

# Governance



## Corporate Governance

### Policies

#### Basic stance for corporate governance

AEON MALL is a Life Design Developer, creating the future of community living as we pursue our basic principle that the customer comes first. Life Design extends beyond the framework of the shopping mall. Life Design extends beyond the framework of the shopping mall. Life Design addresses functions associated with different customer life stages, including not only shopping, but also interaction with other people, cultural development, and other features contributing to future lifestyles.

AEON MALL strives to localize our malls to the characteristics of each community we serve. In this way, we contribute to better lifestyles and local community growth. In addition, by continuing to provide solutions to regional and social issues through pro-moting growth measures in our long-term vision and medium-term management plan, we will establish ourselves as a core facility in local communities, providing a social infrastructure function. In order to accomplish this, we recognize that governance is a matter of utmost important in management and will work continually to improve our corporate governance.

#### Corporate governance structure guidelines

1. We provide a consistent and fair environment to support shareholder rights and the execution of said rights. We work in cooperation with shareholders toward the goal of sustainable growth.
2. Our board of directors and senior management respect the rights and perspectives of customers, local communities, partner companies, employees, shareholders, investors, and other stakeholders, conduct business activities ethically, and demonstrate leadership in fostering corporate culture and climate and proactively taking actions toward sustainability.
3. We have created a Disclosure Policy and Rules for Managing Information Disclosure to address disclosure of financial and nonfinancial information. Guided by these policies, we ensure transparency and fairness through appropriate and clear information disclosure.
4. The board of directors consists of individuals with a diverse range of experience and expertise, helping us capitalize on our strengths as a developer with roots in the retail business. We appoint independent outside directors to strengthen our supervisory system and conduct highly transparent business. Our board of directors determines important corporate strategies and measures to achieve our long-term vision and medium- and long-term plans.
5. We incorporate feedback and input received through constructive dialogue with shareholders to improve our corporate value.

#### Basic stance for cross-shareholdings

The Aeon Mall policy on cross-shareholding is to hold shares for the purpose of contributing to improved Aeon Mall Group corporate value over the medium and long term. This policy considers a number of factors including business strategy and business relationships.

We review individual cross shareholdings on an annual basis, considering the purpose for holding shares, whether share dividend income exceeds the cost of capital, risks involved in holding shares, and transactions with the issuing party. These factors are part of determining the overall benefits of holding shares for the long-term. This annual review is conducted by the board of directors, the final determination of which we disclose publicly.

When exercising voting rights of cross-held shares, we verify whether each proposal contributes to the medium- and long-term improvement in Aeon Mall corporate value and whether said proposal holds the potential to damage our corporate value. As necessary, we hold discussions with the issuing company as part of our overall decision-making process.

## Corporate Governance

#### Basic stance for related-party transactions

AEON MALL has established a system to ensure transactions with officers or major shareholders (related-party transactions) do not infringe on the interests of the company or our shareholders.

#### Basic stance for related-party transactions

1. In deliberations at the board of directors, we carefully investigate whether competitive transactions by directors and transactions involving conflicts of interest with directors and AEON MALL infringe on the interests of AEON MALL or our shareholders. Our investigations include consulting with experts regarding the reasonable nature of the transactions in question, and include pre-deliberations by the Governance Committee (tentative name), which consists of outside directors. We ensure fairness in this process through a number of means, including recusing directors having special interests in transactions with AEON MALL from voting in the resolution.
2. When we enter into transactions with related parties, we clarify the identity of such parties in our Related Party List according to the provisions of our Rules for Managing Related Party Transactions. We ensure objectivity in transaction terms through rules that include providing comparison tables in period-end financial reports that show examples of transactions with non-related parties. According to the importance and nature of the transaction in question, we comply with our Authority Rules in soliciting opinions from outside directors and members of the Audit and Supervisory Board during board of director meetings regarding the rationality (business purpose) and reasonable nature of the transaction terms. On an annual basis, we investigate the rationality and reasonableness of transactions, issuing a report on the annual increase or decrease in transactions with related-party companies.

#### Relationship with AEON MALL parent company

AEON MALL belongs to a corporate group consisting of AEON Co., Ltd. (pure holding company) and AEON Co., Ltd. consolidated subsidiaries and equity-method affiliates. The AEON Group provides comprehensive financial, development, services, and other businesses focusing on retail in the GMS sector. AEON MALL is a core group company responsible for the development business.

AEON Co., Ltd. is responsible for developing group strategy, allocating group management resources optimally, overseeing and instilling group management philosophies and basic principles, and providing shared group services to maximize group synergies. At the same time, AEON MALL and other group companies strive to become more skilled in our respective specialties and engage community-focused business to reach new levels of customer satisfaction.

AEON MALL leverages the more than ¥8 trillion in group revenues to increase customer drawing power, using the AEON Group infrastructure, including the AEON Card and the WAON electronic money service, to conduct marketing promotions.

AEON Co., Ltd. and affiliates hold 58.8% (58.2% direct holdings) of AEON MALL voting rights as of February 2021. However, AEON MALL makes independent management decisions regarding day-to-day business operations. AEON MALL consults with our reports to AEON Co., Ltd. regarding important issues. AEON MALL maintains a close and cooperative relationship with AEON Co., Ltd. and other group companies, embracing a mutual respect for self-reliance and independence as we collectively strive for sustainable growth, development, and improved earnings.

