

# Thorough Risk Management and Compliance / Respect for Human Rights

FamilyMart works to thoroughly implement compliance and continually strengthen risk management in order to practice community-based management founded on the trust of stakeholders.

## Basic Approach on Risk Management

As risks with potentially serious impacts on business activities increase and become more complex, enterprises need to prepare systems to respond appropriately to those risks.

Recognizing risk management as a material issue for management, we have established risk management regulations and prepared a risk management system using the ISO 31000 approach as a reference. Specifically, we periodically analyze and evaluate risks potentially confronting FamilyMart, our Group companies, and our departments, such as food safety and reliability, natural disasters, preventing corruption like fraud, law-breaking, and bribery, human rights problems, environmental problems, and information security concerns. We then identify risks to address as priorities, and appropriately manage them by establishing regulations on systems to prevent major risks and minimize their impact as well as initial responses.

Since food safety and reliability, natural disasters, incidents and accidents, and fraud and law-breaking are risks that can have a particularly significant impact on communities and FamilyMart, we are stepping up our risk management response by creating a prioritized escalation system. When entering new businesses, we perform appropriate risk assessment and inquiry in order to avoid labor problems. Aware of our social responsibility as an enterprise that is part of the social infrastructure, we will continue to strengthen our mechanisms for risk management.

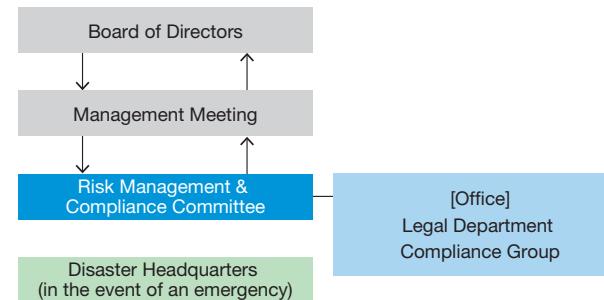
## Risk Management & Compliance Promotion System

FamilyMart has established the Risk Management & Compliance Committee as an advisory body to help the Representative Director and President supervise risk management and compliance-related activities in a cross-sectional manner. Using periodic reports from FamilyMart and its Group companies, the committee reviews the design and operating effectiveness of the risk management and compliance system of the Group as a whole and deliberates relevant policies and plans.

Additionally, we have established the Compliance Group within our Legal Department to focus on promoting and ensuring risk management, and individuals responsible for promoting risk management are appointed in each department. The Risk Management & Compliance Committee seeks to ensure compliance and strengthen risk management Group-wide by sharing information on compliance risks, which differ by company and department.

It also conducts periodic reviews of the effectiveness of the risk management system along with risk assessments including annual risk reevaluation and identification.

**Risk Management & Compliance Promotion System  
(as of August 1, 2019)**



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### Major Risks

FamilyMart uses a workshop-style process to identify business risks. In this process, the responsible department identifies potential risks based on social conditions, trends, and recent cases and each department considers risk management methods.

Below is a list of the main risks with potential to substantively impact decisions by investors and other stakeholders relating to FamilyMart's business. We are positioning these as key items in risk management, and promoting Group-wide countermeasures in collaboration with franchised stores and business partners.

#### Major Risks

(1) Economic conditions, etc.	(6) Handling of personal information
(2) Natural disasters, etc.	(7) Information systems
(3) Franchising system	(8) Human resources
(4) Safety of food products, etc.	(9) Credit control
(5) Impacts of legislation, etc. (including ESG-related laws and regulations)	(10) Asset impairment

\* The above contains items that refer to matters in the future but have been determined to the best of our knowledge as of the end of the consolidated fiscal year.

### TOPICS

#### Franchised Stores Included in Safety Confirmation Drills

FamilyMart has long conducted safety confirmation drills for its head office employees four times a year as a way to foster awareness of risks from natural disasters and accidents. Since 2018, we have included our approximately 16,500 stores throughout Japan in safety drills in an effort to raise risk awareness at franchised stores and throughout the Group as a whole. In addition, we distribute FamilyMart Emergency Action Cards to store managers and staff and instruct them to keep the cards handy. We supply both a Japanese language version and one in English for non-Japanese staff. The cards provide instruction on what to do in the event of a disaster such as a major earthquake and how to remain prepared in advance. Stores can use cards to determine the best evacuation area and contact information in critical moments.

### Emerging Risks

We believe that responding appropriately to new risks from a medium- and long-term perspective is important in order to ensure our sustained growth together with society. The development of further countermeasures may be required in the future for the items described below. We are continually examining appropriate measures to reduce the risks associated with these items, while also reviewing actions we can take to create new business opportunities and value.

