



Building an Ethical Society and Improving Resource Sustainability together with Customers and Business Partners



Approach

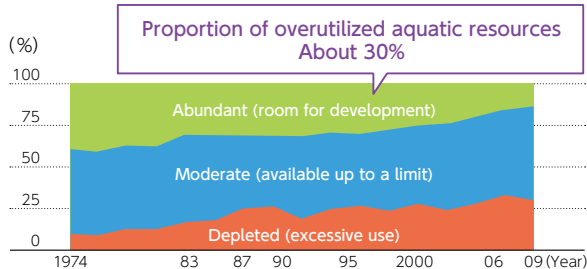
As Seven & i Holdings provides a vast array of products and services, the Seven & i Group believes it plays an important role with its consideration of society and the environment and in its contributions to the creation of a conscientious society. It is vital that our business process, from the procurement of the raw materials that go into our products through to delivery into the hands of our customers, do not simply comply with the law but also have added value from a social and environmental perspective. In addition to addressing the trend of ethical consumerism in recent years, we are also moving forward with efforts across our supply chains, inclusive of suppliers, to contribute to resource sustainability.

Background

Reduction and depletion of fishing resources

As part of increased consumption of fish and shellfish in recent years, overfishing and environmentally destructive use of aquatic resources has been common. The result has been a clear loss of a healthy state of aquatic resources and a growing number of resources that face depletion. The bluefin tuna and Japanese eel loved by many Japanese, for example, are on the verge of extinction.

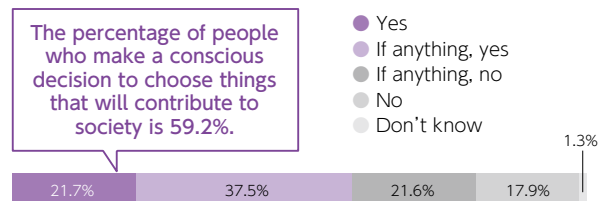
Trend in global marine resources



Increased interest in the societal and environmental effects of the supply chain

Although many social issues exist throughout the world, consumers who wish to purchase fair trade goods are on the rise. To match this increasing awareness of ethical consumerism, it is vital to build an entire supply chain on a sustainable business model.

When you choose a product or service, do you make a conscious effort to select those that will contribute to society?



The FY2013 Shōhishagyōsei no suishin yoronchōsha (Opinion survey for promoting consumer administration of consumer affairs), Cabinet Office, Government of Japan

Seven & i Holdings Policy

The world is faced with a variety of environmental problems such as depletion of natural capital and loss of biodiversity. Seven & i Holdings is working with various stakeholders based on the following policies* for continued business growth while maintaining the sustainability of the planet.

- ① Give consideration of biodiversity and cooperation for activities that support work to restore it.
- ② Eliminate trading in illegal natural capital and illegal logging and fishing.
- ③ Give consideration to natural capital at risk of depletion.
- ④ Promote and communicate traceability for agricultural, livestock and marine products and communicate information.

* Amended to reflect changes in social conditions and new information.

From our Basic Policy on Sustainable Procurement

Seven & i Holdings' Initiatives

Creation of Basic Guidelines of Sustainable Procurement

For procurement of natural capital products, sustainable procurement across future generations is required, and we have created a sustainable procurement action plan on the urging of stakeholders.

Strengthening implementation of Business Partner Action Guidelines

We will strengthen implementation of the Business Partner Action Guidelines in order to provide customers with safe, reliable products and to fulfill our societal responsibilities in cooperation with our suppliers on matters such as human rights, labor issues and the environment.

Sustainable Forest Conservation Activities

We have created the Seven & i Forest project to contribute to the prevention of global warming and conservation of biological diversity,

Awareness-Raising Activities Aimed at Customers

We develop and supply environmentally friendly products that help our customers to understand the need for a sustainable society through the prevention of global warming, conservation of biodiversity, etc.

Value for society

- Enhanced resource sustainability
- Enhanced social/environmental consideration by customers and suppliers

Value for Seven & i Holdings

- Secured raw material supplies
- Reduction of supply chain risk

Building an Ethical society and Improving Resource Sustainability together with Customers and Business Partners

Creation of Basic Guidelines for Sustainable Procurement

Amid growing interest in global environmental issues, people have also begun to demand that businesses give heed to natural resource depletion and biodiversity caused by population growth and lifestyle changes in addition to addressing global warming. To respond to such demands and expectations from customers and other stakeholders, we will, in addition to creating various kinds of value through our businesses, aim for sustainable growth across the Group while creating a sustainable society; this will be done through our basic guidelines for sustainable procurement (announced September 2014), which clearly set out the policies for Group procurement activities.

