

Fast Retailing Group TCFD Report 2024

■LifeWear = A New Industry

Fast Retailing's corporate philosophy is: Changing clothes. Changing conventional wisdom. Change the world. We continue our business activities with the aim of changing the world for the better by creating and selling good clothing. When we say "good clothing", we mean clothes that are simple, high quality, long-lasting, and can enrich the lives of all people. This phrase also refers to clothes that are made using revolutionary technologies to facilitate our co-existence with the natural world and do not impose unnecessary burden on the earth. These clothes are made by a diverse array of people who work in environments that protect their health, safety, and human rights. LifeWear is an approach to clothing that gives form to these ideas.

We firmly believe that making clothes based on our LifeWear concept will help create a sustainable society and generate operational growth. We intend to contribute to a sustainable society by leading a new kind of industry that not only creates clothes as products, but also which innovates through production processes and sales methods for customers and society.

Fast Retailing has determined four promises, and six key areas of sustainability activities based on this fundamental approach, and we are currently working hard to achieve these commitments.

Four promises:

1. Completely overhaul the supply chain to further increase the value of LifeWear.
2. LifeWear must continue to respect the individuality and diversity of all people around the world.
3. Take the idea that LifeWear has the power to make the world a better place, which we have espoused for over 20 years and expand its scope to globally contributing to the stable and sustainable development of society.
4. Develop and provide new services and technologies that allow LifeWear to be worn for even longer.

Six key areas of sustainability activities:

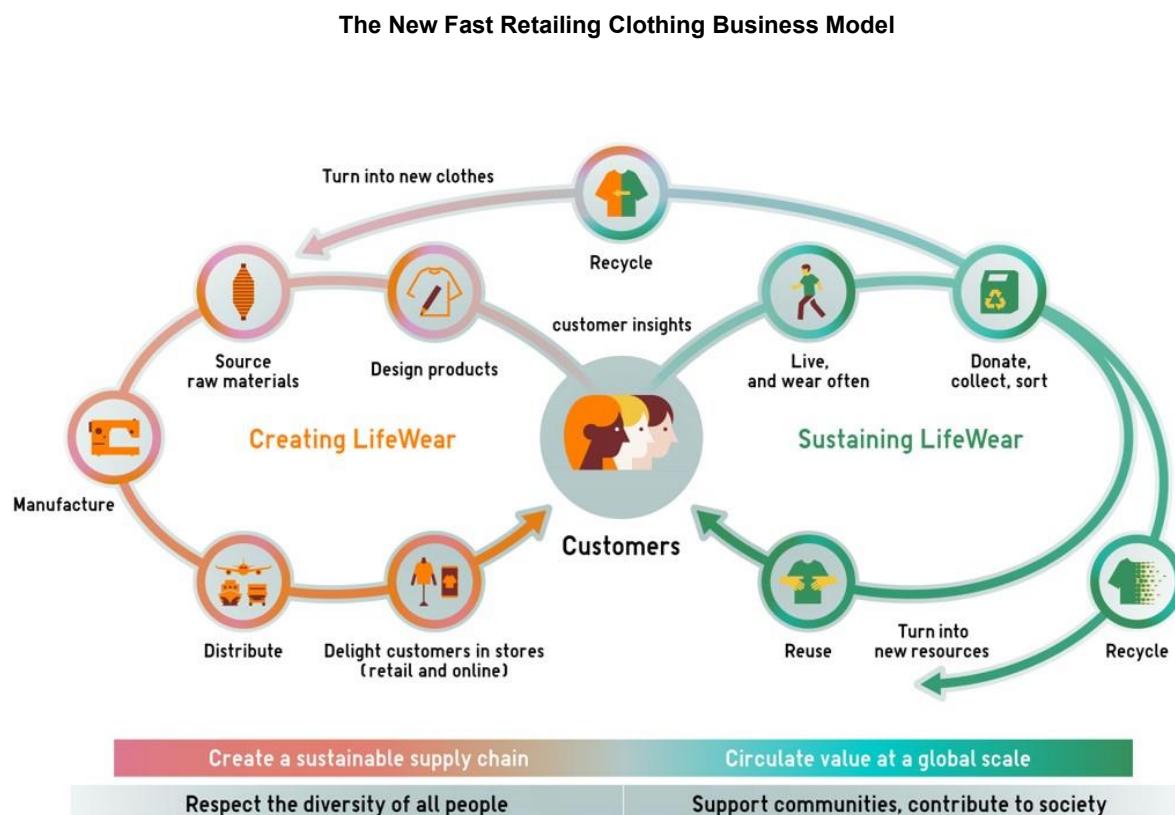
1. Create New Value Through Products and Services
2. Respect Human Rights in Our Supply Chain
3. Respect the Environment
4. Strengthen Communities
5. Support Employee Fulfillment
6. Corporate Governance

