

# Governance System to Support Sustainability Management



The Group is addressing issues surrounding sustainability and promoting sustainability management that aims to balance the resolution of social issues and corporate growth. The Company has established board of directors-based governance structure to make sustainability management function, with the aim of enhancing corporate value over the medium to long term.

## Role of the Board of Directors Regarding Sustainability

The Group's specific policies for sustainability initiatives, such as addressing environmental and social issues, are deliberated and approved by the Group Management Meeting, the highest decision-making body for business execution. Items approved by the Group Management Meeting are shared with all operating companies through the Sustainability Committee, an advisory body to the President and Representative Executive Officer. Additionally, the Sustainability Committee monitors the implementation and progress of the actions plans of each operating company to enhance the effectiveness of group-wide initiatives.

In response, the Board of Directors receives reports on activities approved by the Group Management Meeting and the Sustainability Committee, and deliberates and monitors target setting, response policies, and action plans.

## Executive remuneration system incorporating non-financial measures

Since FY2021, we have set reduction of Scope 1 and 2 emissions and “ratio of female managers” as non-financial indicators for determining performance-linked compensation in officer remuneration. These are linked to the KPIs in the Medium-term Business Plan and are designed to clarify the responsibilities of the executive officers in achieving their targets, as well as to function as an incentive to realize and promote sustainability management.

## Board of Directors Skill Matrix

In selecting candidates for the Board of Directors, the Company uses a skills matrix to clarify the expertise and experience expected of directors. We have identified “environment,” “society,” “governance,” and “human resources and organizational development” as skill categories, and we select directors who can appropriately oversee our sustainability initiatives.

Name		Status	Management strategies	Finance	Marketing	HR & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
KOIDE HIROKO	Chairperson of Board of Directors Member of Nomination Committee Member of Remuneration Committee	Non-executive, independent, outside	●		●	●					●
YAGO NATSUNOSUKE	Chairperson of Nomination Committee Member of Remuneration Committee	Non-executive, independent, outside	●						●		●
HAKODA JUNYA	Chairperson of Audit Committee	Non-executive, independent, outside	●	●							●
UCHIDA AKIRA	Chairperson of Remuneration Committee Member of Nomination Committee	Non-executive, independent, outside	●	●							●
SEKI TADAYUKI	Member of Audit Committee	Non-executive, independent, outside		●			●			●	●
<b>New</b> OMIJURA EMI	Member of Audit Committee	Non-executive, independent, outside					●	●		●	●
YOSHIMOTO TATSUYA	Member of Nomination Committee Member of Compensation Committee	Non-executive	●		●				●		●
HAMADA KAZUKO	Member of Audit Committee	Non-executive				●				●	●
<b>New</b> ONO KEIICHI		Officer (President and Representative Executive Officer)	●		●				●		●
WAKABAYASHI HAYATO		Officer (Managing Executive Officer)	●	●		●					●

\* [Non-executive] Director who does not serve as an executive officer, [Executive officer] Director who also serves as an executive officer, [Independent] Independent director registered with the stock exchange, [Outside] Outside director

<b>Management strategies</b>	Management expertise as well as knowledge and experience related to management strategies, such as making strategy proposals that lead to the increase of corporate value and formulating methods to identify issues for the formulation of the medium-term business plan.
<b>Finance</b>	Knowledge and experience in finance and accounting, including the improvement of corporate value through the establishment of a strong financial base and formulating financial strategies that are conscious of the cost of capital.
<b>Marketing</b>	Knowledge and experience in activities that bring about customer satisfaction and the continual improvement in corporate value by discovering customer issues, creating products and services to solve those issues, communicating information, and offering added value
<b>Human resources &amp; organization development</b>	Knowledge and experience related to human capital management that maximizes the individuality and abilities of diverse employees and realizes the creation of new value.
<b>Legal affairs &amp; compliance</b>	Knowledge and experience to promote advanced and specialized knowledge of corporate law and compliance management in a recognition that the legal and appropriate execution of corporate management is the basis for sustainable improvement of corporate value.
<b>IT &amp; Digital</b>	Knowledge and experience to oversee ICT support and new business development from a customer perspective, while keeping up to date with the latest IT trends, in order to achieve the digital transformation of existing businesses.
<b>E: Environment</b>	Knowledge and experience to provide appropriate oversight of the JFR Group's initiatives for "co-existence with the environment," including business activities that are conscious of solving environmental issues, and environmental plans that include the setting of medium- to long-term goals.
<b>S: Social</b>	Knowledge and experience to provide appropriate supervision of the JFR Group's efforts to achieve regional prosperity and a sustainable society.
<b>G: Governance</b>	Knowledge and experience in corporate governance with the aim of improving the effectiveness of the supervisory function of the board of directors on a recognition that the establishment of an appropriate governance system is the foundation for sustainable improvement in corporate value.