## Corporate Governance

### Commitment to gender diversity

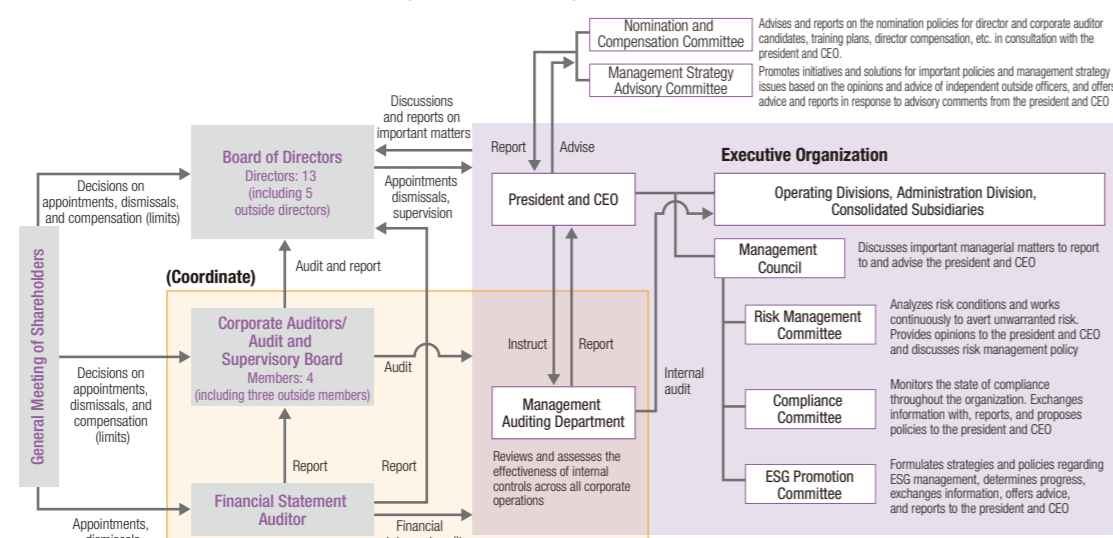
The company's articles of incorporation allow for a maximum 20 directors to ensure active discussions and nimble decision-making in board meetings. Of our 13 directors today, five are outside directors who provide independence and objectivity (as of May 20, 2021). Internal directors have an understanding of our overall business operations, a sense of balance, a history of achievements, and decision-making skills, contributing to the diversity of expertise among board members. Outside directors consist of independent individuals with management experience and expertise in a variety of industries, contributing a diversity of viewpoints, a wealth of experience, a depth of knowledge, and expert opinions. As a developer, manager or operator of shopping malls, AEON MALL seeks the values and conceptual ideas of women. Accordingly, we pursue diversity in management, including appointing women as constituent members of our board of directors. The Company employs a diverse workforce without regard to nationality, race, gender, age, educational background, religion or other. The president and CEO proposes director candidates according to the following criteria. The Nomination and Compensation Committee hears opinions from independent directors, and then presents their findings to the board of directors as agenda items for the general meeting of shareholders. The board makes the necessary resolutions which are submitted to the general meeting of shareholders for approval.

## Management

### Corporate governance structure

AEON MALL established the Management Council to serve as an advisory body for the president and CEO. This council consists mainly of managing directors and higher, full-time members of the Audit and Supervisory Board, and individuals appointed by the president and CEO. The purpose of this council is to strengthen business strategy functions and ensure a more efficient decision-making process. We bolster management and supervisory functions by holding at least one meeting of the board of directors per month, chaired by the president and CEO.

In addition to these mechanisms, we strive to disseminate information through committees led by general managers or other managers below the rank of representative director. The purpose of these committees is to ensure efficient business activities. AEON MALL has adopted a corporate auditor system led by outside members of the Audit and Supervisory Board. The board works in coordination with outside financial statement auditors and the Management Auditing Department as part of a structure ensuring a sufficient audit function. Each member of the Audit and Supervisory Board attends board of director meetings, while full-time members of the Audit and Supervisory Board are always present at meetings of the Management Council.



## Corporate Governance

### ESG Promotion System



### Managing board of director meetings

In addition to holding regular board of director meetings monthly, the Company convenes extraordinary meetings of the board of directors as deemed necessary. Decisions encompassing substantial risk threatening far-reaching impact on the Group are brought to the Management Council for discussion. These decisions are then approved by the CEO and/or by resolution of the board of directors. Executive authority and responsibility is clearly defined according to each of the *Rules for Organization Management*, *Rules for Segregation of Duties*, *Rules of Jurisdiction*, *Rules for Approval Requests*, and *Rules for Management of Affiliates*.

### Director dismissal and dismissal criteria

The president and CEO proposes director candidates according to the following criteria. The Nomination and Compensation Committee, which consists mainly of outside directors, discusses nominations, which are then presented to the board of directors as agenda items for the general meeting of shareholders. The board makes the necessary resolutions which are submitted to the general meeting of shareholders for approval.

### Policies for the nomination of director candidates

- Internal directors must have the ability, knowledge, experience, and achievements required for their field of specialization. These individuals must also have a sense of balance and judgment that enables them to understand and act across all aspects of business operations.
- Outside directors must have abundant experience and insight in professional specialization. These individuals must have sufficient time to carry out their duties as company directors and possess qualities to provide independent advice and recommendations on the appropriateness of decision-making by the board of directors.