Seven & i Holdings aims to contribute, in cooperation with stakeholders, to the realization of a sustainable society through efforts such as consideration of biodiversity, thorough compliance, consideration of depletion issues and ascertaining traceability.

We will strive to instill these procurement guidelines within the Group as well as establish criteria for each of the categories they address, gaining the understanding and cooperation of suppliers while working to realize a sustainable society

Strengthening Implementation of Business Partner Action Guidelines

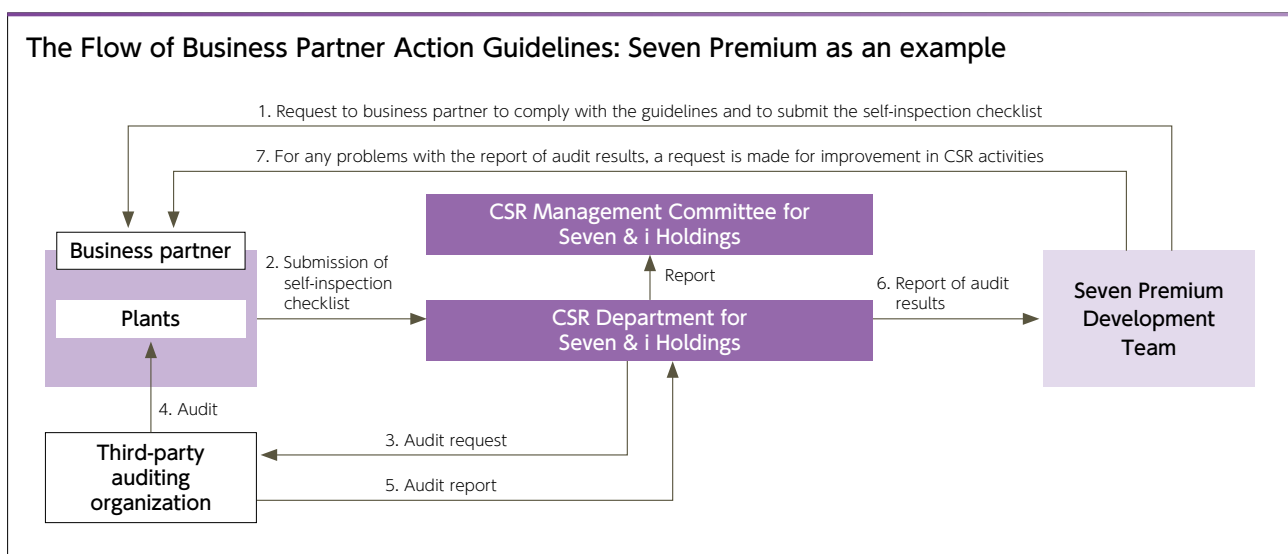
Background

At Seven & i Holdings, the globalization of the economy and the growth in dispersion of manufacturing licenses and places of origin around the world means that we implement Business Partner Action Guidelines in order to provide safe and reliable products to customers and to fulfil our social responsibility in cooperation with suppliers in areas such as human rights, labor and the environment.

As social issues grow more complicated and diverse, various stakeholders call are called upon to resolve them, while the scope of corporate social responsibility has grown to extend beyond business activities to product and service planning and overall responsibility for the supply chain from production to customer consumption and disposal.

We believe the proper management of working hours and wages, health and safety in the workplaces and residential facilities of workers, and consideration for environment of the workplace and the surrounding community tie into not only stable quality of products and improved manufacturing efficiency, but also raise job satisfaction of workers and facilitate mutual understanding between workers and management, contributing to sustainable growth for both suppliers and Seven & i Holdings as a result.

The Flow of Business Partner Action Guidelines: Seven Premium as an example



Thorough implementation of Business Partner Action Guidelines

We established the Seven & i Holdings Business Partner Action Guidelines in 2007 and request business partners to become familiar and comply with the guidelines.

These guidelines are designed to not only guarantee the safety and reliability of products and services, but also promote legal compliance that takes the entire supply chain into account, environmental conservation and labor conditions so that we can fulfil our corporate social responsibility together with our business partners.

