Sustainability Initiatives

In response to evolving domestic and global sustainability trends and changing societal expectations, the Group has organized its approach and initiatives related to environmental, social, and governance (ESG) matters, and enhanced its disclosures while ensuring consistency with previously disclosed information.

Environment

Based on its Sustainability Policy, the Group positions the reduction of environmental impact and the transition to a low-carbon society as one of its key management priorities.

The Group recognizes climate change as a critical issue that may have a medium- to long-term impact on the business environment and market structure. Accordingly, the Group has clarified its greenhouse gas (GHG) emissions reduction targets, organized its climate transition plan, and enhanced its disclosures regarding its governance structure and alignment with external frameworks.

■GHG Emissions Reduction Targets

As part of its response to climate change, the Group recognizes the reduction of greenhouse gas (GHG) emissions as a key issue and promotes environmental initiatives centered on emissions reduction. By appropriately identifying and managing the environmental impact associated with its business activities and pursuing emissions reductions from a medium- to long-term perspective, the Group aims to contribute to a smooth transition to a low-carbon society.

Medium-term Target (2030)	**Reduce Scope 1 and Scope 2 GHG emissions across the Group by 42% by 2030 compared with the fiscal year ended March 2021.**
Long-term Target (2050)	**Achieve net-zero Scope 1 and Scope 2 GHG emissions across the Group.**

■Roadmap for the Transition Plan to Reduce GHG Emissions

To achieve the above emissions reduction targets, the Group has organized its climate transition plan for reducing GHG emissions and is promoting initiatives in a phased manner.

This transition plan aims to realize sustainable growth by improving the efficiency of business activities and responding to changes in the market environment, while taking into account climate-related transition risks and opportunities.

Climate Transition Plan Roadmap for GHG Emissions Reduction

Short Term (-FY2030)	Medium Term (FY2030-)	Long Term (-FY2050)
Key Initiatives	Key Initiatives	Key Initiatives
GHG Accounting & Energy Efficiency Foundations	Expansion of Renewable Energy & EV Initiatives	Achieving Net-Zero GHG Emissions
. Phased energy-saving initiatives through efficiency improvements in lighting and HVAC systems . Energy efficiency enhancement through equipment upgrades and operational improvements	. Expansion of energy-saving initiatives and reduction through equipment renewal . Operational efficiency enhancement through the promotion of energy-saving technologies	. Advancement of energy-saving initiatives in store and site operations . Realization of business operations based on high energy efficiency
. Review of procurement methods for renewable energy introduction . Phased transition to renewable electricity and preparation for decarbonization	. Promotion of renewable energy utilization toward decarbonizing electricity consumption . Expansion of renewable energy use through review of energy procurement	. Continued decarbonization of energy procurement, including renewable energy . Implementation of business operations based on carbon-free energy sourcing
. Development of sales and service frameworks in anticipation of EV adoption . Organization of customer response policies in line with manufacturers' electrification plans	. Enhancement of EV sales and service frameworks and continuous strengthening of related services . Customer responsiveness enhancement reflecting manufacturer strategies and EV market expansion	. Promotion of responses to new technologies and infrastructure in line with electrification progress . Establishment of EV-centered business operations and service frameworks

Advancing the Group-wide transition to a low-carbon society

Key Categories of Initiatives in the Transition Plan

Taking into account the characteristics of the Group's Automobile Sales-Related Business and Housing-Related Business, the Group promotes GHG emissions reductions based on the following key initiatives.

1. Promotion of Energy Efficiency (Dealers and Offices)

The Group progressively implements initiatives that contribute to reducing environmental impact by improving the efficiency of energy use at dealerships and offices.

2. Utilization of Renewable Energy (Including Electricity Switching)

The Group examines energy procurement methods aimed at decarbonization, including switching its electricity supply to renewable energy sources.

3. Response to the Expansion of EV Adoption (Sales and Maintenance Systems)

In light of the progress of vehicle electrification and the transition strategies and product rollout plans of major partner manufacturers, the Group contributes to the transition to a low-carbon society by strengthening EV sales and maintenance systems.