### Policies for the nomination of Audit and Supervisory Board candidates

- Candidates must be aware of business issues based on experience in general business management
- Candidates must have no interests or business relationships that may affect their execution of duties as a member of the Audit and Supervisory Board
- Candidates must have considerable knowledge of finance and accounting, or skills, expertise, and experience in a specialized field

## Corporate Governance

The appointment and dismissal of the CEO of the Company are decided by a resolution of the board of directors. The determination as to whether or not the selected person has the necessary qualifications, evaluation and experience for the position of CEO is part of a highly transparent and fair procedure, discussed by the Nomination and Compensation Committee, which consists mainly of independent officers. This committee's discussions are followed by deliberations at the board of directors, which is a highly transparent and fair procedure. A candidate for CEO must have an appropriate breadth of experience, insight, and advanced expertise. The CEO must also have managerial ability and leadership skills sufficient to achieve continuous growth in the company's business.

### Director composition (As of May 20, 2021)

Classification	Name		Board of directors (FY2020) Attendance/ No. of meetings	Audit and supervisory board (FY2020) Attendance/ No. of meetings
President and CEO	Yasutsugu Iwamura	General Manager, Overseas Business	16/16	—
Senior Managing Director	Mitsuhiro Fujiki	Executive General Manager of CX Creation Division	16/16	—
Managing Director	Hisayuki Sato	General Manager of Development Division	16/16	—
Managing Director	Masahiko Okamoto	General Manager of Administration Division	16/16	—
Managing Director	Hiroshi Yokoyama	General Manager of Finance & Accounting Division	16/16	—
Director and Advisor	Motoya Okada		16/16	—
Directors	Akiko Nakarai	Executive Manager of Marketing Management Department	16/16	—
Directors	Tatsuya Hashimoto	China Business Manager	12/12 <sup>*5</sup>	—
Outside Members of the Board of Directors	Masao Kawabata <sup>*1</sup>		12/12 <sup>*5</sup>	—
Outside Members of the Board of Directors	Kunihiro Koshizuka <sup>*2</sup>		12/12 <sup>*5</sup>	—
Outside Members of the Board of Directors	Yasuko Yamashita <sup>*2</sup>		12/12 <sup>*5</sup>	—
Outside Members of the Board of Directors	Hironobu Kurosaki <sup>*2 *6</sup>		—	—
Outside Members of the Board of Directors	Junko Owada <sup>*2 *6</sup>		—	—
Outside Members of the Board of Directors	Chisa Enomoto <sup>*2 *6</sup>		—	—
Members of the Audit and Supervisory Board	Maki Watanabe <sup>*3</sup>		16/16	14/14
Members of the Audit and Supervisory Board	Takao Muramatsu <sup>*3 *4</sup>		15/16	13/14
Members of the Audit and Supervisory Board	Emi Torii <sup>*3 *4</sup>		16/16	14/14
Members of the Audit and Supervisory Board	Masato Nishimatsu		12/12 <sup>*5</sup>	11/11 <sup>*5</sup>

<sup>\*1</sup> Outside director Masao Kawabata retired as of May 20, 2021.

<sup>\*2</sup> Mr. Kunihiro Koshizuka, Ms. Yasuko Yamashita, Mr. Hironobu Kurosaki, Ms. Junko Owada, and Ms. Chisa Enomoto are outside directors, as well as independent directors as defined by the Tokyo Stock Exchange.

<sup>\*3</sup> Ms. Maki Watanabe, Mr. Takao Muramatsu, and Ms. Emi Torii are outside members of the Audit and Supervisory Board.

<sup>\*4</sup> Mr. Takao Muramatsu and Ms. Emi Torii are independent directors as defined by the Tokyo Stock Exchange

<sup>\*5</sup> A total of 12 board of directors meetings were held since being elected as an outside director of the Company at the 109th Ordinary General Meeting of Shareholders held May 19, 2020. Assumed said office as of the same date.

<sup>\*6</sup> Elected as an outside director of the Company at the Ordinary General Meeting of Shareholders held May 20, 2021. Assumed said office as of the same date.

### Number of other committee meetings

In fiscal 2020, the Risk Management Committee met four times, and the Nomination and Compensation Committee met seven times.

## Corporate Governance

### Evaluating board of director effectiveness

To ensure effective and strong corporate governance, the company verifies the degree to which directors contribute to the board of directors. Further, the board of directors itself analyzes and evaluates its own effectiveness by identifying issues and implementing improvements.

### Analysis and evaluation process

The company's board of directors fill out a self-assessment survey related to board effectiveness. Survey responses are analyzed by third-party entity, while outside directors lead discussions and exchange opinions. The board of directors then reviews and discusses the analysis and evaluation.

### Overview of analysis and evaluation results

Board of director meetings function appropriately. Board meetings follow proper agendas and allow sufficient time for active discussions among directors and corporate auditors who have a diverse background of opinions and experiences.

### Response going forward

AEON MALL strives to enhance the quality of deliberations conducted by the board of directors and the board's effectiveness by working to improve global governance and risk management to support appropriate risk-taking as we expand the scale of our overseas operations. Moreover, the company implements measures to improve the functions of the board of directors.

### Officer remuneration, etc.

#### Matters related to policies for officer remuneration and calculation thereof

The company has established a policy regarding determinations and calculation methods of remuneration amounts, etc., for directors, the details of which are as follows.

1. Director remuneration provides strong motivation to carry out management policies, is linked to business performance, and is designed to ensure objectivity and transparency.
2. Director remuneration consists of basic remuneration, Performance-based remuneration, and stock options.

#### (1) Basic remuneration

Basic remuneration is paid on a monthly basis, as determined by individual evaluation and within the standard amount established for each title.

#### (2) Performance-based remuneration

Performance-based remuneration is weighted at approximately 30% of total cash remuneration (basic remuneration plus Performance-based remuneration), weighted according to individual responsibility.

