Sustainability Da

→ Corporate Governance System that Supports Sustainability Management

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## Corporate Governance System that Supports Sustainability Management

The Group is addressing issues related to sustainability and promoting sustainability management that aims to simultaneously solve social issues and achieve corporate growth. The Company aims to enhance corporate value over the medium to long term by building a governance system by the Board of Directors to make this sustainability management function.

## **Sustainability-related Roles of the Board of Directors**

The Group is addressing issues related to sustainability, including consideration for global environmental issues such as climate change, respect for human rights, consideration for employee health and the working environment, fair and appropriate treatment, fair and appropriate business dealings with suppliers, and risk management for natural disasters. We believe that addressing these issues is important not only for contributing to a sustainable society as a member of society, but also for the Group's sustainable growth and medium- to long-term enhancement of corporate value.

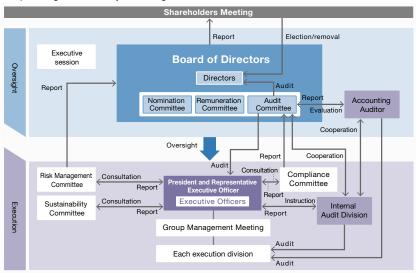
Based on this recognition, the Board of Directors deliberates and decides on the Company's important matters related to sustainability, such as the Sustainability Policy and important issues to be addressed (materialities), and also oversees the progress and results of these initiatives to promote sustainability management.

### **Skills Expected of Directors**

In selecting candidates for Director, the Board of Directors shall consist of personnel with experience and knowledge necessary to appropriately oversee the promotion of sustainability management (execution of business strategies aimed at resolving the seven materialities) in order for the Board of Directors to effectively fulfill its roles and responsibilities.

In selecting candidates for Outside Director, from the point of view of Board diversity, the Company selects persons who have experience as managers not only in the retail industry that is the core business of the Group but in non-retail industries such as manufacturing industry, or who have expertise in legal and other fields, a marketing perspective, and extensive experience related to finance and accounting. With regard to candidates for non-executive Inside Director, the Company selects persons who have wide-ranging practical experience within the Group and knowledge in fields such as oversight. As for a candidate for Director who concurrently serves as Executive Officer, the Company has selected a person responsible for its financial division whose high level of knowledge will facilitate the execution of the strategic finance policies demanded by shareholders and investors, as well as by the President and Representative Executive Officer.

#### Corporate governance system diagram



WEB Corporate Governance System https://www.j-front-retailing.com/english/company/governance/governance01.html

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## **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 by 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 by the Group Management Meeting and the Sustainability Committee and discusses and oversees them.

#### Sustainability promotion system



## **Linkage between Officer Remuneration and Materiality KPIs**

The Company revised its Officer Remuneration Policy in April 2021 when formulating the Medium-term Business Plan, 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 fiscal 2023 to clarify the responsibility of the management team for achieving the targets.

# Major Agenda Items Discussed by the Sustainability Committee

#### FY2021

Apr

- 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

Apr

- 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"