Pursuing ESG-Based Management

ESG Initiatives

Initiatives Towards a Decarbonized Society

TCFD

Based on the Aeon Decarbonization Vision 2050, we are promoting a range of initiatives aimed at achieving a decarbonized society. These include reducing total CO₂ and other emissions from our malls to zero by 2050, and setting an interim 2030 goal of reducing CO₂ emissions by 35% over 2010 levels. We have also established new targets of operating all malls using CO₂-free electricity by 2025.

In June 2020, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD), a task force for information disclosure of business

Governance

Board of Directors Role (Environment)

Deliberations by the ESG Promotion Committee and its subcommittees, the Risk Management Committee, and the Compliance Committee are reported to the board of directors. Additionally, climate-related issues are also incorporated into the annual board of directors' agenda. It then makes further connections between climaterelated issues and the business, and act in a supervisory capacity to ensure that there are no errors.

Every year, as part of our ISO environmental goals, we set company-wide energy-saving targets. Energysaving initiatives are planned and implemented by each mall, and they manage their own progress. If any of these business units fail to achieve these targets, it will examine corrective measures, and submits a report to environmental departments. Particularly important corrective measures are reported to the ESG Promotion Committee and its subcommittees, and depending on importance and urgency, to the Management Council and the board of directors. risks and opportunities posed by climate change. The TCFD was established in 2016 by the Financial Stability Board (FSB), an international organization that seeks to stabilize the financial system. This section introduces our efforts to address climate change in line with the information disclosure framework recommended by TCFD.



Management Role (Environment)

The role of management in environmental issues is to make decisions on specific measures related to the environment, including achieving the AEON Decarbonization Vision 2050. The risks and opportunities from climate change have a major impact on business strategy, so the ultimate responsibility for these rests with the president.

The ESG Promotion Committee, a forum for discussions on sustainability, has been established as a subordinate mechanism under the Management Council. The ESG Promotion Committee is chaired by the president and consists of directors and full-time Audit & Supervisory Board members. In addition to its dayto-day efforts, the committee meets every two months to discuss company internal and external needs and expectations as well as current issues and problems, set targets for initiatives, and manage progress, with a focus on the four areas of environmental issues, social issues, strengthening governance, and communication, aiming for rapid resolution of issues.

In addition, the ESG Promotion Committee also confirms issues and targets, as well as rapidly making decisions on specific measures aiming to achieve the AEON Decarbonization Vision 2050 — these include promoting the use of renewable energy and adding more EV chargers. Value Creation Story

ESG Promotion System



Strategy

Selection of Climate Change Scenario

In reference to the climate change scenarios in the United Nations Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, we selected the 2°C scenario and the 4°C scenario. The time axis of the analysis indicates the impact of climate change by 2050 towards achieving the goals set forth in the AEON Decarbonization Vision 2050. We are carrying out a scenario analysis based upon these assumptions, and estimating the impact of climate change.



*Source: The Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC)

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Major risks and opportunities

AEON MALL has summarized the significant climate change risks and opportunities in Japan, China, and ASEAN countries in which we operate our mall business based upon external information, and has collected forward-looking forecast data on each of these risks and opportunities. Using this, we have studied the risks and opportunities involved with the transition to a decarbonized society, as well as the physical risks and opportunities stemming from climate change. We have identified the primary risks and opportunities that may impact our business by 2050.

One example is a hypothetical situation which sees the widespread adoption of electric vehicles. In this, we have identified a risk in which delays in investment in charging stations may limit our ability to attract customers, countered by the opportunity in which appropriate capital investment will differentiate us from competitors and positively impact our ability to attract customers. We also identified the risk of flooding and power outages within and outside our facilities due to torrential rains and typhoons because of increasingly extreme weather events. However, the installation of watertight panels to prevent flooding and other tangible and intangible disaster preparedness measures may give us a competitive advantage, and by extension increased opportunities for our business partners to use the facilities and better attract customers. Please refer to the table for details.