Performance-based remuneration paid to each director (individual basis) is calculated according to performance-linked amount and performance-linked payout ratio, reflecting a payout ratio based on corporate earnings (0% to 170%) and an evaluation of individual performance. We have selected budget-to-actual for ordinary income as the most appropriate indicator of normal business performance for the company.

Evaluations of individual director performance are conducted by independent outside directors serving as members of the Nomination and Compensation Committee, based on an annual performance report of the individual director in question. These evaluations finalized after an additional evaluation by the president of the company. The president of the company provides the final results of director evaluations and performance-linked payout ratios to the independent outside directors.

## Corporate Governance

### (3) Stock options

Our aim is to increase the motivation and morale toward medium- and long-term sustained earnings and corporate value improvement through the allocation of stock acquisition rights as stock options reflecting corporate earnings. We accomplish this by strengthening the relationship between share prices, earnings, and compensation, ensuring directors share the same benefits of share price increases and risk of share price decreases with shareholders. The number of stock acquisition rights allocated is determined based on the performance of the relevant year and a numerical factor based on title. If ordinary income for the grant year is less than 80% of budget, half of planned options will be granted. If the company records a net ordinary loss for the grant year, no options will be granted.

- Outside directors are paid a fixed compensation only. Company earnings and individual performance evaluations are not considered as part of this compensation.
- The remuneration limit for directors was limited to a maximum ¥600 million per fiscal year as approved at the 96th regular meeting of general shareholders, held May 17, 2007. The company had a total of 20 directors serving at the time of the resolution.
- The company's president and Chief Executive Officer is the individual with the authority to determine policies related to director remuneration amounts and calculation methods. The particulars of this authority and scope of discretion relates to individual remuneration amounts (cash portion) for each director. At a meeting held in November 2018, the board of directors resolved to establish the Nomination and Compensation Committee, which began operating in January 2019. The Nomination and Compensation Committee consists of five independent outside directors (as of February 28, 2021) who conduct deliberations, and advising and reporting to the president and chief executive officer of the company. After committee consultations and reporting, the president and chief executive officer determines Performance-based remuneration based on corporate earnings and individual director performance, subject to the scope set in place.
- Given their independent position in supervising the execution of duties by directors, members of the Audit & Supervisory Committee are paid only fixed compensation. This level of remuneration is necessary to ensure the appropriate people play a central role in establishing and operating high-quality corporate governance. The remuneration limit for directors was limited to a maximum ¥50 million per fiscal year as approved at the 91st regular meeting of general shareholders, held May 8, 2002, finalized subsequent to negotiations with the members of the Audit and Supervisory Board. The company had a total of four members of the Audit and Supervisory Board serving at the time of the resolution.

The following outlines policies related to remuneration of members of the Audit and Supervisory Board:

#### (1) Basic remuneration

The company pays a fixed amount according to the experience, insight, and title of each member of the Audit and Supervisory Board.

#### (2) Performance-based remuneration

The company does not offer Performance-based remuneration to members of the Audit and Supervisory Board.

#### (3) Stock options

The company does not offer stock options to members of the Audit and Supervisory Board.

## Corporate Governance

### Ratio of remuneration by type for directors according to title

Title	Director remuneration composition			Total
	Basic remuneration	Performance-linked remuneration		
		Performance-based remuneration	Medium- and long-term incentive stock options	
Executive directors	61% – 69%	22% – 30%	9%	100%
Directors	68% – 72%	22% – 25%	6% – 7%	
Outside members of the board of directors	100%	0%	0%	

(Note)

- This table represents 100% achievement of targets related to Performance-based remuneration. The ratios above will change according to changes in company earnings performance, share price fluctuations, etc.
- Different compensation tables are applied depending on director role and grade. Therefore, ratio of compensation by type may differ for individuals, even those who have the same title.

### Board of director activities

The AEON MALL board of directors made the following deliberations and decisions related to director remuneration during the current fiscal year:

- April 13, 2020: Decision regarding performance-linked remuneration for directors
- April 13, 2020: Issuance of stock acquisition rights as 13th Performance-Linked Stock Options
- April 13, 2020: Allocation of stock acquisition rights as 13th Performance-Linked Stock Options
- May 19, 2020 : Decision regarding basic compensation for directors for fiscal 2020

### Role and activities of the nomination and compensation committee

The Nomination and Compensation Committee serves as an advisory organ to the president and chief executive officer. The committee deliberates, exchanges opinions, and provides advice and reports to the president of the company regarding the propriety of basic remuneration and Performance-based remuneration paid to directors, as well as the validity of performance evaluations of said directors.

- March 3, 2020: Matters related to the evaluation of individual executive director performance
- April 9, 2020: Report on matters related to individual director performance evaluation results and performance-linked compensation payout ratios
- July 21, 2020: Selection of a chairperson, matters related to the scope and composition of directors, and matters related to effectiveness evaluations of the board of directors
- September 23, 2020: Matters related to the scope and composition of directors
- November 19, 2020: Matters related to the scope and composition of directors, and matters related to effectiveness evaluations of the board of directors
- December 22, 2020: Matters related to effectiveness evaluations of the board of directors
- January 20, 2021: Matters related to effectiveness evaluations of the board of directors, candidates for outside directors, and director structure for the next fiscal year

### Total amount of remuneration, etc. by each director title, total amount by type of remuneration, etc., and number of directors eligible

Director title	Total amount of remuneration (million yen)	Total amount of remuneration by type (million yen)			Eligible directors (persons)
		Basic remuneration	Stock options	Estimated director bonuses	
Directors (excluding outside directors)	216	168	24	22	12
Audit and Supervisory Board members (excluding outside members)	—	—	—	—	—
Outside directors	43	43	—	—	7

Note: The above does not include one unpaid director and two unpaid member of the Audit and Supervisory Board.

