

Resilient Supply Chain Created with Suppliers

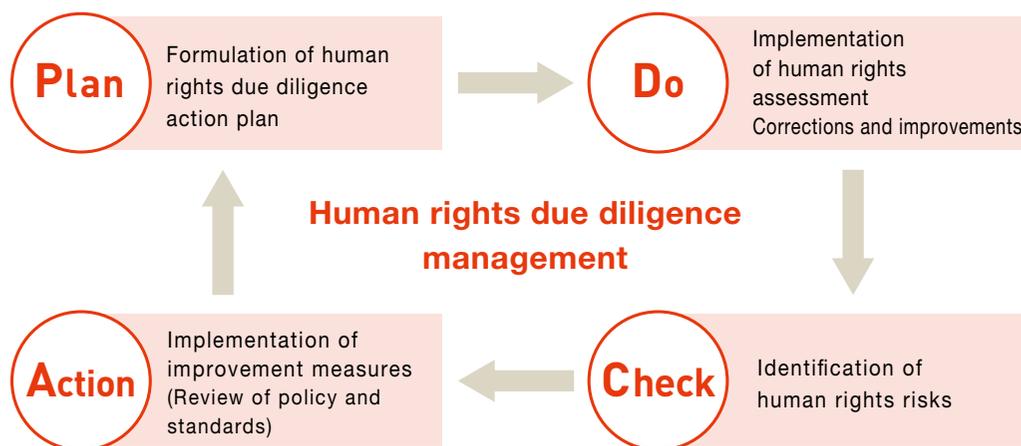
The Group has set the “management of the entire supply chain” as its materiality, and promotes compliance with social responsibilities and environmentally friendly initiatives throughout its supply chain. We are committed to building a more sustainable and resilient supply chain by sharing with and disseminating to our suppliers the JFR Principles of Action for Suppliers and reducing risks in the supply chain through human rights due diligence.

Human Rights Due Diligence

Through the implementation of human rights due diligence, the Group will realize business activities that respect the human rights of consumers, suppliers, and employees, and will contribute to the realization of Well-Being Life for all stakeholders.

Human Rights Due Diligence Management Cycle

Amid growing concern about human rights issues in Japan and abroad, such as forced labor and discrimination in supply chains, the Group is working on the PDCA management of human rights due diligence in accordance with the Guiding Principles on Business and Human Rights established by the United Nations and basing all its business activities on respect for human rights.



Human Rights Assessment

From October to December 2021, we assessed 7,415 suppliers* to see the dissemination status of the JFR Principles of Action for Suppliers. As for human rights, we checked their efforts in accordance with the “human rights policy” included in the Principles of Action.

We received responses from 3,012 suppliers, making the response rate 40.6%. We saw no human rights risks to which we should pay close attention in this assessment.

On the other hand, as some suppliers had not yet in place human rights policies or guidelines, we will share the importance of human rights efforts through dialogue with suppliers to encourage them to make improvements.

*Scope of assessment: Head office of J. Front Retailing, Daimaru Matsuzakaya Department Stores, and seven associates

To Realize Well-Being Life for Customers → **Resilient Supply Chain Created with Suppliers** Empowerment of Diverse Human Resources

Human Rights Risks

In 2022, the Group identified anticipated human rights risks considering its business characteristics.

And as subjects for considering their impacts on human rights, we identified “employees,” “suppliers (primary suppliers),” and “consumers (customers).”

Reference Sources for Identifying Human Rights Risks

• International human rights guidelines for business including the United Nations “Guiding Principles on Business and Human Rights” and the Japanese Government “Action Plan on Business and Human Rights”

• The JFR Group Risk List created by exhaustively extracting the Group’s risks

• The “results of the supplier assessment” conducted in fiscal 2021

WEB → Results of supplier assessment

• The “results of the harassment questionnaire” given to all employees in the Group

We will focus on identified human rights risks, and at the same time, considering constantly changing environment around human rights, we will review human rights risks periodically and continuously.

FY2022 JFR Group Human Rights Risk List

	FY2022
Employees	<ul style="list-style-type: none"> ● All forms of discrimination and harassment ● Excessive and unreasonable working hours ● Occupational health and safety ● Health deterioration caused by an increase in telework due to COVID-19 ● Leakage of personal information and privacy violation
Suppliers (Primary suppliers)	<ul style="list-style-type: none"> ● Forced labor ● Child labor ● Restrictions on freedom of association and collective bargaining ● Lack or non-payment of wages ● Excessive and unreasonable working hours ● All forms of discrimination and harassment ● Rights of foreign labor ● Occupational health and safety ● Unfair dismissal of non-regular workers caused by a decrease in demand due to COVID-19 ● Indirect involvement in human rights risks in supply chains due to geopolitical disputes, etc.
Consumers (Customers)	<ul style="list-style-type: none"> ● Lack of safety in products and services due to insufficient quality checks and illegal inspections ● Accidents caused by improper use of products ● Health damages caused by alcohol, processed food, etc. ● Personal information leakage and privacy violation

Prevention and Remedy of Human Rights Risks

In order to prevent and remedy human rights risks, for employees, the Group disseminates the Principles of Action and provides human rights education. For suppliers, we disseminate the JFR Principles of Action for Suppliers and engage in dialogue continuously for improvement. For consumers (customers), we have Customer Consultation Desks and Consumer Product End-Use Research Institute, which conducts tests and provides consulting services concerning product quality. We also strive to provide accurate and easy-to-understand information.