See the following webpage for details of the six key areas and how they were identified:

<https://www.fastretailing.com/eng/sustainability/vision/priority-areas.html>

■Climate Change Initiatives and Strategies

Fast Retailing intends to accelerate its transition to a new business model that pursues operational activities and sustainability activities in tandem based on the LifeWear concept.



The LifeWear creation process seeks to reduce waste wherever possible by making and selling only the items that customers really need. We aim to establish a manufacturing framework with low environmental impact by reducing greenhouse gas emissions and waste in all processes, from production through transportation and retail. We are also strengthening our commitment to human rights throughout our supply chain, and we hope that doing so will bring our customers greater peace of mind. In addition, we take responsibility for clothes even after they are sold by promoting reuse, recycling, and upcycling activities, donating clothing collected from customers to refugees, selling pre-owned clothes, and utilizing innovative services and technologies such as clothes-to-clothes recycling to ensure the LifeWear is sustained over a long period. To help solve increasingly complex social issues, we will expand contributions to society at a global scale through our clothing business and diversity initiatives.

We will continue to strengthen our efforts to curb the rise in average global temperature and achieve the Paris Agreement goals. We will continue to seek to fully grasp the impact of climate-related risks and opportunities on business operations and to formulate and implement relevant strategies.

Targets

- Create LifeWear that enriches customers lives, and make and sell only what our customers truly need
- Thoroughly reduce GHG and waste emissions, and realize product manufacturing that minimizes environmental impact
 - ✓ Reduce GHG emissions from our own operations such as stores and main offices (Scope 1 and Scope 2) by 90% by fiscal 2030 (compared to fiscal 2019)
 - ✓ Reduce GHG emissions from raw materials, fabric and garment production for UNIQLO and GU products (Scope 3, Category 1) by 20% by fiscal 2030 (compared to fiscal 2019)
 - ✓ Achieve 100% sourcing of renewable electricity in Fast Retailing global stores and main offices by fiscal 2030
 - ✓ Substitute approximately 50% of total materials used in our products with recycled materials by fiscal 2030
 - ✓ Achieve zero waste by reducing, substituting, reusing, and recycling materials^{*1} used in the process of delivering clothes to our customers
 - ✓ Achieve a net positive impact on biodiversity^{*2} throughout the value chain over the long term by avoiding or minimizing the impact of our business on biodiversity and promoting the conservation and restoration of biodiversity

Initiatives Designed to Achieve the Above Targets

Creating LifeWear

• Promoting the Ariake Project

The Ariake Project is tasked with transforming Fast Retailing into a digital consumer retailing company that connects directly with its customers, turns customer feedback and global information into superior products, and delivers those products in the most efficient and effective way. The project also seeks to use digital and other technologies to change the structure of the supply chain and the way the company and its employees operate. We aim to expand global business while creating a business model that makes, transports, and sells only what is necessary. We believe this will improve customer satisfaction and help reduce environmental impact. Specifically, that means analyzing huge amounts of information, such as customer requests and demands gathered through our global stores and e-commerce operations, and creating products centered around customer needs. In addition, we are working to produce and sell only what is necessary not to destroy or discard unsold inventory. We are also aiming for zero waste by eliminating all waste from the supply chain.