These guidelines are communicated to business partners of Group companies through various meetings.

Seven & i Holdings Business Partner Action Guidelines (subjects)

1. Legal Compliance
2. Respect for Human Rights and Dignity
3. Human Resources and the Workplace Environment
4. Environmental Management
5. Relationship with Society and Local Communities
6. Information Management
7. Product Safety Assurance
8. Fair Business Practices
9. Monitoring

For the full text, please visit

● <http://www.7andi.com/en/csr/suppliers/guide.html>



At an explanatory meeting for the Business Partner Action Guidelines

Policy compliance through self-inspection checklist

Seven & i Holdings has created a self-inspection checklist for business partners with the necessary and specific topics to determine compliance with our Business Partner Action Guidelines. This checklist is based upon ISO 26000, the Keidanren Corporate Behavior Charter and the OECD Guidelines for Multinational Enterprises.

The checklist helps our business partners understand the Business Partner Action Guidelines and implement effective CSR measures while enabling us to assess their progress in implementing those measures. Business partners for the Group's Seven Premium private brand products (a strategic line common to the Group) and Ito-Yokado's direct overseas suppliers are asked to submit the checklist.

Promotion of CSR audits

Since FY2012, Seven & i Holdings has used a third-party verification organization as an auditor to visit a selection of factories of the business partners we have asked to submit checklists. The auditor carries out our independently established CSR audit program (about 140 items in 16 categories) to confirm compliance with our Business Partner Action Guidelines.

For matters that do not meet with the compliance standards (non-compliance items), the auditor provides guidance and the business partner is to submit a corrective action plan (CAP) with 10 business days of the completion of the audit and immediately take measures to improve the situation for the indicated matter(s).

Building an Ethical Society and Improving Resource Sustainability together with Customers and Business Partners

Additionally, when the auditor or Seven & i Holdings determine that a business partner has rectified an important and quality-related non-compliance item or chief minor non-compliance item, or the CAP is in effect, the business partner will be issued a compliance certificate. Nonetheless, when there are 10 or more important and quality-related non-compliance items or the like, we encourage re-audit and thorough improvement.



The 16 audit categories

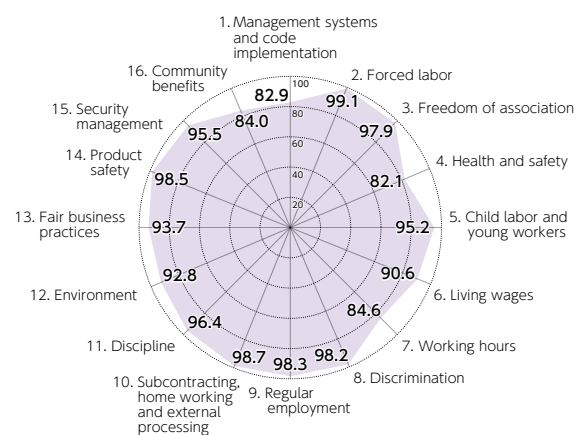
1. Management systems and code implementation
2. Forced labor
3. Freedom of association
4. Health and safety
5. Child labor and young workers
6. Living wages
7. Working hours
8. Discrimination
9. Regular employment
10. Subcontracting, home working and external processing
11. Discipline
12. Environment
13. Fair business practices
14. Product safety
15. Security management
16. Community benefits

FY2013 Audit Results

In FY2013, CSR audits were conducted at 30 factories in seven countries (Thailand, Myanmar, Indonesia, Vietnam, Cambodia and Korea). The average compliance rate across all audited factories was 91.7%, with re-audits at six factories. The items for improvement fell largely into the areas of labor environment, safety and hygiene, and approvals and authorizations. With the CAPs provided by each factory following their audit that included photos, guarantee documents, etc. and a re-audit, we were able to confirm that improvements were successfully made.

- ① Labor environment (representative examples)
 - Unreported work hours or those in excess of legal standards
 - Deficiencies in records management for clocking in and out
 - Imposition of punitive fines on employees
- ② Safety and hygiene (representative examples)
 - Deficiencies in firefighting and fire protection equipment
 - Lacking mechanical safety devices
 - Incorrect handling, storage of harmful chemicals
- ③ Approvals and authorizations (representative examples)
 - Lack of or failure to renew business licenses
 - Unlicensed operation or driving of equipment
 - Deficiencies in environmental permissions at the time of construction of facility, factory, etc.