		Evaluated item		Consideration of impact on business		
	Main category	Sub-category	Consideration of impact on business (risk)	(opportunity)	Impact	Time
Transition	//regulatory	Carbon tax, greenhouse gas emissions regulations	Increases in petroleum and coal taxes are expected to increase procurement costs for construction materials, as well as costs for fuels used in operating facilities. The promotion of policies in line with the Paris Agreement will make thorough energy-saving measures necessary.		High	Long term
	Polic	Subsidy policies for renewable energy	The end of FIT-based purchasing will reduce income from sales of power from existing renewable energy facilities.	There is the possibility of being able to use new subsidies. There is also the possibility of accessing new markets such as in trading of renewable energy certificates.	Low	Short- medium term
	Industry/market	Changes in customer behavior	Increasingly efficient specialty stores will need to differentiate themselves from other companies in regards to their buildings' environmental performance.	Providing high-efficiency buildings as a response to heightened interest in energy efficiency will provide differentiation with competitors, and lead to higher rents for specialty stores.	High	Short- long term
		Changes in energy mix and demand	Constrained demand for energy will increase electricity procurement costs, leading to an increase in operating costs from utility bills. Higher demand for the procurement of renewable energy will increase its cost, increasing the financial burden.	The move to low-carbon grid electricity will limit the requirement to pay carbon taxes and invest in energy-saving facilities incurred from building construction and operation of facilities.	High	Medium term
	Technology	Spread of electric vehicles	The spread of EVs will require the installation of charging facilities at our operating facilities, meaning increased capital investment costs. A failure to respond to this will lower our ability to attract customers.	Having charging facilities at operating facilities will help with differentiation from competing facilities, and will positively impact the ability to attract customers.	High	Medium term
		Spread of renewable energy and energy- saving technologies	The degree of response to technical innovations such as building performance and environmental friendliness of used services will impact competitiveness with other companies.	The introduction of energy-savings/renewable energy technologies will reduce operating costs and increase property values.	Medium	Medium term
	Reputational	Change in reputation from customers	In the event of inadequate disclosure of climate change initiatives and non-financial information, this may lead to a decline in our corporate reputation amongst specialty stores and the general public, with a possible decrease in rent revenue from specialty stores.	(Not applicable)	Low	Short- long term
		Change in reputation from investors	Inadequate disclosure of climate change initiatives and of non-financial information may result in a decline in our corporate reputation from investors, leading to unfavorable loan rates.	Issuing green bonds or similar may attract new funds from the investor community that places value upon responsible investment.	Low	Short- long term
Physical	Chronic	Rise in average temperatures	The increase in very hot days will require measures such as an increase in insulation and air conditioning to ensure a comfortable interior environment during summer, which will increase construction costs. Cooling loads will increase due to higher temperatures, meaning higher operating costs.	Installing high-efficiency insulation and air-conditioning equipment in these operating facilities will help keep summer air-conditioning costs down, providing a competitive advantage in terms of operating costs. Creating a comfortable space for mall users, including employees of specialty stores, will lead to increased customer numbers and higher specialty store employee satisfaction.	Medium	Long term
		Rise in sea levels	It is possible that facilities in coastal locations may incur costs for measures to deal with rising sea levels. Locations of high risk will also face increased insurance premiums.	(Not applicable)	Medium	Long term
		Change in rainfall and weather patterns	Increased deterioration of building materials because of storms and solar UV will require the development of lower cost and more durable material technologies. Damage to properties may impact operations, and lead to lower revenue.	(Not applicable)	Low	Medium -long term
	Acute	Increasingly extreme weather phenomena	Torrential rains and typhoons will cause flooding inside and outside facilities as well as power outages requiring remedial measures and costs, which will mean fewer business days and customers. Insurance premiums will also increase to cover storm and flood damage.	Gain a competitive advantage by promoting the enhanced tangible and intangible disaster preparedness of our managed facilities, thereby leading to increased rental income along with more customer usage of our facilities and an improved reputation.	High	Short- long term

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Towards Achieving a Decarbonized Society

As one measure for ESG-oriented management, AEON MALL aims to help create a decarbonized society by the year 2050. As a part of these efforts, the AEON MALL Group carried out a scenario analysis. Results of this showed that on top of transition risks from the addition of a carbon tax to achieve decarbonization and other climate change-related trend changes, physical risks such as rising sea levels and abnormal weather patterns because of global climate change would also have a significant impact on the AEON MALL. In order to construct a resilient infrastructure system, in light of the recent torrential rains in western Japan and Typhoon No. 24, which caused extensive damage from floods and tornadoes both in Japan and overseas, we have included floods and tornadoes as new risks. Also, based on the responses of individual malls to previous disasters, we have established a range of policies such as our natural disaster response guidelines. As we continue with scenario analyses, we will carry out not only qualitative assessments, but also quantitative impact assessments so that we can understand the financial impacts of climate change.

By the Year 2025, all AEON MALL Facilities Will Transition to Renewable Energy

The AEON Group continues to engage in energysaving activities, including the installation of solar power systems and EV chargers, aiming to help create a decarbonized society. In 2018, AEON formulated the AEON Decarbonization Vision 2050, aiming to achieve a decarbonized society by the year 2050 through the pursuit of energy conservation and the use of renewable energy, etc. Our target is to operate all malls using renewable energy by 2025.