→ Governance System    Risk Management

## Sustainability Promotion System

The Group’s specific initiatives on social issues, including the environment and human rights, are deliberated and approved in the Group Management Meeting, the highest decision-making body for business execution. Matters deliberated and approved by the Group Management Meeting are shared with all operating companies through the Sustainability Committee, an advisory body to the President and Representative Executive Officer.

The Sustainability Committee also monitors the implementation and progress of action plans at each operating company based on the Group’s policies. The content of matters discussed and decided by the Group Management Committee and the Sustainability Committee are reported to the Board of Directors

### JFR Group Environmental Management System



### Sustainability Committee

Established	March 2019
Positioning	Advisory body to the President and Representative Executive Officer
Chairperson	President and Representative Executive Officer
Members	JFR Executive Officers, Presidents of all operating companies
Secretariat	Sustainability Promotion Division (Management Strategy Unit)
Frequency	Twice a year (Spring/Fall) in principle



### Major agenda items in the Sustainability Committee Meetings

Fiscal Year	Month	Agenda Items
FY2021	April	<ul style="list-style-type: none"> <li>● Initiatives with Suppliers to Reduce Scope 3 Emissions</li> <li>● Overview of Supplier Assessment (Environment and Human Rights) in FY2021</li> <li>● Revision of Sustainability Policy</li> <li>● FY2020 KPI Progress Report</li> </ul>
	September	<ul style="list-style-type: none"> <li>● Lecture by an external instructor on “The importance of ESG information disclosure”</li> <li>● Implementation of supplier assessment (environment and human rights)</li> <li>● FY2021 1H KPI Progress Report</li> </ul>
FY2022	April	<ul style="list-style-type: none"> <li>● Lecture by an external instructor on “ESG/sustainability management”</li> <li>● How to advance the Women’s Empowerment Promotion Project</li> <li>● Report on the results of supplier assessment (environment, human rights)</li> <li>● FY2021KPI Progress Report and FY2022 Sustainability Action Plan</li> </ul>
	May	<ul style="list-style-type: none"> <li>● Lecture by an external instructor on “Diversity as a Management Strategy”</li> </ul>
	September	<ul style="list-style-type: none"> <li>● Progress report on the Women’s Empowerment Promotion Project and discussion of future direction of each company</li> <li>● FY2022 1H KPI Progress Report</li> </ul>
FY2023	April	<ul style="list-style-type: none"> <li>● Lecture by external instructor on “Business and human rights”</li> <li>● Status of initiatives to promote diversity and inclusion at each company</li> <li>● Report on results of employee awareness survey</li> <li>● FY2022 KPI Progress Report and FY2023 Sustainability Action Plan</li> </ul>
	September	<ul style="list-style-type: none"> <li>● Lecture by an external instructor on “Overview and importance of biodiversity”</li> <li>● Implementation of supplier assessment (human rights)</li> <li>● FY20231H KPI Progress Report</li> </ul>
FY2024	April	<ul style="list-style-type: none"> <li>● Lecture by an external instructor on “The Relationship between Medium- to Long-Term Corporate Value Enhancement and Non-Financial Activities”</li> <li>● 2024-2026 Medium-Term Sustainability Plan</li> <li>● FY2023 KPI Progress Report</li> </ul>