

# Compliance

Seven & i Holdings places absolute priority on compliance with laws and regulations and social norms. The Company also strives to ensure that sound corporate governance is functioning and secured by management.

## Seven & i Holdings Corporate Action Guidelines

The Seven & i Holdings Corporate Action Guidelines present the behavior that each employee should practice in order to realize the spirit of “reliability and sincerity” expressed in the Group’s corporate creed. The guidelines call for employees to comply with laws, regulations, and social norms, to uphold laws and regulations such as the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, as well as internal rules, and conduct business under appropriate conditions in line with sound trading practices, and not to have any contact with antisocial groups.

➤ [Details of the Seven & i Holdings Corporate Action Guidelines can be found here](#)

### Basic Policy

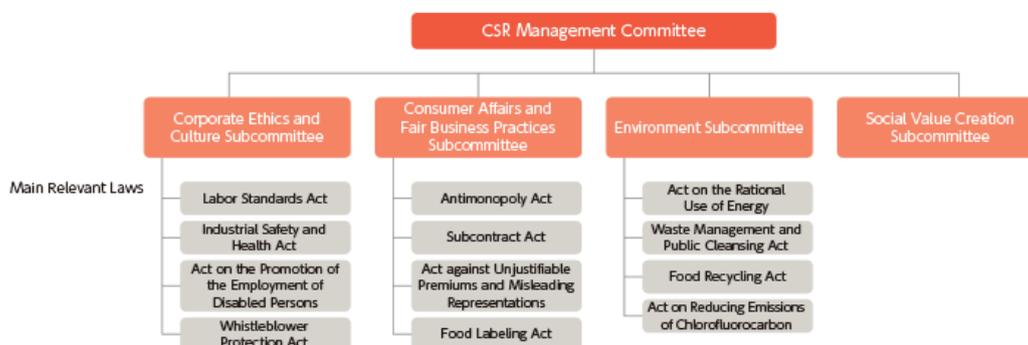
1. Provision of safe, high-quality products and services
2. Maintenance of fair, transparent transactions
3. Cooperation with local and international communities
4. Respect for human rights
5. Respect for diversity and improvement of job satisfaction
6. Preservation of the assets and information of the Company
7. Contribution to a sustainable society
8. Dialogue with stakeholders
9. Efforts regarding social issues

### Code of Corporate Conduct

1. Compliance (Legal Compliance)
2. Relationship with Customers
3. Relationship with Business Partners
4. Relationship with Shareholders and Investors
5. Relationship with Local and International Communities
6. Relationship between the Company, and Directors, Officers and Employees
7. Preservation of Global Environment

## Compliance System

Seven & i Holdings has a CSR Management Committee, chaired by the President, and three subcommittees—the Corporate Ethics and Culture Subcommittee, the Consumer Affairs and Fair Business Practices Subcommittee, and the Environment Subcommittee. These subcommittees work together with each Group company to promote the Seven & i Holdings Corporate Action Guidelines and to rigorously enforce compliance.



## Internal Reporting System

Seven & i Holdings has set up the Groupwide Help Line and the Business Partner Help Line to prevent conduct that could result in loss of public credibility and to ensure early detection, early remediation, and recurrence prevention. The Groupwide Help Line is for receiving reports from employees of Group companies in Japan, and the Business Partner Help Line is for reports from business partners.

Both help lines have a consultation desk operated by a third party under a service contract and a non-disclosure agreement to protect the privacy of people consulting or whistleblowing, and ensure that the content of their reports are not disclosed publicly or leaked. The consultation desk accepts reports via e-mail, telephone or post. (Reports via telephone are only accepted during service hours.)

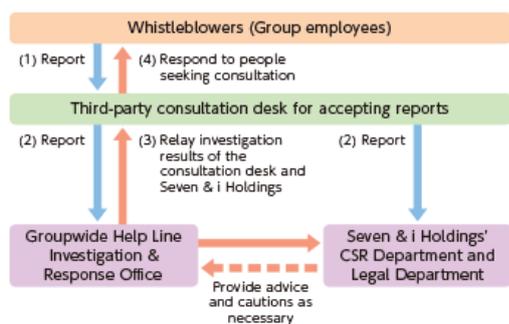
When the Company receives a report, it quickly confirms the facts, corrects any violations that are found, and strives to prevent a recurrence. To create an environment that facilitates reporting, reports can be made anonymously, while both employees and business partners are bound by operating regulations not to subject whistleblowers to disadvantageous treatment for having made a report. The person is contacted four weeks after completion of the case by the third-party consultation desk to check that they have not suffered retaliation or disadvantageous treatment.

Seven & i Holdings' CSR Department keeps track of the number and nature of the reports for each Group company, as well as the status of responses, to ensure that the actions taken by the operating companies are appropriate. In the event of a serious violation or other such incident, a report will be provided immediately to the Representative Director, responses will be discussed with the relevant divisions and companies, and the necessary response measures will be taken. In addition, the CSR Department reports on the operational status of the internal reporting system to Seven & i Holdings' CSR Management Committee and the Board of Directors.