¹ Product packaging, cardboard boxes and plastic bags used during transportation, hangers, etc.

² Net positive impact on biodiversity: A situation where the positive impact on biodiversity outweighs the negative impact

· Reducing GHG Emissions

Fast Retailing's own operations (stores, main offices)

We are working to conserve energy in stores by reducing the use of electricity itself. We have started designing highly energy-efficient new stores by reviewing store layouts to facilitate a reduction in the number of lighting fixtures, introducing more effective natural light, and improving the efficiency of air-conditioning installations. Eight UNIQLO stores in Japan have now acquired Gold Level LEED® (Leadership in Energy & Environmental Design) certification in the Building Operations and Maintenance (O+M) category.

We are also working steadily towards our goal of 100% sourcing of renewable electricity by fiscal 2030. We have introduced renewable energy at stores and offices through initiatives such as an on-site installation^{*3} of solar power generation equipment, purchasing green electricity products provided by energy suppliers and renewable energy certificates. As a result, we have achieved 67.6% sourcing of renewable electricity as of the fiscal year ending August 2023. In the fiscal 2023, we achieved substantively 100% renewable energy use at UNIQLO stores in Europe (excluding certain countries), Canada and Singapore.

Supply Chain

For many years, Fast Retailing has considered it our job to stand alongside partner factories and help solve any problems they are facing together, and we have always pursued growth together with our partner factories. The strong, long-term partnerships that have been cultivated as a result of that approach are now one of our key strengths.

Based on strong relationships with production partners, Fast Retailing is working to achieve its greenhouse gas emissions reduction targets in the supply chain leading up to fiscal year ending August 2030. We use the Higg Index and other apparel industry indices to measure environmental impact, including greenhouse gas emissions, at our core garment factories and fabric mills, then work with each partner to reduce this impact. By November 2021, we defined specific conditions and issues across countries and regions, and at each of the core partner factories jointly accounting for 90% of UNIQLO and GU manufacturing. We then formulated plans to reduce greenhouse gas emissions, and to implement decarbonization, energy-efficiency, and renewable-energy initiatives. To ensure these plans are implemented, we work closely with our partner factories to check progress and conduct a review every three months. To help our partners meet challenges, we provide tailored advice for each factory on suitable options for their circumstances and introduce funding sources to help them implement plans.

Regarding the target of reducing greenhouse gas emissions (Scope 3, Category 1) associated with the production of raw materials, materials and garment of UNIQLO and GU products by 20% by the fiscal year ending August 2030 (compared to the fiscal year ending August 2019), a reduction of 10.0% was achieved in the fiscal year ending August 2023.

³ Sourcing through PPA (Power Purchase Agreement)

Products

To reduce GHG emissions in raw materials production, we aim to increase the proportion of materials with low GHG emissions such as recycled materials to approximately 50% by the fiscal year ending August 2030 and are starting to switch to use them.

Currently, we are making some headway with our polyester initiatives. To date, recycled polyester has been used in UNIQLO products such as Dry EX, Furry Fleece and some HEATTECH crew neck T-shirts. In 2024, the ratio of products made from materials with low GHG emissions such as recycled materials increased to 18.2% (from 8.5% in the previous year) of total materials used. For polyester, 47.4% (from 30.0% in the previous year) of total materials used were made from recycled polyester.

Recycling technology for synthetic fibers is comparatively advanced, so we plan to start by substituting synthetic fibers, such as rayon and nylon. We are also participating in joint research and development projects with business partners to develop new materials that could serve as alternatives to cotton, wool, and other natural fibers, while achieving the same level of quality and comfort as our existing products.