Compliance rates for CSR-required items



Expansion of CSR audits in FY2014

In FY2014, we plan to carry out CSR audits at some 350 factories in developing countries that produce items for Seven Premium or for direct supply. We are also planning CSR audits for some of our privately branded products for the Products Division and the Out-of-Store Sales Division at Sogo & Seibu and at Akachan Honpo.

To prepare for this major expansion of CSR audits, we held explanatory meetings both inside and outside of Japan to review the Business Partner Action Guidelines, share the results of the FY2013 CSR audit results and explain the specifics of CSR audits and how to prepare, and asked for their understanding and cooperation.

Record of explanatory meetings

April 2014 For all Seven Premium product business partners (held eight times for each product category)

May 2014 For Ito-Yokado direct overseas supplier business partners in China (twice, in Qingdao and Shanghai)

July 2014 For business partners who manufacture Seven Premium products overseas (once, domestically) and for business partners who are direct overseas suppliers to Ito-Yokado for clothes and household goods (once, domestically)

August 2014 For business partners who are direct overseas suppliers to Ito-Yokado for clothes and household goods from ASEAN countries (once each in Myanmar, Cambodia and Thailand)

We will continue to share CSR audit results with the product, quality control and related departments at group companies, as well as confirm and support the improvement efforts undertaken at business suppliers.

TOPICS

Business partner consultation helpline

The helpline takes questions, opinions and other types of consultations, with the purpose of effecting rapid improvements to help ensure fair business dealings.

The third-party organization contracted to operate the consultation helpline is under a non-disclosure agreement, and protects the personal information and privacy of the persons consulting or whistleblowing. If the person using the helpline requests his or her name and affiliation to be kept confidential, that information will go no further than the third-party organization, and the content of the consultation, etc. can be anonymized before it is presented to Seven & i Holdings. To confirm that persons using the helpline to consult or report problems do not suffer from disadvantageous treatment from Seven & i Holdings or a Group company, approximately one month afterwards, the third-party organization contacts the person to check whether there has been any retaliation.

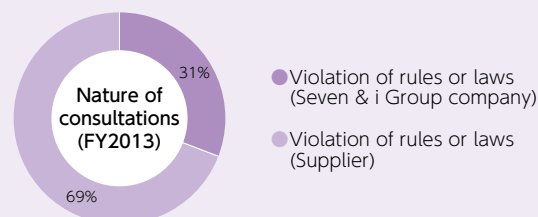
For details on the Business Partner Consultation Helpline, please visit

<http://www.7andi.com/en/csr/suppliers/helpline.html>

Number of consultations in FY2013

FY2013	16
FY2012	12
FY2011	15

Nature of Consultations



Building an Ethical Society and Improving Resource Sustainability together with Customers and Business Partners

Sustainable Forest Conservation Activities

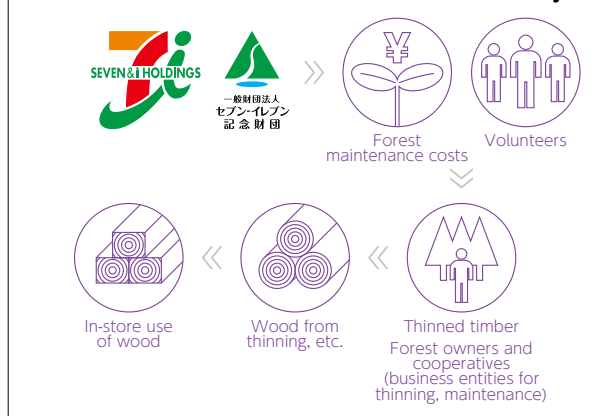
Seven & i Forest

Seven & i Holdings, working together with the Seven-Eleven Foundation*, helps to curb global warming and contribute to the maintenance and conservation of biodiversity through the Seven & i Forest conservation project at 14 locations across Japan. Although forest trees absorb carbon dioxide and convert it to oxygen, this ability diminishes after 20 years. Human intervention, however, can extend carbon dioxide-absorbing capabilities. The Seven & i Forest project carries out not only planting activities, but also the thinning, undergrowth clearing, alternation of species and other work needed to create a healthy, sustainable forest that is biodiverse and in harmony. Group company employees and volunteers from Seven-Eleven stores participate in regular forest maintenance; as of August 2014, such work was carried out by a total over 2,220 people over 24 occasions. In the Nagano area of central Japan, wood materials from such activities are being used in stores and for office supplies. We are also moving forward with the commercialization of such products to promote the use of domestic wood materials.