## Corporate Governance

### Total amount of consolidated remuneration, other for each director

Not provided, as no individual is paid total consolidated remuneration of more than ¥100 million.

### Important matters related to salaries of directors also serving as employees

Not applicable.

## Risk Management

### Policies

#### Basic policy

As various risks surrounding our businesses increase, we strive to not only prevent damage to our brand, but also to increase our corporate value and reduce risks by preventing crises or promptly responding to those that are unavoidable. In addition, we fulfill our social mission by ensuring the safety of our customers, business partners and employees. We collaborate with local communities and business partners to ensure continuity.

#### ESG-related fines and settlement costs

In fiscal 2020, we did not incur any fines for environmental pollution for waste, air, soil, or other areas, nor did we incur fines for ESG in general.

### Management

#### Risk management promotion structure

The chief executive officer is the executive officer responsible for overall risk management. In addition, the director in charge of each business unit is responsible for risk management at the business unit level. The structure provides a system and environment ensuring business continuity and the safety of human life. We have created Risk Management Rules to prevent crises and minimize damages in the event of a crisis, striving to reduce risk and mitigate any damages. We have established teams to address risk management by category, and we strive to prevent damage to our brand value and improve overall corporate value by managing risks of loss for the group as a whole. When an emergency presents the risk of significant loss, we engage in appropriate information sharing and decision-making according to our Risk Management Rules, taking proper steps to minimize damage. This risk management system refers to ISO 31000, which is a typical risk management framework.

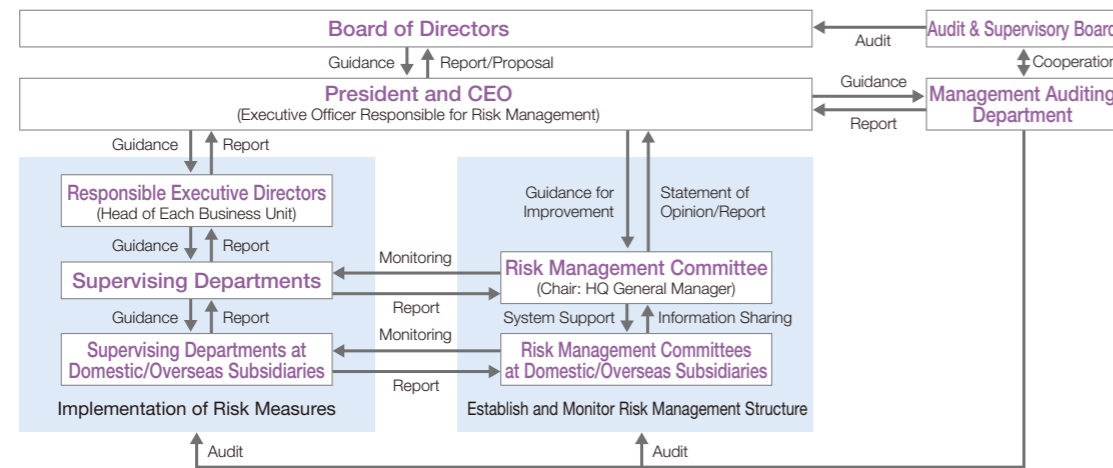
The Group has established the Risk Management Committee, chaired by the HQ general manager of administration, as an organization to manage risk for the Group. This committee is responsible for identifying issues related to risk management at the Group level, engaging in discussions for potential solutions. Reports of the Risk Management Committee proceedings are provided to the Management Council, which is an advisory body to the CEO consisting of directors above the rank of executive managing director, full-time members of the Audit & Supervisory Board, and individuals appointed by the CEO. In addition, important issues are also reported to the board of directors and presented in our annual report. The department in charge of internal auditing drafts an annual audit plan based on the Internal Audit Rules and conducts internal audits to enhance the effectiveness of risk management. The department is also responsible for submitting the annual audit report to the board of directors.

The board of directors also oversees risks related to ESG (Environmental, Social, and Governance) in business activities.

The Management Auditing Department formulates an annual audit plan for enhancing the effectiveness of our risk management, and conducts internal audits that cover risk management processes. The annual plan is reported to the Board of Directors. In addition, the department verifies and assesses the effectiveness of internal controls to ensure that operations at the Company and its subsidiaries are conducted properly, and it makes recommendations for improvements and operational quality enhancements. The results of these audits are reported to the president, the director in charge, members of the Audit & Supervisory Board, and others. Feedback is provided to the relevant departments with follow-ups conducted on improvement progress. Audit results are then reported regularly to the Executive Council, the Board of Directors, and the Audit & Supervisory Board. The department works with members of the Audit & Supervisory Board, exchanging opinions and sharing information both regularly and on an ad-hoc basis.