Sustaining LifeWear

• Promoting RE.UNIQLO

Fast Retailing's pillar UNIQLO operation conducts REDUCE, REUSE, and RECYCLE activities under its RE.UNIQLO initiative. This promotes a transition to a more circular society, by maximizing the utility and longevity of UNIQLO's LifeWear clothing.

- REDUCE activities include product customization such as clothing repair, remake, and upcycling options at RE.UNIQLO STUDIO. This enables customers to love and wear their favorite clothes longer. As of the end of November 2024, we offered RE.UNIQLO STUDIO services in 56 stores in 22 countries and regions.
- REUSE activities involve clothing aid to refugees and internally displaced persons that has been providing since 2006. In addition, in October 2023, we launched the UNIQLO Pre-owned Clothes Project. In the fiscal year ending August 2024, it conducted a trial sale of pre-owned clothes collected from four UNIQLO stores in Japan. We carefully selected items based on materials and condition of the clothes collected from customers, selecting for suitability for re-dyeing. We dyed these items at dyeing factories in Japan that use advanced technology. We also sell products that have been carefully washed by specialists. We will continue to analyze feedback and insights we receive from customers through these sales and continue to sell pre-owned clothes on a trial basis.
- RECYCLE initiatives revive collected clothing items into new clothes and materials that we can then deliver back to our customers. For example, we extract the down and feathers from collected down jackets and use them as raw material for new down jackets. In addition, for the official wear provided to the Swedish national team for the international sports event held in France in the summer of 2024, UNIQLO used a molecular recycling method for some collection items (materials

with a high polyester content) collected from stores. This is the first time UNIQLO has recycled clothing donated by customers into fabrics used for brand new items.

Materials that cannot be recycled into clothing are used as materials for insulation and soundproofing. For example, at the UNIQLO Maebashi Minami Interchange store, which opened in April 2023, about 30% of the exterior wall insulation material is made from recycled materials of collected UNIQLO clothes which were cut into small pieces. In addition, about 4.3 kg of used clothing^{*4} is cut and warped before being recycled into soundproofing material used for one car, which serves to reduce the sound of car engines and the high frequencies of electric vehicles. When the clothing cannot be utilized as a material, it is converted into solid fuel (RPF^{*5}). RPF is made from clothes, waste plastic, paper, and wood scraps, and is used as an alternative to coal and other fossil fuels in dedicated boilers at paper companies and other facilities.

See the following webpages for details of our initiatives and environmental impact data:

- Respect the Environment

<https://www.fastretailing.com/eng/sustainability/environment/>

- Sustainability Data Book

<https://www.fastretailing.com/eng/sustainability/report/data.html>

Scenario Analysis of Climate Change-related Risks and Opportunities

Fast Retailing believes identifying actual and potential risks to business and then preempting, appropriately managing, and responding to risks is an essential part of ensuring sustainable operational growth. In 2021, we reviewed the risks and opportunities that climate change will pose to our company and our supply chain through 2030. In 2024, we reconfirmed the risks and opportunities and updated our countermeasures.

When conducting the review, we referred to the following two scenarios to examine the risks and opportunities that climate change poses to our company and supply chain, as well as measures to be taken through the year 2030, in the case where the average global temperature rise by 2100 is less than 2°C compared to pre-industrial revolution levels, and in the case where it is 4°C.

- “Sustainable Development Scenario” and “Beyond 2°C Scenario (B2DS)” by the International Energy Agency: Scenarios for climate-related countermeasures, such as energy policy, associated with the transition to a decarbonized society.
- “Representative Concentration Pathway (RCP) 8.5 by the Intergovernmental Panel on Climate Change Fifth Assessment Report”: A scenario on the potential spread of natural disasters (floods, droughts, heat damage, etc.) due to rising temperatures etc.

⁴ Information source: Japan Specialty Coatings Co., Ltd.