* The Seven-Eleven Foundation was established in 1993 for the purpose of Seven-Eleven stores and headquarters to work together as one on environmentally themed CSR activities. Using money collected from in-store donation boxes and donations from headquarters, the foundation addresses the themes of prevention of global warming, support of community activities, protection and conservation of the natural environment, disaster reconstruction assistance and public relations. In FY2013, in-store donations totaled 454,007,883 yen and 155,948,445 yen was used to give grants to 260 projects (including ongoing projects).



Overview of the Seven & i Forest Conservation Project



TOPICS

The Kuju Furusato Nature School

The Seven-Eleven Foundation has been operating the Kuju Furusato Nature School in Kokonoe-cho, Oita Prefecture since 2007 as a project for the protection and conservation of Japan's valuable natural ecosystems. In addition to the maintenance of the local biotope and carrying out environmental education, we are also using the school to develop and publicize related protection and conservation activities. As we expect this endeavor to yield concrete results in raising awareness of wise use of rice fields, in March 2014 the school's Natural Symbiotic Rice Field was certified as cooperating enterprise under UNDB-J (United Nations Decade for Biodiversity in Japan).

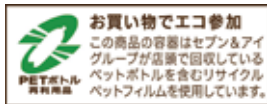


Observing the creatures in a rice paddy

◦ Awareness-Raising Activities Aimed at Customers

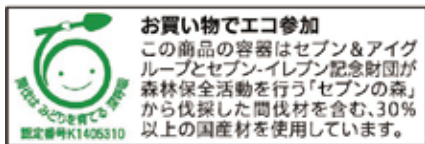
Products made from recycled PET bottles

Seven & i Holdings recycles the PET plastic bottles collected from Group stores and has been using this recycled plastic for the packaging of refills for its Seven Premium private band body soap, which went on sale August 2014.



Use of thinned timber packaging

In June 2013, Seven & i Holdings began sales of Seven Premium drink products that use paper cans incorporating thinned timber from the Nagano Seven & i Forest. The paper used in the cans is from at least 30% domestic Wood and contributes to healthy forest cultivation and prevention of global warming. We are currently working to broaden the range of products beyond beverages to items such as instant noodles in a cup, etc.



Sogo & Seibu also ask customers purchasing gifts whether they would like to use “green wrapping,” which involves the purchase of a wrapping ribbon with a leaf-shaped mascot for an additional price of 100 yen, of which 50 yen is donated to tree planting and growing activities. This cooperation allows the giver to make a social contribution and provides the recipient a chance to think about the environment. Sales of 80 ribbons plants one tree. In addition, customers purchasing ochuugen and oseibo (summer and winter) gifts who agree to simple packaging also contribute to tree planting, with one tree planted for every 4,000 gifts that use the simple packaging option. (Between 2009 and August 2014, 5,465 trees were planted.)



Green Wrapping

Ito-Yokado sells a rice series that not only use fewer pesticides and chemical fertilizers, but also encourages “biodiversified farming” in which rice fields also service as wildlife habitats. Part of the sales are donated for environmental improvements; in FY2013, sales of Koshihikari Rice Nurturing White Storks provided 210,000 yen for nurturing oriental white storks, while sales of Sado, Niigata Prefecture-Produced Koshihikari Rice Certified by the Creating Villages Coexisting with Crested Ibis Program provided 360,000 yen to the Fund for the Improved Habitat for the Japanese Crested Ibis.



In-store activities to raise environmental awareness

Seven & i Holdings participates in the Pla-Plus Project promoted by the Ministry of the Environment and JEPLAN Inc. In this project, plastics products in the home that are no longer needed are collected at cooperating stores and recycled; we cooperated with the project for a limited time from November 2013.



Participating companies: Ito-Yokado, THE LOFT, Akachan Honpo

All Sogo & Seibu stores participated in the Ministry of the Environment’s Green Curtain Project as a way to reduce carbon dioxide emissions and reduce summertime energy use. Bitter melon seedlings were planted in pots on store rooftops and entrances as part of an event with children from neighborhood kindergartens and daycares, helping to promote their interest in immediate ways to prevent global warming.



A green curtain alleviates strong sunlight