# Risk Management

## Risk Management Promotion System Diagram



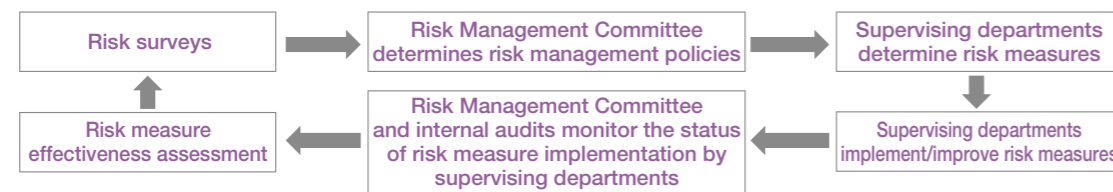
## Risk Management Process

To carry out efficient and effective management of various risks, the Risk Management Committee identifies risk items that affect the Group in particular. The committee then makes recommendations to the president and CEO regarding systems for managing said risks. Subsequently, a department to be in charge of handling each risk item is selected. These departments are responsible for planning, executing, and reviewing risk measures, while the Risk Management Committee and internal audits are conducted to monitor the implementation status of the executive body, assessing risk measure effectiveness.

We categorize risks under one of three categories (management strategy risk, compliance risk, other risk) according to the nature of the risk to consider and monitor the progress of risk measures at each department related to the risk in question. A director in charge of management strategy risk is designated in accordance with the category. This individual reports the progress of risk measures to the board of directors on a quarterly basis. Compliance risks are reported at the Compliance Committee, and other risks are reported at the Risk Management Committee, with details and progress of risk measures discussed as necessary. All risk measures for each risk item are eventually aggregated and managed by the Risk Management Committee.

The implementation of risk measures is decided and carried out after internal approval by the respective supervising department for risk response.

## Diagram of Risk Management Process



## Identifying Risk

When identifying risks, we narrow risks to those that impact the Group according to their nature. Our identification method is as follows.

### Identifying risks

We conduct risk surveys (questionnaires and interviews) with directors, Audit & Supervisory Board members, and employees, assessing risks quantitatively and qualitatively.

# Risk Management

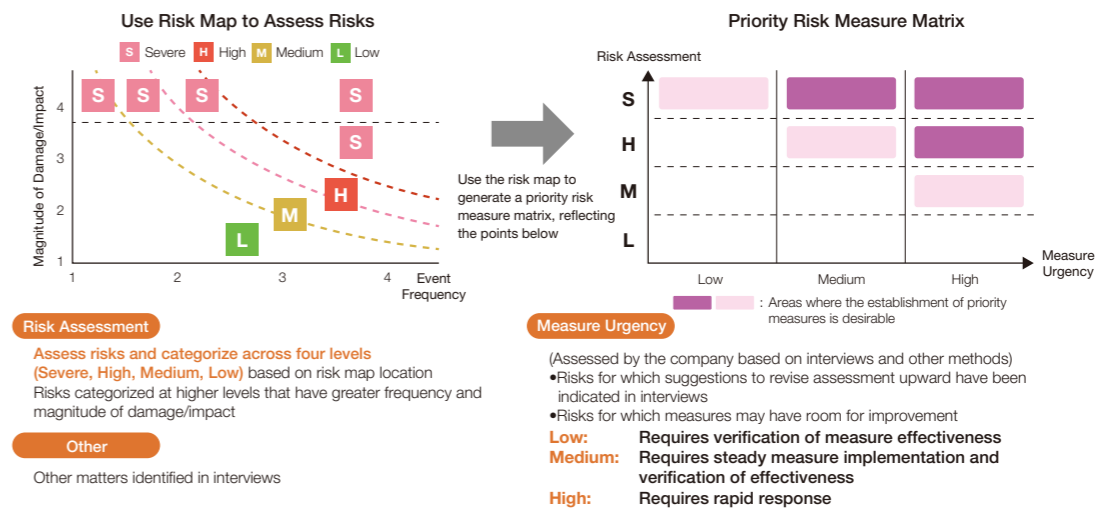
## Using a risk map to assess risks

Based on the results of risk surveys, we create a risk map based on the frequency and magnitude of damage or impact of each risk. We evaluate risks and identify those risks that require countermeasures.

## Establishing priorities using a priority risk measure matrix

Based on the status of existing measures for identified risks, we create a priority risk measure matrix based on the need for measures, identifying the risks that should be prioritized.

Based on the preceding, we have identified 92 risk items and have adopted risk measures according to priority. Risk assessments will change as our business environment changes. Therefore, priority risks measures will be updated as necessary in parallel with risk surveys.



## Compliance promotion system

The Company emphasizes compliance and respect for the AEON Code of Conduct, fostering improving relations with local communities and meeting the company's social responsibilities. In addition, the Compliance Committee, chaired by the HQ general manager of administration, has been established to confirm the status of compliance with laws, regulations, the Articles of Incorporation and group internal regulations, as well as identify problems and discuss improvement measures. The proceedings of the Compliance Committee are reported to the Management Council. Important matters are reported to the board of directors along with the submission of an annual report related to the matters above.

In addition, we have established the Helpline/AEON MALL Hotline as an internal reporting contact point. A Union 110 Hotline has also been separately launched by our labor union. The Helpline/AEON MALL Hotline and Union 110 Hotline is available to all employees, including community employees, contract employees, flexible employees, temporary employees, and part-time employees. We have also installed similar helpline systems at our subsidiaries. We ensure that users of these helplines are not subject to reprisal. In the event a report is filed via this channel, we carefully investigate the details reported. Where unacceptable behavior is proven, we take disciplinary action according to internal rules. We (or the department in question) also draft measures to prevent recurrence, shared for company-wide implementation. The Compliance Committee also receives a report of the measures.