⁵ RPF: Refuse Paper and Plastic Fuel

We recognize that changes in global temperatures, an increase in extreme weather events such as floods and droughts, stricter regulations on GHG emissions, and the conversion to renewable energy could all potentially impact every aspect of the business, such as stores and supply chain, and are therefore to be classified as operational risks. However, at the same time, we recognize that developing appropriate responses to these risks will ultimately increase our business competitiveness and create new types of demand.

Table of Fast Retailing Climate Change Risks

Transition risk	Regulation	1. Carbon tax, carbon pricing, emissions regulation
	Market	2. Changes in customer values
	Reputation	3. Stricter ESG evaluation standards or disclosure requirements 4. Stricter investment decision-making standards for investors
Physical risk	Acute, chronic	5. Increased natural disasters 6. Rising temperatures

At less than 2°C

	Risks	Opportunities	Countermeasures
1. Carbon tax, carbon pricing, emissions regulation	<ul style="list-style-type: none"> The risk of cost increases in the supply chain caused by stronger carbon tax and other taxation systems or tighter regulations, which would result in higher production costs 	<ul style="list-style-type: none"> Control cost rises in the supply chain by promoting energy conservation and introducing renewable energy, which would result in lower production costs 	<ul style="list-style-type: none"> Seek to reduce GHG emissions by encouraging thorough energy conservation and accelerating the introduction of renewable energy at Fast Retailing's main fabric and garment manufacturing partner factories We are targeting a 20% reduction in GHG emissions from the production of raw materials, fabrics and garment manufacture for UNIQLO and GU products by fiscal 2030. To that aim, we have determined plans for partner factories that account for 90% of our production volume to reduce their GHG emissions by conserving energy, eliminating the use of coal, and introducing renewable energy. Going forward, we intend to develop more concrete measures for these plans and make sure they are implemented
	<ul style="list-style-type: none"> The risk of higher costs at Fast Retailing stores caused by stronger carbon tax and other taxation systems or tighter regulations 	<ul style="list-style-type: none"> Control cost rises at Fast Retailing stores by introducing renewable energy and promoting energy conservation, which would result in lower costs Improve brand image and reputation among customers by above measures 	<ul style="list-style-type: none"> Work to reduce greenhouse gas emissions by promoting energy conservation in our stores and reducing electricity usage, with the aim of reducing emissions from energy use in our own operations such as stores and main offices by 90% by the fiscal 2030 Install solar power generation equipment in our stores and main offices, and purchasing green electricity products provided by energy suppliers and renewable energy certificates

	<ul style="list-style-type: none"> The risk of an increase in distribution costs relating to EU fuel economy and emissions regulations, or a tightening in regulations in the markets where our production bases are located, such as China, Vietnam, Bangladesh, and Indonesia, or the markets where we retail clothing, such as Japan, Southeast Asia, and the EU 	<ul style="list-style-type: none"> Realize more efficient distribution through the promotion of our Ariake Project business model transition 	<ul style="list-style-type: none"> As part of our response to EU fuel economy and emissions regulations, we are transitioning to hybrid vehicles and EVs and diversifying transportation fleets by using water transport etc. We are also pursuing low-cost management by improving truck loading rates To help reduce GHG emissions, we are reducing transport volumes in each market by encouraging customers to pick up their online purchases from our stores, and offering other services We aim to reduce volume of goods by promoting the Ariake Project and improving inventory efficiency, and strengthen delivery efficiency through the joint use of trucks across several of our clothing brands We are further refining the measurement of GHG emissions in the logistics area to formulate and implement specific reduction targets and plans
2. Changes in customer values	<ul style="list-style-type: none"> The risk of a decline in sales and reputation if Fast Retailing customers start to prefer materials, products, and services that have a low environmental impact and we are not able to meet those changing needs 	<ul style="list-style-type: none"> Create new demand and improve our reputation among customers by developing new materials with low GHG emissions 	<ul style="list-style-type: none"> Accelerate the incorporation of materials with low GHG emissions such as recycled materials to constitute approximately 50% of total materials used in our products by fiscal 2030. We have already launched recycled down jackets and DRY-EX polo shirts and HEATTECH crew neck T-shirt that use recycled polyester made from collected PET bottles