### Groupwide Help Line

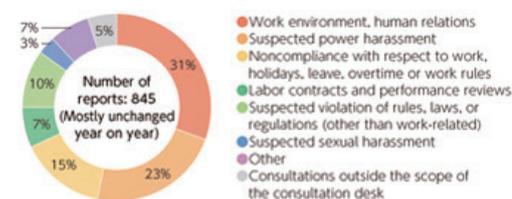
The Groupwide Help Line serves employees, Directors and Audit & Supervisory Board Members, and retirees and their families. To ensure that all employees are aware of the system and its contact points, it is explained in employee training and posters are put up in every workplace and store. Additionally, employees' awareness of the Groupwide Help Line is surveyed as part of the Employee Opinion Survey administered once every two years.

#### Procedural Flow for the Groupwide Help Line

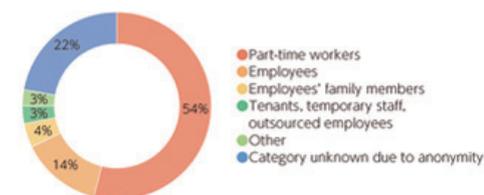


#### Number of reports for the fiscal year ended February 29, 2016

##### Breakdown of Internal Reports



##### Breakdown of People Seeking Consultations

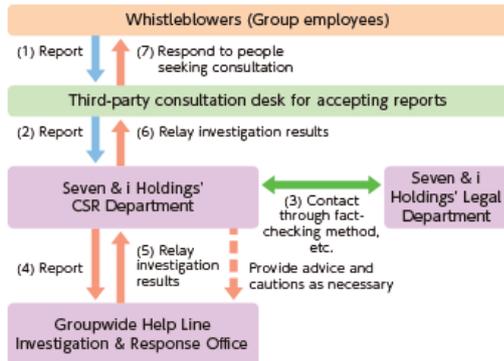


\* For the Groupwide Help Line, some Group companies have their own internal reporting consultation desks in addition to third-party consultation desks. Moreover, operating companies in North America and China also have their own internal reporting systems to receive reports from employees and offer consultation.

## Business Partner Help Line

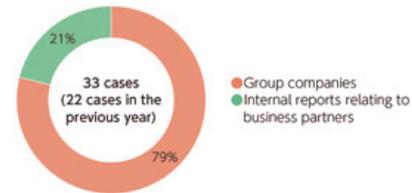
The Business Partner Help Line is provided for Directors and Audit & Supervisory Board Members, employees, and former employees of Group companies' business partners. To ensure that business partners are fully aware of the help line system and its points of contact, we explain it at briefings for business partners and distribute information in pamphlets.

### Procedural Flow for the Groupwide Help Line



### Number of reports for the fiscal year ended February 28, 2017

#### Breakdown of Internal Reports



#### Report:

- Suspected violation of rules, laws, or regulations
- Consultation regarding product safety and reliability
- Inappropriate employee speech or behavior

## Education and Training of Employees

Seven & i Holdings and Group companies endeavor to promote and foster understanding of the Seven & i Holdings Corporate Action Guidelines among all employees. To this end they have prepared specific guidance for employees on how to put the guidelines into practice in line with the business characteristics of each company. In addition, when undertaking tier-specific group training for organizational levels ranging from new recruits to management, Seven & i Holdings provides training based on the themes of the Seven & i Holdings Corporate Action Guidelines and compliance.

From the fiscal year ended February 29, 2016, compliance seminars have been held every year for executives, beginning with the presidents of Seven & i Holdings and each Group company. In addition, in the fiscal year ended February 28, 2017, training via e-learning (certain employees watched DVDs) was undertaken for Group employees in Japan.



## Compliance survey

Seven & i Holdings conducts the Employee Opinion Survey, an anonymous biennial survey designed to gauge the extent of understanding of the Corporate Creed and compliance awareness among employees. The survey includes questions that measure job satisfaction and the degree of acceptance of performance reviews. Group-wide initiatives are implemented to address common issues across the Group that have been identified by the survey results. Along with this, Group companies devise measures to tackle the issues faced by each company and strive to make improvements accordingly.

➤ For more details of the Employee Opinion Survey, please visit:

## System for Prevention of Noncompliance regarding Business Partners

Seven & i Holdings has established the FT (Fair Trade) Information Sharing Committee, made up of personnel in charge of fair trade at each Group company, under the Consumer Affairs and Fair Business Practices Subcommittee. In this project, the members strive to prevent noncompliance by sharing information on the latest laws and regulations concerning business practices, cases of unfair business practices at Group companies or other companies in the industry, and measures for improvement.

If a case of an unfair business practice occurs, or is suspected, the FT Committee and the CSR Department work together to check the facts with the department and business partners concerned. If any issues are found to exist, they are dealt with appropriately according to administrative guidance.