## Risk Management

### Implementation of the AEON Code of Conduct Survey

Since 2003, we have conducted an annual, anonymous review (the AEON Code of Conduct Survey), to ascertain the implementation status of the AEON Code of Conduct, issues in the workplace, employee work habits, and work satisfaction. This survey provides fundamental data for our activities in this area. It is used to evaluate workplace culture and employee awareness throughout AEON, including our overseas subsidiaries. The survey measures the recognition of corporate promotion activities, individual awareness, and workplace conditions. The results of this tabulated analysis are shared with group companies to help solve specific issues.

In fiscal 2020, we conducted questionnaires with 67 overseas Group companies, receiving responses from 54,402 employees. We will similarly conduct questionnaires in fiscal 2021 and beyond, and based on our analysis of their results, we will build a system for ascertaining the actual situation at each company, plan and implement measures to reform workplace culture, and strengthen our response to compliance risks.

## Preventing Corruption

### Policies

#### Prevent corrupt practices

All employees agree that the AEON MALL Group will not pursue profit through bribery or other fraudulent means under any circumstances.

Although group employees abide by internal rules and regulations established by AEON MALL and each group company, each individual in our group promises to consider, judge, and take action in line with social justice when asked to comply with a demand by public officials or others. Group employees must not damage our corporate culture by furnishing benefits, paying expenses, making donations, or providing aid for improper purposes. Executives and employees must also refrain from improper behavior that could impede the healthy advancement of any particular country or region. Finally, executives and employees recognize that any such behavior will have an adverse effect the group's approach to compliance. In addition, group employees affirm their strong commitment and dedication to high ideals, approaching anticorruption in a serious and sincere manner.

Toward the implementation of these principles, AEON MALL Group has established the Basic Rules for the Prevention of Bribery. Employees of the group comply with and follow these rules as a code of conduct. To instill and enshrine corporate ethics in our company, we provide training to directors and employees at every level of our organization. We also incorporate corporate ethics into the behavior evaluation sections of our goal management system.

The AEON Code of Conduct provides for anti-bribery policy, which includes not accepting gifts or hospitality from business partners. The AEON Mall Co., Ltd. employment regulations also clearly provide that employees must not accept gifts or hospitality in connection with work without the company's permission and employees must not lend company money or goods to other individuals or use such for personal gain. AEON MALL Group companies also abide by these rules and regulations.

#### Basic rules for the prevention of bribery

##### AEON Mall Co., Ltd. Basic Rules for the Prevention of Bribery

Please see below for details of the Basic Rules for the Prevention of Bribery.

<https://www.aeonmall.com/static/detail/anti-bribery>

### Management Structure

#### Oversight of executive corrupt practices prevention

AEON MALL has established a Risk Management Committee, chaired by the HQ general manager of administration, to deliberate on issues and measures pertaining to the promotion of risk management at the group level and to report proceedings to the Management Council. In addition, important issues are also reported to the board of directors and presented in our annual report.

The department in charge of internal auditing creates an annual audit plan according to the Internal Audit Rules and conducts internal audits to enhance the effectiveness of risk management. The department also reports the plan of the annual audit to the board of directors.

The Risk Management Committee and the Compliance Committee have been established as subordinate organizations of the Management Council. The Compliance Committee holds discussions five times a year to maintain and strengthen the compliance system. The committee conducts case studies on past incidents, particularly cases of misconduct or fraud, that may lead directly to compliance risks. The committee also discusses underlying causes and measures to prevent recurrence. Education for management and employees consists of annual training in the basics of our corporate philosophy reflecting the AEON Code of Conduct, as well as awareness-building education based on a pre-defined topic for the particular year in question. Combined, these trainings and educational activities form the foundation of our compliance structure.



## Risk Management

### Organizational structure

Under the direction of Compliance Committee, we have established a system in which our human resources, legal, accounting, internal audit, and other departments conduct day-to-day operations to implement policies based on the Basic Rules for the Prevention of Bribery.

Each of our subsidiaries organizes its own compliance committee to establish a system to prevent bribery, appoint a committee chairman, conduct approval procedures based on the internal rules of the subsidiary, and report regularly to the AEON MALL Compliance Committee regarding implementation status.

To avoid the increasing risk of bribery accompanying the expansion of business in China and ASEAN countries, the Japan Headquarters established the Basic Rules for the Prevention of Bribery on September 1, 2018. The headquarters also formulated related procedural rules, which came into effect on December 21 of the same year following a notice period. To avoid the risk of bribery in accordance with these rules, we have imposed stricter procedures for certain expenditures and have otherwise strengthened bribery prevention efforts further. Subsidiaries in Japan and overseas have enacted similar rules and mechanisms to prevent bribery, especially in areas where the risk of bribery is higher due to rampant corruption.

Regarding the governance system in China, we have established a dual audit system for internal audits which consists of the AEON MALL Japan Headquarters Management Audit Department and the AEON MALL (China) Investment Co., Ltd. Management Audit Department. Both departments will conduct regular internal audits and monthly accounting audits. AEON MALL (China) Investment Co., Ltd. was established in July 2013 for the purpose of consolidating all China business operations. The company functions as the headquarters for all China businesses that AEON MALL develops, and is structured to manage all China business operations.

## Evaluation

### Anti-corruption measures and processes

#### Obligation to report, responding to corrupt practices

When an employee becomes aware of a violation of the Basic Rules for the Prevention of Bribery, he or she shall immediately report to the Helpline/AEON MALL Hotline established by the AEON MALL Group company to which the employee belongs. Upon receiving the report, the general manager of the Human Resources Management Department will make a report and take necessary measures in accordance with the Risk Management Rules.

