

Fast Retailing Group Policy on Biodiversity

1. Basic understanding

Biodiversity is fundamentally important for a sustainable society. Fast Retailing's operations also rely on an ecosystem characterized by biodiversity, in areas such as: soil to grow crops including cotton; water stored in forests and wetlands; pastures for grazing sheep for wool.

In the recent years, biodiversity has declined rapidly. In one example, about 68% of biodiversity is reported to have been lost through a decline in wildlife populations from 1970 to 2016, according to the World Wildlife Fund's Living Planet Report. Fast Retailing recognizes its responsibility to conserve biodiversity to leave a flourishing natural world for future generations.

The apparel industry impacts biodiversity through its use of water and land when grazing livestock, and when farming, cotton, wool, and cashmere, as well as through wastewater from manufacturing. Fast Retailing aims to avoid and minimize the impact of its business on biodiversity, and works on initiatives to conserve and regenerate biodiversity. This policy sets out basic principles underlying Fast Retailing's biodiversity-related initiatives and applies to all brands of the Fast Retailing Group.

2. The connection with existing policies and guidelines

This policy describes Fast Retailing initiatives to preserve biodiversity based on the company's existing management strategy, *Sustainability Statement* and *Environmental Policy*. Biodiversity is related to other environmental topics important at Fast Retailing, such as climate change, water resources management, waste management, chemical management, and individual raw-material procurement policies such as *Fast Retailing Policy on Wood-Derived Products and Forest Materials*. Accordingly, we aim to ensure consistency across these policies, and to generate synergies.

3. Our goal

Biodiversity is critically important to people, so Fast Retailing is working to achieve a long-term net positive impact on biodiversity*. Based on the results of a 2021 risk assessment, the company is working to minimize its impact on biodiversity across identified risk areas, while also conserving and promoting biodiversity throughout its value chain.

*Net positive impact on biodiversity: a state whereby positive impact on biodiversity exceeds negative impact.

4. Guidelines for action

4.1 Legal compliance and active participation in initiatives

Fast Retailing supports the Sustainable Developments Goals (SDGs) and the Kunming-Montreal Global Biodiversity Framework and aims to contribute to its success through its business.

Fast Retailing will thoroughly comply with the laws and regulations on biodiversity, throughout the countries and areas where it operates, including its value chain. Fast Retailing will also actively participate in initiatives related to the conservation of biodiversity.

4.2 Basic policy on promoting biodiversity-related initiatives

◆ Application of the AR3T Framework

In conserving biodiversity, Fast Retailing will follow the AR3T framework (Avoid, Reduce, Restore & Regenerate, and Transform) proposed by the Initial Guidance of the science-based target for nature for reducing the impact on and advancing the conservation of biodiversity, specifically with the following approach.

Avoid the impact: Avoid negative impact on biodiversity to the extent possible by either not affecting or preventing impact on areas with high conservation value.

Reduce the impact: Reduce impact on biodiversity, leveraging independent certification schemes that protect biodiversity or promote substituted materials of low impact.

Restore & Regenerate: Offset negative impact on biodiversity by restoring and regenerating ecosystems, in cases where the impact on biodiversity is unavoidable.

Transform: Aim to transform Fast Retailing business for net positive impact on biodiversity, providing education to stakeholders its value chain and altering manufacturing and producing processes.

◆ Implementation of initiatives based on scientific findings

Fast Retailing will implement any initiatives for conservation of biodiversity based on the latest scientific findings.

4.3 Understanding of the connection between our business and biodiversity

Fast Retailing recognizes its business impact on biodiversity and its dependencies on certain aspects of the ecosystem. We conducted a risk assessment to fully understand these impacts and dependencies.

Based on the risk assessment, Fast Retailing evaluated the highest risks as: land-use change, pollution in cotton production, cashmere, rayon and raw materials. It also evaluated dependencies on the ecosystem by each value chain process. High risk areas are: water pollution caused from the use of pesticides in cotton production as well as drainage from dyeing, processing and washing fabrics (including microplastics).

Fast Retailing acknowledges the impact of its business on biodiversity, and its dependencies on the ecosystem, and will work towards conserving biodiversity especially towards the main impact on biodiversity and its significant dependence on the ecosystem in the value chain process and will apply the result of risk assessment to Fast Retailing initiatives to conserve and regenerate biodiversity as well as to avoid and reduce the impact in its business.

