

Sustainability

Amid increasingly uncertainty about the future due to aggravated global environmental problems such as global warming and ocean pollution, human rights issues in supply chains, prolonged COVID-19, and increasing geopolitical risks, social structure and consumption behavior are greatly changing. In these circumstances, companies are expected to implement sustainability management that solves social issues and achieves business growth at the same time. The Group will promote sustainability management and realize Well-Being Life for all its stakeholders, such as customers, employees, and suppliers, through CSV (Creating Shared Value) initiatives.

Realization of Well-Being Life

The Group articulated its intention to realize Well-Being Life for its stakeholders in the Medium-term Business Plan launched in fiscal 2021.

The Group thinks of Well-Being Life as “both mentally and physically fulfilling life” that realizes spiritual wealth (intellectual and cultural wealth), physical wealth and social wealth as well as conventional material wealth and economic wealth and wealth for the environment surrounding them. While valuing the places in which we communicate with stakeholders, we are striving to realize Well-Being Life.



Sustainability promotion system

The Group discusses and makes decisions on specific initiative policies related to social issues including the environment and human rights in the Group Management Meeting, which is the highest decision-making body in business execution. The matters discussed and decided in the Group Management Meeting are shared with all operating companies in the Sustainability Committee, which is an advisory body to the President and Representative Executive Officer and the committee monitors the progress of the action plans formulated by each company. In addition, the Board of Directors receives the reports on the content of discussions and decisions made in the Group Management Meeting and the Sustainability Committee meetings and discusses and oversees them.



Linkage with the Officer Remuneration Policy

The Group revised its Officer Remuneration Policy when formulating the Medium-term Business Plan launched in April 2021 and established the following two items as non-financial indicators for determining performance-linked remuneration.

- (1) 40% reduction in Scope 1 and 2 GHG emissions (compared to fiscal 2017)
 - (2) 26% increase in the share of women in management positions (Both (1) and (2) are at the end of fiscal 2023)
- These items are also linked to materiality KPIs for 2023 to clarify the responsibility of the management team.

Major agenda items in the Sustainability Committee meetings

- FY2021**
- April
 - Efforts made with suppliers to reduce Scope 3 emissions
 - Overview of supplier assessment (including human rights) in FY2021
 - Revision to the Sustainability Policy
 - Progress of the entire Group in FY2020
 - Sep.
 - Lecture by an external instructor “Importance of ESG information disclosure”
 - Implementation of supplier assessment (including human rights)
 - Progress of the entire Group in H1 FY2021

- FY2022**
- April
 - Lecture by an external instructor “ESG/sustainability management”
 - Action plan for FY2022
 - How to advance the Women’s Empowerment Promotion Project
 - Explanation about the results of supplier assessment (including human rights) in FY2021
 - Progress of the entire Group in FY2021
 - May
 - Lecture by an external instructor “Diversity as a management strategy”