In addition, if an employee violates any laws related to bribery, the Basic Rules for the Prevention of Bribery, or internal regulations established by said rules, he or she will be punished in accordance with Employment Regulations, etc. The Basic Rules for the Prevention of Bribery provide that no retaliation in any form whatsoever is permitted against the employee who made the report.

#### Consultation

Employees resolve any questions or doubts regarding the provision of benefits to public employees through consultations and discussions with the Legal Affairs and Compliance Department or the Compliance Committee. The Legal Affairs and Compliance Department or the Compliance Committee consults with outside experts such as attorneys to obtain opinions and advice for any questions or doubts that arise, or if any matters remain unclear.

## Risk Management

### Corruption risk assessment process

#### Pre-approval procedures for entertainment, gifts and other benefits

Employees are required to follow the procedures below when providing entertainment, gifts and other benefits to public employees.

Employees must follow the pre-approval procedures, which include submitting designated application forms and supplementary information (Flowcharts and supporting materials for entertainment, gifts and other benefits) to the Compliance Committee, as well as written approval from the chairperson. If a separate approval request based on internal regulations is required, the draft of that approval request and attachments must be attached to the application form.

#### Procedures to address the risk of corruption in high-risk businesses

Each department receives recommendations regarding risks.

#### Due diligence for new customers regarding corruption

##### Eligibility review

Before appointing any representative or consultant, employees must perform due diligence of the party through an eligibility review. The review addresses honesty, integrity, and ability to conduct business. Additionally, even when the representative or consultant has been appointed in an ongoing capacity, due diligence identical to that described in the previous section, and based on business performance and the actual situation up to that point, must be carried out by conducting an eligibility review.

#### Departments conducting risk assessments related to corruption

The Risk Management Committee designates the department in charge of handling the assessment.

##### Compliance and risk

Risks	Department in charge
Human resources and legal risks	Human resources department
Legal and ethical risks	Human resources department General administration department
IT and information management risks	Human resources department
Overseas (country) risks	China headquarters and ASEAN headquarters
Legal and ethical risks	Human resources department General administration department

## Risk Management

### Employee initiatives

#### Protection mechanisms for all employees to ensure confidentiality and anonymity

We have established the Helpline/AEON MALL Hotline as an internal reporting contact point. A Union 110 Hotline has also been separately established at our labor union. The Helpline/AEON MALL Hotline and Union 110 Hotline are available to all employees working at AEON MALL. The whistleblowing system also covers reports related to anti-corruption and bribery. Whistleblowers can choose to remain anonymous or confidential. We have installed similar helpline systems at our subsidiaries in the future. We ensure that users of this helpline are not subject to reprisal. In the event a report is filed via this hotline, we carefully investigate the details reported. Where unacceptable behavior is proven, we take disciplinary action according to internal rules. AEON MALL (or the department in question) also drafts measures to prevent recurrence, shared for company-wide implementation. The Compliance Committee receives a report of the measures.

We have established Public Interest Whistleblower Protection Regulations to provide mechanisms for employees to consult about or report violations of laws or regulations by organizations or individuals. In addition to setting up the Helpline/AEON MALL Hotline and Union 110 Hotline contact points within the company, AEON MALL takes appropriate measures to cooperate with the department in charge of reporting to AEON Code of Conduct 110, a contact point for the entire Group. The status and content of reports will be reported to the Compliance Committee and the Board of Directors on a regular basis.

#### Anti-corruption training for employees

The Human Resources and Education Departments have established and implemented a system to provide employees with regular compliance education and training to prevent bribery of bribery of public employees. The Compliance Committee formulates education and training policies and supervises the implementation of education and training programs.

To instill and enshrine corporate ethics in our company, we provide training to directors and employees at every level of our organization. We also incorporate corporate ethics into the behavior evaluation sections of our goal management system. All employees, including those at overseas subsidiaries, are informed about the AEON Code of Conduct established by AEON. We conduct related in-house training annually. The AEON Code of Conduct requires employees to engage in fair transactions with suppliers and stipulates that employees shall not commit bribery. We hold seminars in China and ASEAN countries to prevent misconduct by executives and employees of local corporations.

#### Employee training, including anti-corruption policies

##### Education and awareness-building activities

- 2020 AEON Code of Conduct / Human rights training
- Progress related to matters identified by the previous committee meeting and response service level improvement questionnaire along with the eradication of workplace harassment
- Utilization and understanding of the Joint Declaration
- Compliance training for DV business officers

## Risk Management

### E-learning: Compliance fundamentals

To ensure that the Basic Rules for the Prevention of Bribery, enacted on September 1, 2018, has been communicated and understood, we conducted an e-learning program for all employees related to bribery prevention. Our in-house attorneys conducted compliance training for all employees related to managing compliance risk in China for the purpose of preventing commercial bribery.

### Political contributions

#### Political contribution Funds

Contributions are within the scope of the Political Funds Control Act.

	Unit	Scope*1	Boundary	FY2018	FY2019	FY2020
Political contribution Funds	Yen	②	Entire structure	0	0	0

\*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)

### Violations

#### Number of employees disciplined or dismissed due to compliance violations

##### Status of Helpline/AEON MALL Hotline (Japan)

We confirmed relevant facts and disciplined the individual in question in response to a report of ambiguous working hours and power harassment.

##### Status of disciplinary cases

We recorded 12 cases involving disciplinary actions, one more than in the prior fiscal year. Of the cases reported, zero individuals were dismissed.

#### Fines, Penalties, and Settlements Related to Corruption

We noted no serious violations of laws or regulations due to non-compliance with anti-bribery regulations during fiscal 2020. We also noted no fines or other payments related to corruption.