Overall Structure of the Transition Plan

The transition plan is structured by interlinking the following elements:

- **Medium- to long-term GHG emissions reduction targets**
- **Promotion of initiatives centered on energy efficiency, renewable energy utilization, and EV-related measures**
- **Responses reflecting market trends, technological developments, and regulatory changes**
- **Regular monitoring and review of emissions data and the status of initiatives**
- **Progress monitoring using key indicators (e.g., GHG emissions, energy consumption, and renewable energy adoption)**

Medium- to Long-term Direction of Initiatives

Short Term （-2030）	**Improved accuracy of Scope 1 and Scope 2 GHG emissions measurement** **Development of emissions calculation frameworks** **Promotion of energy-saving initiatives**
Medium Term （2030-）	**Continuous implementation and improvement of initiatives, including renewable energy utilization and EV-related measures, aligned with broader societal trends and the electrification strategies of major manufacturers**
Long Term （-2050）	**Achieving net-zero Scope 1 and Scope 2 GHG emissions through business operations reflecting progress in decarbonization and changes in market structure**

Governance and Decision-Making Structure

For environmental initiatives, including responses to climate change, the Group has established a Sustainability Committee chaired by the President & CEO. Relevant departments collaborate to implement initiatives, and environmental issues and progress are reported to management at an appropriate frequency and reflected in management decisions.

In order to appropriately incorporate transition risks and opportunities arising from climate change into management decision-making, the Group continuously monitors business conditions, market trends, and the transition policies and technological trends of major manufacturers and business partners. Such information informs decisions regarding capital investment and business planning.

The Group also recognizes the potential use of internal carbon pricing as one method for quantitatively assessing changes in the external environment. In considering its introduction, the Group will refer to carbon price trends indicated by international energy agencies and examine approaches suited to its business characteristics.

Alignment with External Frameworks

To enhance transparency in climate-related initiatives and disclosures, the Group refers to international frameworks, including the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The Group continues to disclose information through CDP and closely monitors developments related to domestic and international disclosure standards and frameworks, including Science Based Targets (SBT).

In this document, the Group discloses information in line with the TCFD recommendations, with a focus on its climate transition plan and GHG emissions reduction targets. The transition plan, roadmap, and governance structure are organized in an integrated manner, taking into account business characteristics and trends among major business partners.

Social

Human Capital and Human Rights

The Group recognizes human capital as the foundation supporting its business activities and aims to achieve sustainable growth and enhance medium- to long-term corporate value through employee empowerment, human resource development, the promotion of diversity, and business operations that respect human rights.

As one of its key initiatives to support employee empowerment, the Group positions the promotion of diversity as an important theme. Taking into account the current workforce composition based on business characteristics, the Group has set targets such as achieving a 10% ratio of women in managerial positions and is working to create an environment in which employees can fully demonstrate their abilities regardless of gender.

In addition, the Group promotes responsible business operations by respecting the human rights of employees and other stakeholders, ensuring transparency in its disclosures, and continuously reviewing and improving its initiatives.

■Commitment to International Human Rights and Labor Standards

The Group conducts its business taking into account internationally recognized human rights and labor standards, including the International Bill of Human Rights and the ILO Core Labor Standards.

The Group has established consultation and reporting mechanisms that allow individuals to raise concerns in cases where adverse human rights impacts occur or may occur, and strives to take appropriate corrective actions as necessary.

■Human Rights Due Diligence

The Group recognizes the potential for adverse human rights impacts arising from its business activities and is advancing initiatives to prevent and mitigate such impacts. The Group has established its fundamental approach to respecting human rights in the Group Code of Conduct and promotes initiatives aimed at preventing and mitigating human rights risks.

The Group also identifies human rights concerns through consultation and reporting mechanisms, strives to take appropriate corrective actions where necessary, and continues to strengthen its commitment to respecting human rights.

While the Group has not yet implemented human rights due diligence, it recognizes its importance. Going forward, the Group will continue to examine appropriate approaches to identifying and addressing human rights risks in light of its business characteristics and operating environment, while enhancing related disclosures.

■Prevention of Harassment

The Group regards the creation of a workplace environment in which all directors and employees respect one another and can work with peace of mind as one of its key initiatives.

Recognizing that harassment undermines individual dignity and must never be tolerated, the Group explicitly prohibits harassment in its work rules and other internal regulations. The Group also establishes internal rules and ensures broad awareness of its policies, including harassment response policies communicated by the representative directors of each Group company.

The Group has established various internal and external consultation and reporting channels and strives to identify harassment-related concerns and reports at an early stage and respond appropriately. The Group promotes awareness of these channels through the distribution of its Compliance Handbook and takes other measures. It also takes necessary corrective measures, including personnel reassignment and appropriate disciplinary action against perpetrators, while ensuring the anonymity of whistleblowers and protecting victims.

In addition, the Group responds appropriately as an organization to seriously disruptive, abusive, or inappropriate conduct by its directors and employees toward customers, business partners, and other stakeholders, as well as such conduct by these parties toward its directors and employees, in order to protect the dignity of all parties concerned and the safety and working environment of its directors and employees.