	<ul style="list-style-type: none"> Increased demand for products that address environmental change 	<ul style="list-style-type: none"> Strengthen the development of products that respond to climate change such as HEATTECH, AIRism, UV-cut parkas, and BLOCKTECH parkas
	<ul style="list-style-type: none"> Create new demand and improve our reputation among customers by accelerating RE.UNIQLO initiatives 	<ul style="list-style-type: none"> Help reduce GHG emissions and strengthen our customer appeal by REDUCE•REUSE•RECYCLE products through our RE.UNIQLO and other initiatives
	<ul style="list-style-type: none"> Improve our reputation among customers by strengthening communication on our sustainability activities 	<ul style="list-style-type: none"> Strengthen our sustainability initiatives by employing UNIQLO Global Brand Ambassadors and LifeWear Ambassadors Convey our corporate approach to sustainability and progress towards the goals through the publication of our Integrated Reports, LifeWear Magazine, and Power of Clothing articles, and Sustainability briefing for investors and media etc.

At 4°C

	Risks	Opportunities	Countermeasures
5. Increased natural disasters	<ul style="list-style-type: none"> The impact of natural disasters on raw materials, damage to production facilities, production stoppages caused by supply chain disruptions 	<ul style="list-style-type: none"> Fast Retailing has the capacity to mount a strong response as a specialty retailer of private-label apparel (SPA) that manages the whole clothes-making process from materials procurement through planning, production, distribution, sales and inventory management, etc. That enables us to minimize and reduce risk, and to maintain and potentially create demand Minimize damage in the event of a disaster (build a resilient business) by building strong partnerships with suppliers and business partners and seeking to strengthen our adaptation strategies 	<p>【Raw Materials】</p> <ul style="list-style-type: none"> In 2021, we conducted a risk assessment of the degree of dependence on major ecosystems (dependence on each ecosystem service) and the degree of impact in each process of the value chain. We have identified raw materials that have a high degree of impact on ecosystem services such as water supply, climate stability, and disaster prevention, as well as land use change. As a result of this assessment, we are considering countermeasures for high impact materials We disperse procurement risk globally by creating separate production areas for each material. We also disperse risk for products that are difficult to disperse regionally by sourcing from dispersed suppliers We reserve the raw materials we use at an early stage through long-term engagement with materials partners. That enables us to switch to alternative materials if a particular raw material cannot be procured <p>【Factories】</p> <ul style="list-style-type: none"> We prevent delays or stoppages in product supply by dispersing suppliers and securing stockpiles in preparation for the occurrence of a sudden or unexpected event based on long-term contracts with selected and concentrated business partners. For example, we

