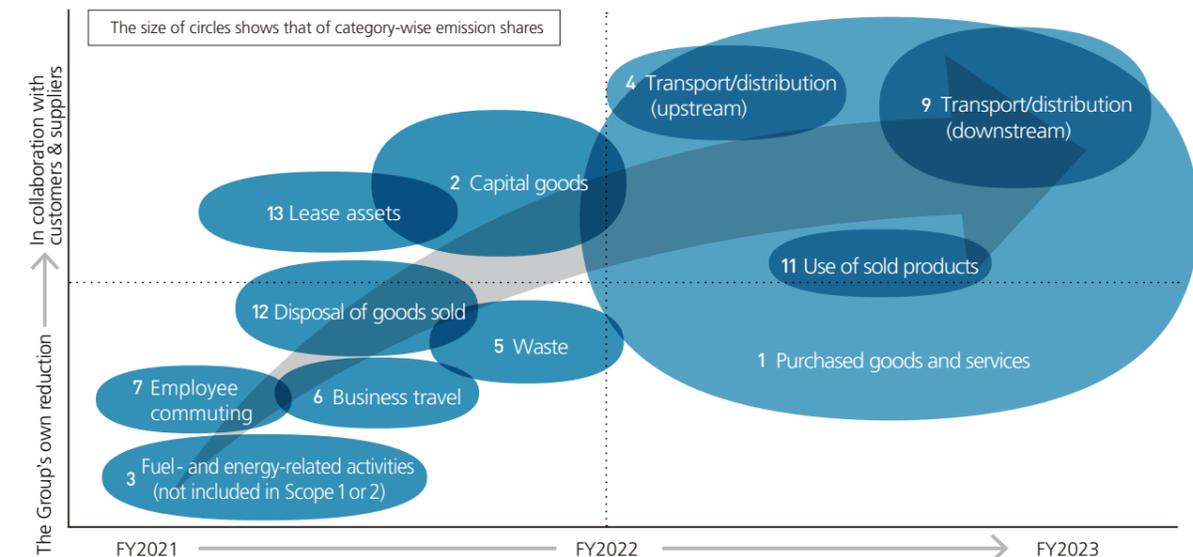
Daimaru Matsuzakaya Department Stores, which emits a relatively large amount of GHG in the Group, began a campaign in FY2021 urging suppliers to cooperate in reducing such emissions. It will seek to expand the volume of eco-friendly products handled and improve efficiency in logistics.

From now on, we will expand the number and scope of suppliers cooperating in such initiatives.

Actual Scope 3 GHG emissions in FY2020

The amount of the Group's Scope 3 GHG emissions in FY2020 totaled 2,922,739 t-CO₂. The Group began calculating its entire GHG emission volume in the SBT base year of FY2017. We have since been doing such calculations, trying to improve the accuracy of emission volume calculated year after year. As a result, the Group's record of Scope 3 GHG emissions in FY2020 was given a statement of third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA).

Directionality of the Group's Scope 3 GHG emission reduction



Sustainable Supply Chain Created Along with Suppliers



Background
Human rights issues that arise in the supply chain, such as discrimination and forced labor, and the prolonged pandemic of COVID-19 have had a major impact on the supply chain. Companies are expected to address risks hidden in their supply chain and build a sustainable supply chain.

Goals (commitments)
We will share our views on sustainability with our suppliers and fulfill our social responsibilities together with them to contribute to the creation of a sustainable future society by a supply chain as a whole. In addition, we will work with our suppliers to create a work environment in which the human rights of the people working in the supply chain will be protected and the people will be able to continue to work in good health.

Targets/KPIs for FY2023

- Questionnaire to assess dissemination of the JFR Principles of Action for Suppliers:
Collection rate: 80%
Dissemination rate: 25%
- Expansion of the initiatives for human rights due diligence
- Human rights education to employees: 100%

Major actions in FY2020

- Preparation for conducting a Principles of Action for Suppliers assessment (scheduled for autumn in 2021)
- Initiatives for human rights due diligence (Identified human rights risks and enhanced human rights policies)

To conduct the assessment

In 2019, the Group sent the Principles of Action to its suppliers and asked them to support our views and rules regarding social responsibilities. We also held briefing sessions at Daimaru Matsuzakaya Department Stores.

In fiscal 2021, we will conduct an assessment of the

suppliers that have supported the Principles of Action to see the understanding of and compliance with the Principles of Action we have shared, and promote improvements through dialogue as necessary.

By repeating this process, we will understand the risks in the supply chain and build a sustainable supply chain that will be created along with our suppliers.

Initiatives for human rights due diligence

The Group pursues human rights initiatives in accordance with the Guiding Principles on Business and Human Rights established by the United Nations. Respect for human rights underlies all our business activities. We have deepened our understanding of human rights issues related to all our activities in associated countries and businesses. We also identified human rights risks in the Group, and formulated our human rights policy.

In the future, we will promote our human rights due diligence activities by assessing the status of compliance with the human rights policy shared with our suppliers and conducting dialogue for improvement with suppliers who were found to have a problem.

In particular, we selected important human rights-related risks from them and identified them as the human rights risks of the Group.

Identified human rights risks

| Subject | Human rights risk |
|-------------------------------|---|
| The Group | Inadequate labor management, such as the health of the Group's employees (including foreigners and disabled people) |
| The Group + Primary suppliers | Inappropriate employment, subcontracting, outsourcing, and worker dispatch |
| Primary suppliers | Sustainability of the supply chain |

Process of human rights due diligence

| Identification of human rights risks | Formulation of human rights policy | Assessment | Dialogue for improvement | Disclosure to stakeholders |
|---|---|---|---|--|
| Identify human rights risks in the list of the Group risks. | Adopt a human rights policy that responds to social conditions as a commitment to human rights. | Confirm compliance with the shared human rights policy by assessment. | Conduct dialogue for improvement with suppliers who were found to have a problem as a result of assessment. | Periodically disclose information on human rights due diligence. |

Identification of human rights risks

In 2020, the Group identified human rights risks arising from its business activities. The Risk Management Committee identified and assessed risks based on environmental analyses, narrowed them down to the ones to be prioritized, and shared risk awareness throughout the Group as the list of the Group risks.

Formulation of human rights policy

The Group formulated its human rights policy in 2019 based on the International Bill of Human Rights, the Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact. This policy provides our ideas for deepening the understanding of various human rights issues and taking appropriate actions.

In-house education on human rights

In order for individual employees to correctly recognize and understand human rights, create a corporate culture based on respect for human rights, and further promote the fulfillment of corporate social responsibilities, the Group uses its intranet to help all employees deepen their understanding of human rights at any time. Furthermore, every year, we provide human rights training for managers.