

18th February 2022

AEON CO., LTD.

Caux Round Table Japan
Hiroshi Ishida, Executive Director

■ Overview

The human rights risk assessment conducted is part of the human rights due diligence process and is the first step in identifying and assessing salient human rights risks in your business operations. In order to identify and evaluate key human rights themes, we first conducted desktop research and an internal workshop on business and human rights. Based on the analysis and evaluation of the collected information, we identified areas that could become key human rights themes in your businesses as follows. The results of this assessment were then reported to management and senior management to build consensus on the responsibility of respecting human rights that you should fulfill.

We acknowledge your corporate efforts to identify human rights issues that are already salient in a wide range of human rights themes other than those identified in this assessment, and your active involvement in strengthening cooperation with initiative organizations, including the development of systems. We expect you to continuously work on your existing initiatives, establish a management system in accordance with the UNGPs, and disclose information.

■ Timeline of human rights risk assessment

20 December, 2021	Interviews with a coordinating team (Corporate Citizenship Department) and desktop research
25 January, 2022	Workshop on business and human rights Eleven members from the Business and Product Subcommittees participated in the workshop to identify and organize potential human rights themes throughout the value chain
2 February, 2022	Analysis in CRT JAPAN and report to the coordinating team (Corporate Citizenship Department)
8 February, 2022	Management review (review and discussion with executive management) <Identified Human Rights Themes> 1. Foreign workers issues in Japan, including group companies and supply chain 2. Producers and farmers of procurement items

■ Observation

We suggest moving to an impact assessment to confirm that no human rights violations are occurring with respect to the two human rights themes above. However, since you procure a wide variety of raw materials as a retailer, it is important that you continue to reach out to your partners and initiative organizations (international certification and auditing organizations) to confirm that no human rights violations are occurring through a process in line with the UNGPs. In particular, with regard to foreign workers in Japan (technical intern trainees), the first step is to promptly confirm whether human rights violations are occurring or not through direct dialogue to the extent that it is possible to directly influence them.

In addition, we would like to ask you to continue your efforts in accordance with the management system required by the UNGPs and proactively disclose information, which will further ensure accountability to stakeholders.

Details of Activities Related to Human Rights Risk Assessment

■ **Overview**

- Date and time: Tuesday, January 25th, 2022 9:30 am - 11:30 am (JST)
 Workshop 1: Business related departments 10:00-10:40
 Workshop 2: Product related departments 10:40-11:20
- Format : Online via Zoom
- Purpose : Members from the business and product subcommittees gathered to update knowledge through workshop to explain global trends in business and human rights. In addition, human rights issues related to AEON CO., LTD. 's business were raised through discussion, and potential human rights issues related to the entire value chain were extracted and organized in the workshop, in consideration of the changing demands from society.
- Participants : **AEON CO., LTD.**
 A total of 11 members from two subcommittees, the Business Subcommittee and the Product Subcommittee, participated. These members are from AEON Mall, AEON Financial Service, Aeon HD, Aeon Retail, Aeon Topvalu, and Research Institute for Quality Living. In addition, AEON HD Corporate Communications Department participated as an observer and Corporate Citizenship Department served as a coordinator.
- CRT Japan**
 Ishida (Executive Director), Morotomi, Ode (Total of 3 persons)
- Program : 1) Lecture by CRT Japan, understanding the growing expectations and demands of society on companies at the international level, and how companies should respond to those.
 2) The workshop divided into two parts, one for the business subcommittee and one for the product subcommittee, and shared human rights themes related to business under the facilitation of CRT Japan.
 3) The workshop closed with summary comments from CRT Japan.

■ Workshop Results and Evaluation Comments from CRT Japan

1. Points to note

It is commendable that the participants are already aware that food-related businesses and products have high human rights risks, that they understand and grasp the risks to raw materials and regions that society is paying attention to, and that they made honest and frank comments about what they need to do further in the future based on their past experience. However, as can be seen from the fact that each division has dealt with human rights issues individually when they arose, it seems that the group-wide management based on the UNGPs is not sufficiently structured.

2. Concerns and issues mentioned during the workshop including the following points

- 1) To implement the process based on the UNGPs and disclose information to ensure the legitimacy of existing initiatives.

In particular, the top management commitment should be clarified through the implementation of a management structure involving top management. To implement the UNGPs human rights due diligence process as early as possible, aiming to realize the PDCA cycle.

In all business divisions, in implementing the initiatives based on the UNGPs, policies should be formulated and disseminated as necessary to have an impact (spreading effect) on the product divisions and the group as a whole.

- 2) Certification and audits alone are not enough to solve the problem. To ensure a foundation of trust by establishing a system (direct dialogue) where rights holders can easily discuss their concerns and worries in order to nip any problems in the bud.

- 3) As stakeholder engagement (direct communication: direct dialogue) cannot reach the level required by the UNGPs through certification and audits alone, you should establish a scheme (starting with what you can do first) to conduct direct dialogue with producers and workers yourself.