List of long-term targets for 7 materialities

Materiality	Risk and opportunity	Metrics	FY2030 target (For some items, FY2050 target)	FY2023 target	FY2021 results and major efforts
Environment Realization of decarbonized society 	Risk • Loss of growth opportunities due to a delay in response to market changes such as increased demand for environmental products • Increase in procurement cost due to increase in use of renewable energy-sourced electricity • Reputation damage due to a delay in response to environmental issues and diversification of consumption behavior	Scope 1 and 2 GHG emissions	• FY2050 net zero • 60% reduction (vs. FY2017)	• 40% reduction (vs. FY2017)	• 36.7% reduction in Scope 1 and 2 emissions (vs. FY2017) • Renewable energy rate 20.3% (renewable energy usage 62,156 MWh) • 11.9% reduction in waste disposal volume (vs. FY2019) • Weight of items collected via ECOFF for recycling: 1,101 t in total • Launch of fashion subscription business AnotherADdress (Daimaru Matsuzakaya Department Stores)
		Renewable energy rate in total electricity used in business activities	• 60%	• 40%	
	Energy creation	• Expansion of onsite generation and consumption of renewable energy in collaboration with new power companies	• Introduction of onsite generation of renewable energy in collaboration with new power companies		
	Waste disposal volume (including food)	• 50% reduction (vs. FY2019)	• 15% reduction (vs. FY2019)		
Environment Promotion of circular economy 	Opportunity • Regrowth by radical change of retail business model • Expansion of new growth opportunities through new entry into circular businesses • Expansion in earnings due to response to increasing customer demand for environmental products and services	Total weight of items collected via ECOFF for recycling	• 3,000 t in total	• 1,500 t in total	• 17.3% reduction in Scope 3 emissions (vs. FY2017) • Assessment: Response rate 40.6%, dissemination rate 60% • Explanatory meeting for suppliers (Daimaru Matsuzakaya Department Stores) (April 2022) • Sharing of JFR Principles of Action for Suppliers (Parco) • Human rights assessment • Identification of human rights risks for FY2022
		Recycling and reuse	• Expansion of recycling and remanufacturing of used products in collaboration with suppliers and customers	• Realization of recycling and remanufacturing of used products in collaboration with suppliers and customers	
	Businesses including sharing, subscription, and upcycling	• Increase in the share of businesses including sharing and upcycling in collaboration with suppliers	• Entry into businesses including sharing and upcycling in collaboration with suppliers		
	Scope 3 GHG emissions	• FY2050 net zero • Aim for 40% reduction (vs. FY2017)	• 10% reduction (vs. FY2017)		
Society Management of the entire supply chain 	Risk • Destabilization of product and service procurement • Reputation damage due to failure to respond to social issues such as human rights violation Opportunity • Stable procurement of products and services • Strengthening of business resilience by creating strong supply chain	Dissemination of JFR Principles of Action for Suppliers	• Assessment response rate 95%, dissemination rate 100%	• Assessment response rate 80%, dissemination rate 25%	• Share of women in management positions 21.3% • Employment rate of disabled people 2.66% (June 2021) • Questionnaire on unconscious bias (for employees) • Diversity training (for employees in management positions) • Creation of Same-Sex Partnership Rules, gender change support leave, and LGBT Consultation Desk • E-learning on LGBT (for employees) • Questionnaire on harassment (for employees)
		Business activities in which human rights are respected	• Establishment of business activities in which human rights of suppliers and employees are respected	• Expansion of human rights due diligence initiatives • Employee human rights education rate 100%	
	Share of women in management positions	• Aim for 50%, equal to female labor share	• 26%		
	Extension of retirement	• Aim for retirement at 70	• Introduction of retirement at 65 in more operating companies		
Society Promotion of diversity & inclusion 	Risk • Declining competitiveness of organization, outflow of talented human resources, loss of competitiveness in attracting human resources • Decrease in employee motivation • Sluggish growth due to organizational structure remaining unchanged Opportunity • Improvement of productivity of organization, acquisition of talented human resources • Increase in employee engagement and organizational capability • Promotion of business strategy, enhancement of corporate value through creation of innovation	Employment rate of disabled people	• 3.0%	• 2.6%	• Turnover rate due to childcare and nursing care 1.4% • Paternity leave usage rate 43.6% • Expansion of workplace options as expansion of teleworking system (Employees in JFR head office can work in places other than home.) • Expansion of side job (JFR head office, Parco) • Introduction of Internal Collaboration (20% Rule) system (Parco) • Formulation of J. Front Retailing Health Declaration
		Creation of diversity corporate culture	• Realization of business growth using diverse abilities stemming from diversity & inclusion • Provision of sales floors, products, and services tailored to diverse customers	• Employee dissemination of diversity & inclusion 100% • Provision of sales floors, products, and services tailored to diverse customers including LGBTs	
	Turnover rate due to childcare and nursing care	• 0%	• Less than 1.0%		
	Paternity leave usage rate	• 100% regardless of gender	• 100%		
Society Realization of work-life integration 	Risk • Defection of customers due to failure to meet consumer needs • Loss of sales opportunities such as suspended store operations due to frequent natural disasters and epidemics Opportunity • New market creation • Development of products and services that meet changes in consumer values • Acquisition of ethical consumption-conscious customers	Work style	• Increasing productivity by the organization that allows employees to work anytime, anywhere	• Establishment of systems and evaluation to create an organization that allows employees to work anytime, anywhere	• Sale of certified products • Invitation of shops that deal in wellness and ethical products • Ethical events • Opening of healthcare wellness mall Welpa (Shinsaibashi PARCO) • Opening of showrooming space “asumise” (Daimaru Tokyo store) • Virtualization of events and gift centers • Formulation of JFR New Infectious Disease Response Manual
		Employee satisfaction	• 80%	• 60%	
	Ethical consumption	• Expansion of ethical consumption in overall lifestyle	• Starting to strengthen offering of products certified concerning food safety and environment protection		
	Mental and physical health	• Provision of excitement to daily life and creating new customer experience by expanding entertainment and wellness businesses	• Expansion of the field of entertainment business including traditional culture, art, and culture • Launch of wellness business		
Society Realization of customers’ healthy/safe/secure life 	Risk • Defection of customers due to failure to meet consumer needs • Loss of sales opportunities such as suspended store operations due to frequent natural disasters and epidemics Opportunity • New market creation • Development of products and services that meet changes in consumer values • Acquisition of ethical consumption-conscious customers	Rate of customer awareness and empathy of sustainability activities	• 80%	• 30%	• Initiative for coexistence with local communities Think LOCAL (Daimaru Matsuzakaya Department Stores), crowdfunding BOOSTER (Parco) • Industry-academia partnership agreements to revitalize local communities • Opening of city library (Daimaru Suma store)
		BCP, disaster prevention, epidemic prevention	• Creation of highly resilient stores by adopting the latest technologies to prevent disasters and epidemics and provision of comfortable space with consideration for health	• Sophistication of BCP and strengthening of epidemic prevention measures • Strengthening of contactless customer touch points through communication using digital technologies	
	Community development	• Making the area more attractive leveraging local uniqueness including culture and history, developing in a way that contributes to drawing crowds to the area • Shift to CSV in stores (making stores sustainable) throughout the Group	• Promotion of local revitalization in collaboration with governments, educational institutions, NGOs, and NPOs • Promotion of local revitalization by finding and providing locality content such as local production for local consumption (chisan-chisho)		
	Collaboration with local communities	• Making the area more attractive leveraging local uniqueness including culture and history, developing in a way that contributes to drawing crowds to the area • Shift to CSV in stores (making stores sustainable) throughout the Group	• Promotion of local revitalization in collaboration with governments, educational institutions, NGOs, and NPOs • Promotion of local revitalization by finding and providing locality content such as local production for local consumption (chisan-chisho)		