Establishment of “Harassment Consultation Desk” and “Whistleblowing System” to Respect Employees’ Human Rights

The Group has established the Harassment Prevention Committee and the Harassment Consultation Desk to eliminate harassment, which it considers as one of human rights risks. In addition, we have a whistleblowing system* that enables all officers and employees of the Group and all people

working in the Group (including part-time workers and temporary staff from suppliers) to directly notify the Compliance Committee of any compliance-related problems and ask for correction.

*The number of reports to the JFR Group Compliance Hotline in fiscal 2021: 46

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Dissemination of the JFR Principles of Action for Suppliers

The Group aims to build a supply chain that takes the environment and human rights into consideration by sharing with and disseminating to its suppliers the JFR Principles of Action for Suppliers.

Assessment concerning the JFR Principles of Action for Suppliers

From October to December 2021, the Group assessed its suppliers who have supported the JFR Principles of Action for Suppliers for the first time to see the status of understanding of and compliance with the Principles of Action.

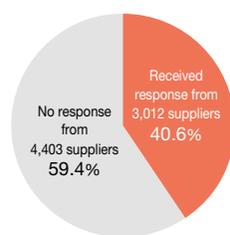
【Overview】

- Companies that conducted the assessment: Head office of J. Front Retailing, Daimaru Matsuzakaya Department Stores, and seven associates
- Scope: 7,415 suppliers (primary suppliers) with whom the JFR Principles of Action for Suppliers are shared
- Questions
 - Confirmed “compliance with the policy” and “internal dissemination” in accordance with six items of the guidelines for action for suppliers (12 questions)
 - Human rights: Added questions in accordance with the human rights policy. (five questions)
 - Environment: Added the “clarification of responsibility system” and the “presence of medium- to long-term goals.” (two questions)
- Assessment criteria
 - Suppliers who answered “Yes” to 80% or more of total questions (16 or more out of 19 questions) are deemed to comply with the Principles of Action.
 - Suppliers who answered “Yes” to less than 30% of total questions (less than six questions) are candidates for dialogue, which is the next step.

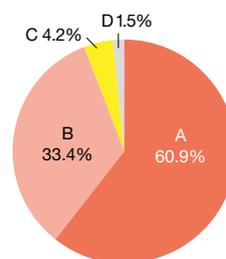
【Assessment results】

Questionnaires were sent to 7,415 suppliers (primary suppliers) of the Group, of which 3,012 suppliers responded, making the response rate 40.6%. Approximately 60% of the suppliers answered “yes” to 80% or more of total questions, which is a measure of the degree to which the Principles of Action have permeated, and we deem that the Principles of Action are being disseminated. And the percentage of the suppliers with whom we would engage in dialogue was only 1.5%.

Assessment response rate
n=7,415



Dissemination rate of the JFR Principles of Action for Suppliers
n=3,012



No. of questions answered “Yes” out of 19 questions	No. of suppliers who answered
A: 16 or more (80% or more)	1,833
B: 10 or more	1,008
C: 6 or more	126
D: Less than 6	45

Status of compliance with six items of the guidelines for action for suppliers	(1) Fair business activities	(2) Consideration for human rights and the work environment	(3) Consideration for the environment	(4) Consideration for the safety and security of products and services	(5) Responsible marketing	(6) Contribution to local communities
A	94.9%	58.4%	48.4%	96.0%	94.4%	69.2%
B	3.7%	29.1%	41.0%	2.3%	2.5%	6.1%
C	0%	6.9%	0%	0%	0%	0%
D	1.4%	5.6%	10.6%	1.7%	3.1%	24.7%

【Action after assessment】

When some problems are found as a result of assessment, the Group provides a venue for dialogue with relevant suppliers as necessary. We will share the results of assessment with suppliers and make them understand our view of supply chain management and the importance of complying with the Principles of Action through dialogue while grasping the status of suppliers and encouraging them to make improvements.

Ongoing Activities for Understanding and Dissemination

In October 2019, Daimaru Matsuzakaya Department Stores held the first explanatory meeting for major suppliers for the purpose of making them understand and disseminating the Principles of Action for Suppliers. This was followed by the “explanatory meeting concerning Daimaru Matsuzakaya Department Stores’ initiatives

to realize a decarbonized society” held in April 2022 (attended by 300 people from 253 companies).

Parco also promotes understanding and dissemination of the Principles of Action for Suppliers through the activities of Parco Kai, which is made up of tenants who operate in its stores.