#### Major Emerging Risks and FamilyMart's Response

##### Tightening of environment-related laws and regulations

Growing awareness of environmental problems like climate change, water shortages, and plastic trash in the oceans has led to the tightening of environment-related laws and regulations. In response, FamilyMart is considering further efforts to mitigate our environmental impact while collaborating with industry groups.

##### Issues of human rights and animal welfare involving supply chains; genetically modified food products

We will be examining and strengthening our initiatives going forward with an eye on the introduction of relevant laws and regulations, changes in consumer trends, and the like.

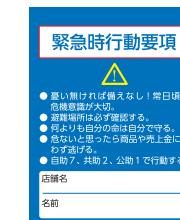
### Enhancement of the Business Continuity Plan (BCP)

The FamilyMart Group has a Business Continuity Plan (BCP) in place so that we can minimize negative impacts on customers, local communities, and other stakeholders in the event of an emergency such as a large-scale disaster. Our BCP considers how to maintain headquarters functions, secure production plants and distribution networks, and manage store operations across entire disaster-affected areas.

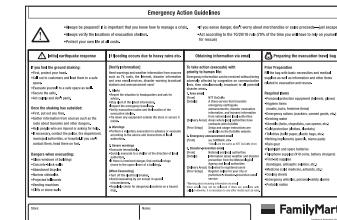
Regular BCP meetings take place four times a year to enable periodic consultation on emergency responses. In addition, we hold an annual simulation-based drill including the establishment of disaster headquarters. This training simulates an earthquake, looking at multiple scenarios with different hypocenters and seismic intensities, while also incorporating factors validated by real-life experience of past earthquakes. Through such training, we can verify how procurement, production, logistics, headquarters functions, and store operations will perform under stress. This type of training incorporating real-life experience will be extremely useful in the initial response to future earthquakes, so building up experience at the local level is an important element of risk management. As concentrated heavy rainstorms become more frequent in recent years, we have also reflected this risk in the BCP, taking local conditions into account.

FamilyMart will continue to enhance its BCP to ensure that we can fulfill our social mission as an enterprise supporting local communities.

#### FamilyMart Emergency Action Cards



(Front of Japanese card)



(English version)

## Thorough risk management and compliance / Respect for human rights

### Basic Approach to Compliance

For FamilyMart, compliance means not only observing all the laws, regulations, and social norms of the countries and regions where we do business, but also for each employee to act sincerely with high ethical standards and moral awareness in accordance with our Basic Policy on Ethics and Legal Compliance and our mission of embodying the FamilyMart Corporate Message, a statement of the values that support our growth. This philosophy guided the establishment of our Compliance Action Guidelines and Code of Conduct as well as our Compliance Regulation. We expect all employees to comply with these rules, and post them on an intranet site so they are always viewable.

We also promote compliance in terms of internal control in conjunction with audits of operational processes under the internal control and reporting system following the Financial Instruments and Exchange Act.

### Compliance Promotion Structure

We have established a Risk Management & Compliance Committee to oversee both compliance and risk management, which periodically reports on improvements to the Group-wide compliance system and the status of its operations to the Board of Directors.

In the unlikely event that a violation of the Basic Policy on Ethics and Legal Compliance or Compliance Regulation is discovered, the committee investigates the cause of the violation and then takes corrective action. Our attitude to bribery and other legal violations is that we will consider disciplinary action for any executive or employee involved in such violations and hand out more severe punishment depending on the results of internal investigation.

 See page 16, Risk Management & Compliance Promotion System

### Compliance Training and Awareness Survey

To ensure thorough compliance, we provide compliance training to all employees once a year via e-learning as well as compliance training in the workplace every other month. After the training, employees sign a pledge that they understand and will comply with the Basic Policy on Ethics and Legal Compliance. We conduct a compliance awareness survey each year, using the results to confirm the degree to which awareness of compliance has been instilled in the workplace and to examine strategies for improvement.

We have also created an intranet site listing our policies, regulations, what to do in case of an incident or accident, and internal reporting systems (hotlines) so that employees can access compliance-related information easily whenever they need it.

In addition, each department conducts periodic compliance training on topics tailored to its responsibilities and operations, such as the environment, food product safety, or the Subcontract Act.