The Group also provides ongoing training for personnel responsible for handling harassment consultations at each Group company, thereby strengthening its consultation and response framework.

The Group will continue working to prevent harassment and improve the workplace environment by raising awareness of its consultation channels and enhancing education and training.

■Appropriate Working Conditions

The Group complies with labor-related laws and regulations in each country and region where it operates, and strives to ensure appropriate working conditions, including compliance with minimum wage requirements.

The Group believes that creating a safe and secure working environment for each employee forms the foundation for sustainable business growth and promotes appropriate labor management based on legal compliance.

■Employee Engagement

The Group emphasizes the creation of an environment in which each employee can work with motivation and maximize their abilities.

Through dialogue with employees, the Group works to improve workplace environments and systems, enhance engagement, and foster a rewarding workplace.

The Group continuously monitors employee feedback and workplace conditions through employee surveys, including engagement surveys, and mental health initiatives and uses the results to identify issues and implement improvement measures.

■Human Resource Development and Training

The Group positions human resource development and training as important elements in enhancing the value of its human capital. To support employees in proactively developing their careers and improving their skills, the Group provides training opportunities tailored to job types and roles. It is also developing an educational framework that supports employees' self-directed learning through e-learning, support programs for professional qualifications, including those for certified public accountants, tax accountants, judicial scriveners, and administrative scriveners, as well as English language learning support programs.

The Group will continue to enhance training opportunities and refine its human resource development initiatives in response to changes in the business environment and societal expectations, while conducting ongoing reviews and improvements.

■Local Employment and Procurement

The Group positions coexistence with local communities as an important principle and promotes contributions to regional communities through local employment and procurement.

While respecting local cultures and customs, the Group strives to create opportunities for local talent and contribute to regional economic development.

The Group also deepens relationships of trust with local communities through collaboration with educational institutions and disaster response agreements, while advancing initiatives toward the realization of a sustainable society.

Supply Chain

Through its Automobile Sales-Related Businesses and Housing-Related Businesses, the Group conducts business activities in collaboration with a diverse range of partners, including manufacturers, suppliers, and contractors. Taking into account the characteristics of its businesses, the Group views the supply chain not as a one-way relationship, but as a mutually connected and collaborative partnership.

The Group recognizes that environmental, social, and governance (ESG) issues within its procurement and transaction processes may affect its business activities. Through ongoing dialogue with partners, the Group deepens mutual understanding and advances initiatives aimed at realizing a sustainable supply chain.

■Collaboration and Key Focus Areas in the Supply Chain

In its relationships with supply chain partners, the Group emphasizes the following perspectives:

- **Fair and sincere transactions in compliance with applicable laws and social norms**
- **Consideration of social responsibility, including respect for human rights and appropriate labor practices**
- **Addressing environmental issues such as reduction of environmental impact and efficient use of resources**
- **Appropriate management and information sharing to prevent misconduct and compliance violations**
- **Transparent communication based on mutual understanding and trust**

With respect to these perspectives, the Group engages in dialogue and information sharing while respecting the positions and business realities of each partner. Through collaborative efforts toward improvement, and by clarifying its expectations and approach regarding the supply chain, the Group promotes enhanced sustainability across the entire supply chain.

Looking ahead, the Group will also consider the development of guidelines and other frameworks in order to more systematically address environmental and human rights risks within the supply chain.

Governance

The Group positions the establishment of an appropriate governance framework as a key management priority that underpins sustainable growth and the enhancement of medium- to long-term corporate value.

To ensure the effectiveness of its sustainability initiatives, the Group will continue to review and enhance management responsibilities and decision-making mechanisms.

■Executive Incentives Related to Sustainability

With the aim of achieving sustainable growth and enhancing medium- to long-term corporate value, the Group regards the design of incentives that reflect the roles and responsibilities of management as an important consideration.

In recent years, as initiatives addressing ESG issues, including climate change and human capital, have had an increasing impact on corporate value, the Group recognizes the need to further examine the relationship between its sustainability initiatives and executive incentives.

As a matter for future consideration, the Group will explore the possibility of incorporating ESG-linked and sustainability-linked remuneration into its executive remuneration system, including the potential use of non-financial indicators—such as greenhouse gas (GHG) emissions reductions and employee engagement—as evaluation criteria.

The Group also regards long-term incentive plans (LTIP) and mechanisms such as malus and clawback provisions as areas for future consideration, taking into account domestic and international trends from the perspective of ensuring the transparency and soundness of the remuneration system.

The Group will continue to enhance frameworks that support the promotion of sustainability, while ensuring alignment with its business environment and governance structure.

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VT HOLDINGS CO., LTD.