		<p>ensure any one particular product can be produced at multiple factories</p> <ul style="list-style-type: none"> From 2021, we regularly conduct risk assessments using Aqueduct, a water risk assessment tool developed by the World Resources Institute. In fiscal 2021, we evaluated our sewing and garment factories, conducted assessments of risks related to available water resources and flood risks, and identified facilities located in high-risk areas. In addition, we conduct a survey on the actual situation in the areas and fluctuations in water prices etc., and identify factories that actually have water risks, and take actions <p>【Logistics】</p> <ul style="list-style-type: none"> In addition to our moves to create multiple bases in terms of major ports, warehouses, and distribution routes, we incorporate business continuity planning (BCP) perspectives into the selection of ports, warehouses, and distribution routes in order to minimize physical risks as we proceed with our regional production dispersal and automated warehousing strategies As a countermeasure against typhoons and water damage, we started to formulate global standards regarding the location and specifications of our warehouses that consider the elevation of the foundations and platforms based on hazard maps As we continue to automate our warehouses around the world, we are using base-isolation structures to prevent strong winds from impacting the internal machinery operation
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		<ul style="list-style-type: none"> • Through long-term contracts with selected partners, we formulate and implement lean transportation plans based on our sales plans
		<p>【Stores】</p> <ul style="list-style-type: none"> • We regularly conduct risk assessments throughout the value chain using the Aqueduct water risk assessment tool developed by the World Resources Institute. In fiscal 2021, we assessed our core stores and offices and identified facilities located in high-risk areas. For stores and offices in high risk areas, we conducted a follow-up survey on past damages caused by floods etc. and existing countermeasures and confirmed that such risks have been reduced as a part of a company-wide risk management • In Japan business, we are pursuing determined new store opening plans using hazard maps and we are also strengthening measures to prevent flooding using water-stopping plates and sandbags at existing stores in high-risk areas • We have also standardized countermeasures for existing and new stores in areas without hazard maps or for stores that are not on the hazard map. We have also developed similar measures for stores globally • We have also created disaster-prevention measures and equipment manuals. Our head offices and stores work together to ensure the prescribed practices are thoroughly implemented and we also conduct disaster drills

6. Rising temperatures	<ul style="list-style-type: none"> Increase in procurement costs due to the impact of changes in weather patterns on raw material production 		<p>See '5. Increase in natural disasters: Countermeasures for [Raw materials]'. </p>
	<ul style="list-style-type: none"> A decline in sales caused by a product mix that does not respond sufficiently to changing temperatures 	<ul style="list-style-type: none"> Create new demand with new functional materials 	<ul style="list-style-type: none"> We recognize the changing needs of customers caused by global climate change. As such, we ensure consistent inventory of year-round standard products, such as UNIQLO's high-functioning AIRism cotton T-shirts and sportwear, to enable us to respond flexibly to prolonged summers and mild winters. In preparation for generally warmer winters going forward, we have reduced the proportion of coats and other heavy winter clothing and have instead increased the proportion of lightweight clothing such as our Ultra Light Down ranges and light fleece jackets, so that we can create a product lineup that offers a variety of different coordination options for our customers We are strengthening the development of functional products that can satisfy customer needs during severe winters, warm winters, intense heat, or intense cold spells caused by climate change. Major examples include HEATTECH (extra warm and ultra warm), AIRism, BLOCKTECH outerwear, and hybrid down outerwear

The Impact of Climate Change and Our Response Strategies

We believe that demand for clothing, especially LifeWear clothing, will not change regardless of whether the temperature increase is limited to less than 2°C or rises to 4°C. We also believe that developing products that satisfy customers' needs, such as materials with lower GHG emissions, circular products, and HEATTECH, AIRism and other products that respond to climate change will help increase market competitiveness and expand sales.

- In the B2DS, our supply chain could be impacted by the risk of higher production and store-related costs due to carbon tax and other taxation, stricter regulations, or higher electricity prices. However, promoting energy savings and introducing renewable energy would lead to a reduction in this risk. There is a risk that distribution costs will increase if regulations on automobile and truck fuel economy and emissions are tightened in the EU and other countries around the world. However, it is possible to reduce this risk by promoting the transition to hybrid vehicles and EVs, improving logistics efficiency through the Ariake Project, and pursuing other measures.
- If the increase in global temperature follows the 4°C rise by 2100 scenario, physical risks, such as droughts, heavy rains and other extreme weather patterns as well as water shortages, are expected to have a significant impact on our entire supply chain from production through distribution and retail. However, these risks can be mitigated by diversifying our raw materials, partner factories and other suppliers, and through long-term contracts and partnerships. With regards to distribution and stores, physical risk can be minimized through regional dispersion, the selection of locations from a BCP perspective, and disaster-preparedness training. In addition, we ensure consistent inventory of year-round standard products to enable us to respond flexibly to sudden changes in temperature and lingering summer heat.