4.4 Specific initiatives

Fast Retailing strives to build a sustainable business compatible with the conservation of biodiversity and to achieve net positive impact on biodiversity through the following initiatives. Details on the initiatives, targets and deadlines are to be determined in the implementation plans (4.5).

- ◆ **Enhancing and securing traceability, and collecting and recording data**

Fast Retailing will enhance traceability of product origin to the farm level to fully understand the impact of its business on biodiversity. Fast Retailing will organize a system to collect and record data and establish an information infrastructure to advance the conservation of biodiversity.

- ◆ **Avoiding procuring materials from high-risk areas on biodiversity**

Fast Retailing will avoid procuring raw materials sourced from areas that present high risk to biodiversity (including legally-protected areas and habitats of endangered species) and from areas that present unacceptable risk to a specific resource within an ecosystem, such as water resources. Fast Retailing aims for zero deforestation and will avoid sourcing from forests at risk of deforestation when procuring wood derived material.

- ◆ **Acquiring certification for raw materials with high-risk of degrading biodiversity**

Fast Retailing will encourage its suppliers to switch to certified raw materials that consider biodiversity, such as switching to cottons that have lower impact on biodiversity, and using cashmere based on the explicit criteria we set out.

- ◆ **Reducing the impact of high-risk raw materials, and switching to low-risk substitute and regenerative materials**

Fast Retailing will switch to substitute materials that have lower impact on biodiversity and will increase the proportion of sourcing from regenerative farms. * Fast Retailing will also actively research, develop and invest in advanced technologies and new materials.

* A farming method that aims not only to maintain healthy farmland soil, but also to restore and improve the soil, leading to the recovery of the natural environment.

- ◆ **Developing and disclosing a standard for suppliers**

Fast Retailing will develop its standard for suppliers with considerations on biodiversity and employ and implement it throughout its supply chain.

- ◆ **Promoting initiatives on restoration and regeneration**

Fast Retailing will promote initiatives to restore and regenerate ecosystems in areas that may affect biodiversity, such as production areas of cotton and cashmere and areas surrounding production factories.

- ◆ **Support suppliers through financing and education**

Fast Retailing will provide financial support to farmers who conserve biodiversity and deploy regenerative farming, and offer education to our suppliers on the importance of biodiversity.

4.5 Formulating action plans

Fast Retailing will formulate action plans to ensure implementation of its specific initiatives. These action plans will include: quantitative KPIs; monitoring policies; and specific action plans for the individual initiative, including regular review of the action plans based on the results of monitoring and individual actions, and the status of biodiversity.

4.6 Monitoring and information disclosure

Fast Retailing will regularly monitor the status of impacts and dependencies on biodiversity, as well as the progress of biodiversity conservation efforts in collaboration with Fast Retailing stakeholders, and will actively disclose the results of monitoring on our website and sustainability reporting materials.

4.7 Raising biodiversity awareness through education both internally and externally

Fast Retailing will actively implement education programs for its employees, suppliers, and customers to raise awareness on the impact of biodiversity on society and business, as well as its biodiversity protection initiatives.

4.8 Cooperation with stakeholders

Fast Retailing understands that its business is built on its relationships with various stakeholders, and will cooperate with relevant stakeholders in its supply chain, including: production factories, producers, local communities and people surrounding production sites, indigenous people, external organizations, including NGOs and NPOs, and its customers, to conserve biodiversity.

4.9 Establishing our implementation framework

Fast Retailing positions biodiversity conservation as one of the key management issues. All relevant departments involving our value chain such as the Sustainability, Production, Logistics, Sales, Marketing, and other departments will collaborate to implement and strengthen its initiatives of conserving biodiversity.

The Fast Retailing Sustainability Committee, which consists of executive directors, statutory auditors, an external expert, and executive officers, is tasked with promoting sustainability activities including biodiversity, and ensuring that sustainability efforts including biodiversity are closely integrated with overall management strategy and direction. The Committee debates all manner of sustainability-related policies and measures including biodiversity, and advises, counsels, and supervises the departments that execute such measures.

To promote sustainability activities including biodiversity across the Fast Retailing Group, the Sustainability Department has strengthened our management framework, cooperating daily with relevant departments and executives responsible for global operations, and also appointing sustainability personnel in its affiliates and subsidiaries.