### Prevention of Noncompliance at Group Companies

Each Group company has a division to rigorously ensure fair trading practices, such as the FT Committee headed by the company president. These divisions are responsible for training the personnel responsible for procurement as regards the laws and regulations related to contracts, such as the Antimonopoly Act and the Subcontract Act. The status of legal compliance at each Group company is confirmed through a monitoring survey of each Group company conducted by the FT Information Sharing Committee.

### Prevention of Noncompliance Regarding Business Partners

In the final stage of negotiations with each business partner, to ensure there are no later disagreements between the personnel in charge of purchasing at each company and the representative of the business partner, the matters determined as a result of their discussions are recorded in a standardized format, with each party retaining a copy.

Moreover, the Seven & i Group conducts individual employee interviews led by the employee's supervisor once every six months. At the individual interviews of personnel in charge of purchasing, their compliance with fair business practices is evaluated and reflected in their compensation package.

From the fiscal year ended February 28, 2017, the Seven & i Group has conducted questionnaire surveys of business partners to confirm whether the speech and behavior of employees toward business partners follow the Seven & i Holdings Corporate Action Guidelines. In these surveys, business partners reply to questions anonymously. In May 2017, a total of 8,700 representatives of business partners responded to questionnaire surveys issued by Group companies.



## Protecting Personal Information and Appropriately Securing the Safety of Information Assets

Seven & i Holdings has established the Basic Policy on Protection of Personal Information and the Basic Policy on Information Security. As a sincere company trusted by its stakeholders, Seven & i Holdings has made it mandatory for officers and all employees to protect the personal information handled by the Group and appropriately secure the safety of information assets as a material management and business issue and a social responsibility. At the same time, the Company aims to ensure appropriate business execution through the protection of personal information and the use of information assets by complying with relevant laws and regulations such as the Act on the Protection of Personal Information and internal rules.

➤ [Privacy Policy can be found here](#)

➤ [Basic Policy on Information Security can be found here](#)

## Tax-Related Policies

Based on the Seven & i Holdings Global Tax Policy, Seven & i Holdings has a tax strategy that corresponds with its management strategies, and carries out uniform Companywide tax management.

## Seven & i Holdings Global Tax Policy

Seven & i Holdings has a basic policy of establishing high-quality corporate governance systems at the Company and its Group companies, including overseas subsidiaries. The systems are designed to ensure sound, sustainable growth and to uphold public trust. To provide appropriate countermeasures for tax-related risks, including changes in the tax governance environment in Japan and overseas, reputational risk, brand value degradation, and corporate social responsibility, we have a tax strategy that corresponds with our management strategies, and we will carry out uniform Companywide tax management.

In line with the above, Seven & i Holdings has adopted the following global tax policy.

### ■ 1. Legal Compliance

Seven & i Holdings and its Group companies, including overseas subsidiaries, always comply with the taxation laws in the countries where they operate. Moreover, they also respect the intention of such laws by paying taxes appropriately as a way of contributing to the economic development of the countries.

To ensure that our compliance with tax-related laws and our tax management are appropriate, we follow the guidelines for developing internal controls for financial reporting to build and develop internal control systems that ensure appropriate accounting procedures and financial reporting. We also operate these systems appropriately and have inside and Outside Audit & Supervisory Board Members check and assess the effectiveness of the controls.

### ■ 2. Ensure Transparency

Seven & i Holdings and its Group companies, including overseas subsidiaries, provide timely and appropriate disclosure of management data and tax payment status in accordance with the laws of each country where they have operations.

Moreover, the Company and its Group companies, including overseas subsidiaries, do not engage in tax avoidance practices, which seek to excessively reduce tax payments, and transactions between operating companies are conducted according to the arm's length principle.

### ■ 3. Relationship with Tax Authorities

Seven & i Holdings and its Group companies, including overseas subsidiaries, strive to ensure transparency and reliability with regard to their tax obligations by responding in good faith to the tax authorities in the countries where they operate and international tax authorities.



## Tax-Related Risks

Seven & i Holdings has evaluated the impact of tax obligation risks on future value creation. As a result, we recognize the risk from changes in accounting standards and tax systems such as transfer pricing taxation as a financial risk, and the risk associated with M&A and business reorganizations as a business risk.

### Financial Risks

The Group could encounter unforeseen introductions of new accounting standards or taxation systems, or changes to existing systems, which could affect its business performance or financial position.

### Business Risks

The Group develops new businesses and reorganizes its Group businesses through M&As, business alliances with other companies, establishment of joint ventures, and so forth. However, if the Group's strategic investments do not achieve the initially anticipated effect and cannot meet their targets, its business performance and financial position could be affected.

## Tax-Related Reports



Tax payment amount by country or region for the fiscal year ended February 28, 2017

(Millions of yen)

	Japan	North America	China
Tax payment	125,128	14,916	750
Operating income	299,251	65,548	-238
Revenues from operations	4,032,803	1,690,713	113,475