#### Major Themes Addressed in Fiscal 2018 Compliance Training

- Ethical and legal compliance (including bribery, insider trading, money laundering, and other corruption)
- Labor management (harassment prevention)
- Information management (personal information)
- ISO 14001 (environmental management system)
- Quality control
- Hotlines

### Internal Reporting Systems (Hotlines)

We have set up internal reporting systems (hotlines) both within and outside our offices in order to provide advice and take reports on legal violations or any action that violates the Group's norms and regulations, including bribery and other corruption, harassment, and human rights violations. Hotlines are accessible at all times and operated under a slogan encouraging everyone not to commit, allow, or overlook violations. We periodically remind all employees that the hotlines are available and encourage them to use this service. Having hotlines available within and outside FamilyMart helps us establish ways of preventing compliance violations and correcting them if they do occur.

Hotlines take information by phone, email, or letter. We protect whistleblowers by securing their anonymity and the confidentiality of their reports, and banning retaliatory or adverse treatment of the whistleblower. Group companies outside Japan also work to ensure compliance by setting up appropriate systems of their own, giving consideration to the laws and unique aspects of their own countries.

In fiscal 2018 (March 2018–February 2019), our hotlines received 55 reports. Confirmed violations were addressed with measures to prevent violations or keep them from recurring.

#### Hotline Usage (Fiscal 2018)

Suspected fraud, law breaking, or rule violation	6 cases
Inquiry about labor contracts, employment, or working hours	4 cases
Inquiry about workplace conditions, language and behavior; suspected harassment	45 cases
Total	55 cases

## Thorough risk management and compliance / Respect for human rights

### Initiatives to Prevent Corruption

As a corporate participant in the United Nations Global Compact, we have made a clear statement that we are working to prevent corruption in all forms, including coercion and bribery, in line with the basic policy, action guidelines, and code of conduct that we established to comprehensively regulate ethics and legal compliance.

Specifically, we take thorough steps to ensure that we never commit acts deviating from ordinary business customs (e.g., we do not engage in bribery related to the giving and receiving of gifts and entertainment); we comply with relevant laws and ordinances relating to doing business with public agencies and making political donations; and we do not give money, entertainment, accommodations, or other benefits to public employees or private-sector officers and employees, in Japan or overseas, with the intention of receiving improper benefits.

### Respect for Human Rights

As a corporate participant in the United Nations Global Compact, we support international norms on human rights, including the International Bill of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights (the Ruggie Principles), and OECD Guidelines for Multinational Enterprises, and promote initiatives for respecting human rights. Our Sustainability Policy, likewise, clearly states our corporate commitment to respecting people and their rights regardless of race, nationality, religion, gender, etc.; promoting business activities that provide job satisfaction and enable all of the people involved in the business to be successful; and working against inhumane labor practices, including through compliance with laws and ordinances concerning child labor, forced labor, excess labor, and minimum wage. Specifically, we confirm employees' ages at the time of hiring, follow the Guide for Hiring Non-Japanese Staff when hiring foreign employees, and educate everyone in the Group concerning consideration for human rights.

In an effort to promote respect for human rights throughout our supply chains, we have established our Sustainability

Procurement Principles and Supply Chain CSR Code of Conduct, and demand that suppliers respect human rights and not be complicit in human rights violations.

We also plan to establish a policy on human rights, identify human rights risks in our business activities, and perform due diligence in order to increase the effectiveness of our human-rights initiatives.

### Break Off Relations with Antisocial Forces

To further the aim of eliminating antisocial forces and severing their ties to the community, we have declared, internally and externally, that we will not associate with antisocial forces, and are acting accordingly. We are also stepping up our cooperation with the police, attorneys, and other external organizations as well as industry groups and local communities to respond as an organization.

### Information Security

We have developed information systems with our franchised stores, business partners, and Group companies in the course of doing business. We also collect and retain customers' personal information during business processes. Recognizing all of the information that we handle as an important management resource for us, as well as a valuable information resource for our customers and society, we position information system resource risk management as a key part of our management strategy.

In order to avoid the risks associated with unauthorized access or use of information system resources and leaks, losses, or damages to the information system, and to prevent company harm resulting from unauthorized activity with information system resources, we have established an Information Security Management Regulation and Information System Handling Regulation and are continually improving and strengthening information security management operations.

We also periodically provide e-learning to all employees in order to increase their literacy on information asset management, and internally share case studies on information security violations in an effort to raise awareness.

Our offices are only accessible to employees of FamilyMart and its Group companies who are authorized to handle confidential and personal information, and office access is rigidly controlled. Companies to which we outsource also undergo site audits once every two years. These efforts have helped us build a more solid security system.

### Information Security Promotion System

Any leaks of personal information, information system failures, or malicious use of systems could interfere with the conduct of business, potentially impacting the Group's business, earnings, and financial standing.

Under the direction of our chief information security officer, the CIO, we have built a strong information security management system and established organizational, human, physical, and technological safety management measures that are generally considered very reliable.

#### Information Security Promotion System