• The situation of foreign workers, including technical intern trainees, in the supply chain should be regularly monitored to determine what kind of work and living environment they are actually working in.

⇒Facts regarding recruitment fees (debt) for technical intern trainees should be clarified.

• Audits of human rights risks in shrimp procurement were conducted at the supplier's factories in India and Vietnam. Fried chicken factories in Thailand have also been checked. Although priority is given to internationally certified raw materials, these certifications do not cover all human rights issues, and the

situation should be monitored.

⇒Confirm whether foreign workers working for upstream suppliers at overseas outsourced factories are not placed in a vulnerable working environment.

■ **Initiatives for years to come**

In conducting human rights due diligence impact assessments in the future, it is important to engage stakeholders through direct dialogue. It is likely that you will need to devise various ways to cooperate and interact with tier 2 and tier 3 suppliers and beyond. Therefore, it is advisable to start by targeting approachable items/stakeholders and creating small success stories.

For the key human rights themes, CRT Japan's analysis of the results of the desktop research and the workshop results identified the following two items that we would like you to conduct impact assessments on based on the UNGPs to the extent that you can directly influence.

1. Foreign workers issues in Japan, including group companies and supply chain
2. Producers and farmers of procurement items

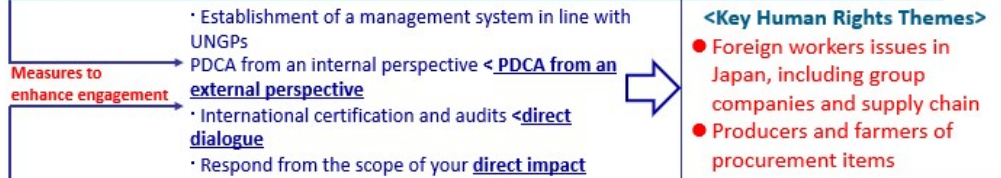
CRT Japan reported the results of the assessment and the series of due diligence processes and assessment results in human rights to the executive management and department heads, using the following slides. In addition, a frank discussion was held on how to respond to the future impact assessment, showing the active participation of the management level.

3-1 Key Human Rights Themes in AEON CO., LTD.

Based on the results of the workshop on business and human rights and the results of the desktop research, the following human rights themes of importance were identified.

<Viewpoint of AEON CO., LTD.>

- Results of interview/discussion (each internal department) and "Organizing Human Rights Risks" mapping chart
- Results of human rights themes identified through the workshop (each internal department)
- Recognizing that food-related products pose a high human rights risk, measures have already been implemented in raw materials and regions that require attention. (internationally certified products, audits, etc.)



<Stakeholders' Concerns>

- Adverse impacts by AEON CO., LTD.
- Human rights issues for foreign workers (working conditions, living wage)
 - Human rights issues in producers and workers (living wage, child labor, working environment, environmental destruction, etc.)
 - Desktop research
 - Nippon CSR Consortium, "Important Human Rights Issues by Industry" (Exhibit 1, 3.4 Food Industry), and WBA Food & Agriculture Benchmark evaluation (Exhibit 2), Verisk Maplecroft research, and 2021 U.S. Trafficking in Persons Report, etc.

3-4 Key Human Rights Themes in AEON CO., LTD.

Human Rights theme 1 Foreign workers issues in Japan, including group companies and supply chain	Human Rights theme 2 Working conditions of producers and farmers of procurement items
Rightsholders Foreign workers (those in Japan including technical intern trainees for the time being.)	Rightsholders Producers and workers
<p>Future measures to be taken</p> <ul style="list-style-type: none"> • Assessing the working environment and economic situation of foreign workers • Direct engagement with foreign workers • Identifying human rights risks at the business and production site level • Formulating Aeon Sustainable Procurement Policy (February 2014), including tier 2 suppliers and beyond, and disseminating Sustainable Procurement Goals for 2020, etc. • Promoting and disseminating the use of a contact point for reporting grievances and concerns from workers in the supply chain, communities, and NGOs, including Group companies • Establishing and operating a multilingual grievance mechanism • Disclosing information <p>*Items that should be specifically addressed are indicated in red.</p>	<p>Future measures to be taken</p> <ul style="list-style-type: none"> • Assessing the working environment and economic conditions of producers and farmers of procurement items • Direct engagement with producers and farmers • Identification of human rights risks at the farmer level (in particular, whether the company is adversely impacting farmers' living wages and the local residents) • Formulating Aeon Sustainable Procurement Policy (February 2014), including tier 2 suppliers and beyond, and disseminating Sustainable Procurement Goals for 2020, etc. • Promoting and disseminating the use of a contact point for reporting grievances and concerns from workers in the supply chain, communities, and NGOs, including Group companies • Establishing and operating a multilingual grievance mechanism • Disclosing information

And as measures to be taken on these two human rights themes, we would expect you to address each specific human rights issue and improve engagement through direct dialogue with rightsholders.