We are able to respond flexibly to potential and actual risks because we are a specialty manufacturer and retailer of private-label apparel (SPA). We are taking measures based on the assumption that climate change countermeasures do not progress as planned and the rise in global temperature cannot be more strictly controlled. These measures include making clothes that respond to changing customer needs, and incorporating BCP perspectives into the dispersion of raw materials, production factories, and other suppliers, the diversification of transportation methods, the selection of distribution bases, and the location of our retail stores.

We believe we can sustainably enhance our corporate value by disclosing appropriate information on the validity and progress of these strategies, engaging in dialogue with institutional investors and other stakeholders, and responding to ESG evaluation indicators.

Governance

Fast Retailing has established a Sustainability Committee to promote sustainability activities in tandem with our business operations. Sustainability Committee meetings are attended by our internal directors

(including our representative director as the chairperson of the committee), external directors, audit & supervisory board members, external experts, and relevant executive officers, and involve discussions regarding various sustainability policies, measures plans, targets and issues and directions of individual activities from a variety of different perspectives, and also, based on progress reports on each area, including environment, human rights, and social contribution, serve as opportunities to provide advice, recommendations, and supervision to departments executing business operations. Meetings for the Committee were held four times this consolidated fiscal year, and were host to discussions regarding sustainability activities pertaining to matters like climate change, biodiversity, circular economy, respect for human rights, social contribution, communication, and EU regulatory compliance. The Committee also discussed how best to communicate with customers and other stakeholders in order to solicit their participation in our social contribution activities.

We engage in debate, offer advice, and provide supervision regarding risks associated with key matters such as the environment and human rights during meetings of committees attended by internal and external directors, audit & supervisory board members, external experts, and executive officers, such as the Risk Management Committee, the Human Resources Committee, the Human Rights Committee, the Code of Conduct Committee, and the Corporate Transaction Ethics Committee. Furthermore, the Audit & Supervisory Board recognizes various issues pertaining to sustainability as risks, and requests reports from departments executing business operations as appropriate.

At Fast Retailing, the Company Chairman and President, who occupies the highest position of authority in terms of sustainability, appoints directors and executive officers in charge of sustainability. To enable them to evaluate and manage the impacts, risks, and opportunities presented by their specific areas of responsibility, those directors and executive officers supervise relevant departments, receive reports on a regular basis, and make management decisions. Additionally, evaluation standards of variable remuneration for directors and executive officers in charge of sustainability-related matters include the evaluation of results pertaining to quantitative and qualitative goals set for the matters for which they are responsible.

Managers of each operation and company play a central role in implementing initiatives in cooperation with the Sustainability Department in order to facilitate the steady and integrated pursuit of sustainability activities and business growth. For example, we have positioned sustainability activities as a priority issue within Fast Retailing's transformative Ariake Project. Each department involved in supply chain management, including in-store and e-commerce sales, production, and distribution, appoints a person in charge of individual sustainability issues ranging from reducing greenhouse gas emissions, eliminating waste, developing products using recycled materials, and establishing traceability. Metrics and targets have been set, and various initiatives are being pursued.

See the following webpage for more details on Fast Retailing's systems for promoting sustainability:

<https://www.fastretailing.com/eng/sustainability/vision/organization.html>

Risk Management

Fast Retailing has established a Risk Management Committee to support the functioning of the Board of Directors by periodically identifying latent climate change and other latent risks in our operational activities, specifying significant risks, and strengthening our risk management frameworks. The Risk Management Committee, chaired by the Group Chief Financial Officer (CFO), is a centralized organization that manages risk across the Group. The committee seeks to analyze and evaluate the extent and frequency of impact of any risk on our business, discuss countermeasures in order of risk priority, and control risks before they occur. The committee also reports any significant risks to the Board of Directors and extends concrete support to individual departments regarding risk management measures.

See the following webpage for more details on Fast Retailing's risk management frameworks and operational risks.

<https://www.fastretailing.com/eng/ir/direction/risk.html>