AEON MALL Kawaguchi (Saitama Prefecture) has begun operating with virtually zero electricity and gas CO₂ emissions. In addition to energy-saving efforts, the mall procures electricity with virtually zero CO₂ emissions through the non-FIT non-fossil certificate electric power program^{*1} offered by TEPCO Energy Partner, Inc. The mall also sources carbon neutral city gas^{*2} supplied by

Risk Management

The AEON MALL defines all risks, including fluctuations in sales due to competition, fluctuations in exchange rate, reputational damage, as well as earthquakes and fires. We have elucidated our basic approach to managing these in the Corporate Risk Management Rules. Depending on the nature and type of risk, these will be handled by different departments, and categorized as the Management Strategy Division, the Tokyo Gas Co., Ltd.

- *1 Non-FIT non-fossil certificate electric power program: A product offering the environmental value procured by Tokyo Electric to the point of customer demand in parallel with grid electricity. This source of electricity is regarded as essentially CO₂-free.
- *2 Carbon-neutral city gas: Using CO₂ credits to offset greenhouse gases (carbon offsets) during the process of extracting natural gas through the combustion of said gas. This process is viewed as producing zero CO₂ on a global scale, even through the combustion stage. The CO₂ credits are certified by a reliable verification organization assuring the CO₂ reduction impact of environmental protection projects around the world.



Compliance Committee, and the Risk Management Committee. The roles and objectives of this Risk Management Committee are to stay abreast of the status of risk management operations, to exchange information, to continuously review the risk management system (improve the PDCA cycle), and to aim to manage risk by reporting and proposing policies to the president.

Indicators and Targets

Energy Consumption

Trends in energy consumption

	Unit	Scope*1	Boundary	FY2016	FY2017	FY2018	FY2019	FY2020
Energy consumption (crude oil equivalent)	kl	1	Common space	117,278	118,030	118,723	117,801	112,922
Energy consumption intensity	GJ/1,000 m ² \times h	1	Common space	0.432	0.410	0.401	0.379	0.364
Energy consumption intensity YoY (%)	%	1	Common space	95.33	94.88	97.86	94.43	95.99

*1 Scope ① Directly managed malls in Japan: Business sites are not included in scope if we are only commissioned to perform management and operations without responsibility to manage energy. ② Consolidated. (Includes overseas and subsidiaries)

Greenhouse Gas Emissions

Trends in greenhouse gas emissions

	Unit	Scope*1	Boundary	FY2016	FY2017	FY2018	FY2019	FY2020
Scope 1	t-CO2	1	Common space	13,731	15,977	15,271	13,840	14,627
Scope 2	t-CO2	1	Common space	230,161	225,500	213,468	193,771	178,153
Scope 1, 2	t-CO2	1	Common space	243,892	241,477	228,739	207,611	192,780
Scope 1, 2 (overseas)	t-CO2	Overseas	Common space	39,929	60,292	60,113	61,532	63,839
Scope 1, 2 (Japan + overseas)	t-CO2	2	Common space	283,821	301,768	288,852	269,143	257,032
Scope 3	t-CO2	2	Entire supply chain for business activities	_	_	_	1,655,553	1,311,119

*1 Scope ① Directly managed malls in Japan: Business sites are not included in scope if we are only commissioned to perform management and operations without responsibility to manage energy. ② Consolidated. (Includes overseas and subsidiaries)

Reductions Target

AEON MALL has formulated greenhouse gas emissions targets in accordance with AEON policies.

The AEON Group established Aeon Eco Project energy strategy that was in place from 2012 to 2020, and has set a goal to reduce energy consumption by 50% (per unit of floor space) compared with fiscal 2010.

For fiscal 2020, AEON MALL reduced energy consumption by 55.1% (per unit of floor space) compared to fiscal 2010.

Furthermore, in March 2018, Aeon newly formulated the *AEON Decarbonization Vision 2050* aiming to achieve a decarbonized society, is aiming to reduce total CO₂ and other emissions from our malls to zero by 2050, and has set a 35% reduction in CO₂ emissions over FY2010 levels by 2030 as an interim target.

Aeon has also joined the RE100 initiative and we are committed to converting all of our electricity usage to renewable energy by 2050.

AEON MALL has set a target of having all malls switched to using renewable energy by 2025.

Third-Party Verification

In FY2019, in order to ensure transparency and improve reliability, we received third-party verification of greenhouse gas (scope 1, 2, and 3), water, and waste emissions generated by our company. Using forecasts for improvements derived from this verification, we are working to continuously improve internal information.

 2020 saw third-party verification carried out for AEON Co., Ltd. and for consolidated Group companies.
Looking forward, we will work to improve the reliability of our data, and to continue with reductions in our greenhouse gas emissions.

^{*}We verify Scope 3 in accordance with the AEON MALL Scope 3 Calculation Rules (updated June 14, 2021). (Scope and verification method are the same as for Scope 1 and 2)