

## Continuing to improve the quality of management, seeing business with a focus on social solutions to be our mission as a global enterprise

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### Reidentifying the material issues that support Seven & i Group's sustainable growth

In 2022, the Seven & i Group reviewed its material issues, to further enhance its sustainable management.

Behind this move were changes in the social conditions in which we do business. The largest of these was growing interest in issues concerning the environment, including global warming, and human rights. People's interest in these subjects continues to grow with the spread of the United Nations Sustainable Development Goals (SDGs), and today we feel that doing business with a focus on social solutions is one of the missions of any global enterprise.

In light of these changes, we've identified social topics that we should consider, referring to sources including global frameworks such as the SDGs and evaluation items used by environmental, social, and governance (ESG)

rating agencies. We also surveyed more than 5,000 stakeholders, including 7-Eleven franchise store owners, about the topics that the Seven & i Group should address. Through these efforts and expert dialogue, we revised our material issues over a period of about one year.

### Focusing on the people essential to the retail industry

In revising our material issues, the management team focused above all on people.

Together with product lineup and price, how to ensure that customers can enjoy the shopping experience is of utmost importance to the retail industry. The Seven & i Group enjoys the support of more than 160,000 employees in Japan and globally—even more when we include 7-Eleven franchises around the world. To deliver new shopping experiences every day it is essential to maintain workplace environments where all employees can do their work with good health

and positive attitudes and to provide them with opportunities to improve their abilities. Based on this point of view, management has pledged to “improve work engagement and environment for people working in Group businesses.”

### Improving the quality of management together with all stakeholders, to realize our vision for the organization

As it plays a role in responsibly delivering to stakeholders the value generated by raw materials producers and manufacturers, the Seven & i Group comes into contact every day with approximately 60 million stakeholders around the world. They include customers, business partners, and franchise store owners. Aiming to be a world-class retail group focused on food, the Seven & i Group currently is growing its value chain around the world, identifying the CVS business in Japan and other markets as a growth driver.

Aiming in this way to be a global leader, the Seven & i Group believes that we must lead not only in quantitative aspects such as sales and profit but also in the qualitative aspects of management. Toward this end, it is vital that the Group promote environmental and community sustainability together with the customers, business partners, franchise store owners, and employees that make up our global value chain. Based on this concept, we have added the new material issue “achieve a sustainable society through partnerships.”

Our efforts to enhance these partnerships include the CSR audits that we have conducted together with our business partners in Japan and around the world since 2012, the Seven & i Group Business Partner Sustainable Action Guidelines revised in 2019, and enhancements to our structure for human rights due diligence based on the Guidelines. In the area of the environment, we are advancing initiatives under our GREEN CHALLENGE 2050 environmental declaration together with 7-Eleven, Inc., in North America, and

we plan to expand them worldwide.

While enhancing sustainability together with our customers, we also emphasize sale of sustainability-certified seafoods. By 2050, we aim to use 100% accredited sustainable ingredients in our private brands, including *Seven Premium*. Furthermore, in the area of community engagement we are concluding comprehensive alliance agreements with local governments in Japan in a wide range of areas including local production/local consumption, support for seniors, improving health, and environmental protection. We plan to expand these agreements in the future.

### As our businesses grow, we must never forget engagement with customers in the community

The retail industry has deep roots in the lives of customers in the community. Even amid active globalization, as a member of the retail industry we must never forget to propose solutions based on a close look at the issues, concerns, and dissatisfactions of the individual customers who live and work in our communities. These concerns and dissatisfactions represent potential needs. We consider addressing each of them individually, to realize solutions to social issues through our businesses, to be the fundamental essence of the Seven & i Group's sustainability management.

While numerous global enterprises do business around the world, there is no such thing as a global consumer. Our customers live in their own communities, with their own familiar customs and cultures. Keeping this in mind, we will continue to strive store by store toward solutions for important social issues such as the environment and human rights, based on the spirit of “think globally, act locally.”

**Revising material issues through a six-step process**

Through various opportunities for dialogue with stakeholders, in 2014 the Seven & i Group identified material issues to be addressed by the Group as a whole in order to meet the expectations and demands of our stakeholders as we strive toward the sustainable development of society and sustainable growth of the Company. Seven years later, in 2021, we revised these issues through a six-step process that began with selection of social issues, to reflect developments such as changes in the Group's business environment (p. 13) and globalization of our core CVS business. In March 2022, we announced the seven revised material issues both inside and outside the organization.

**1 Selection of social issues**

We identified 480 social issues reflecting inputs including the SDGs, the World Economic Forum's Global Risks Report, and evaluation items used by ESG rating agencies, as well as external environmental changes considered in the Medium-Term Management Plan.

**2 Survey of more than 5,000 stakeholders**

After selecting 35 items, we surveyed stakeholders including 7-Eleven franchise store owners and employees of 7-Eleven, Inc. More than 5,000 surveys were completed and returned, and these included more than 1,000 comments.

**3 Dialogue with experts**

Group management engaged in dialogue with experts knowledgeable on a wide range of sustainability topics, to exchange opinions on the social issues that the Seven & i Group should address.



**4 Identification of material issues reflecting diverse voices**

The nine Seven & i Group companies considered importance to stakeholders and to the companies themselves. They summarized these in a matrix for the Seven & i Group (at right). We used this to decide on seven material issues, referring to survey comments, dialogue with experts, and interviews with management of operating companies.

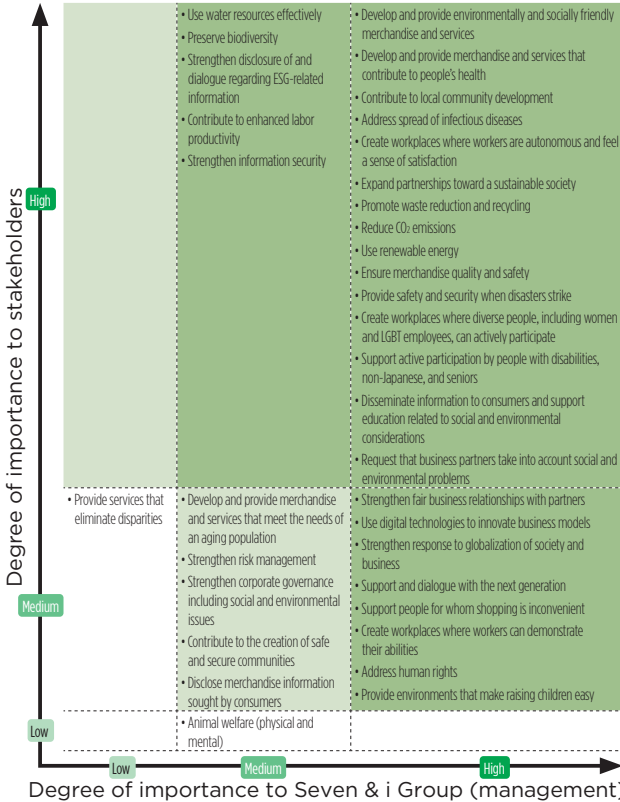
**5 Risks and opportunities related to material issues**




















We consolidated risks and opportunities related to material issues, to create new initiatives and reduce risks.

**6 Formulating action plans**

Using the SDG Compass\* process, we formulated concrete initiatives to contribute to solutions to material issues through each operating company's business.

\* A guide for how companies can work toward achieving the SDGs prepared jointly by the Global Reporting Initiative, the United Nations Global Compact, and the World Business Council for Sustainable Development

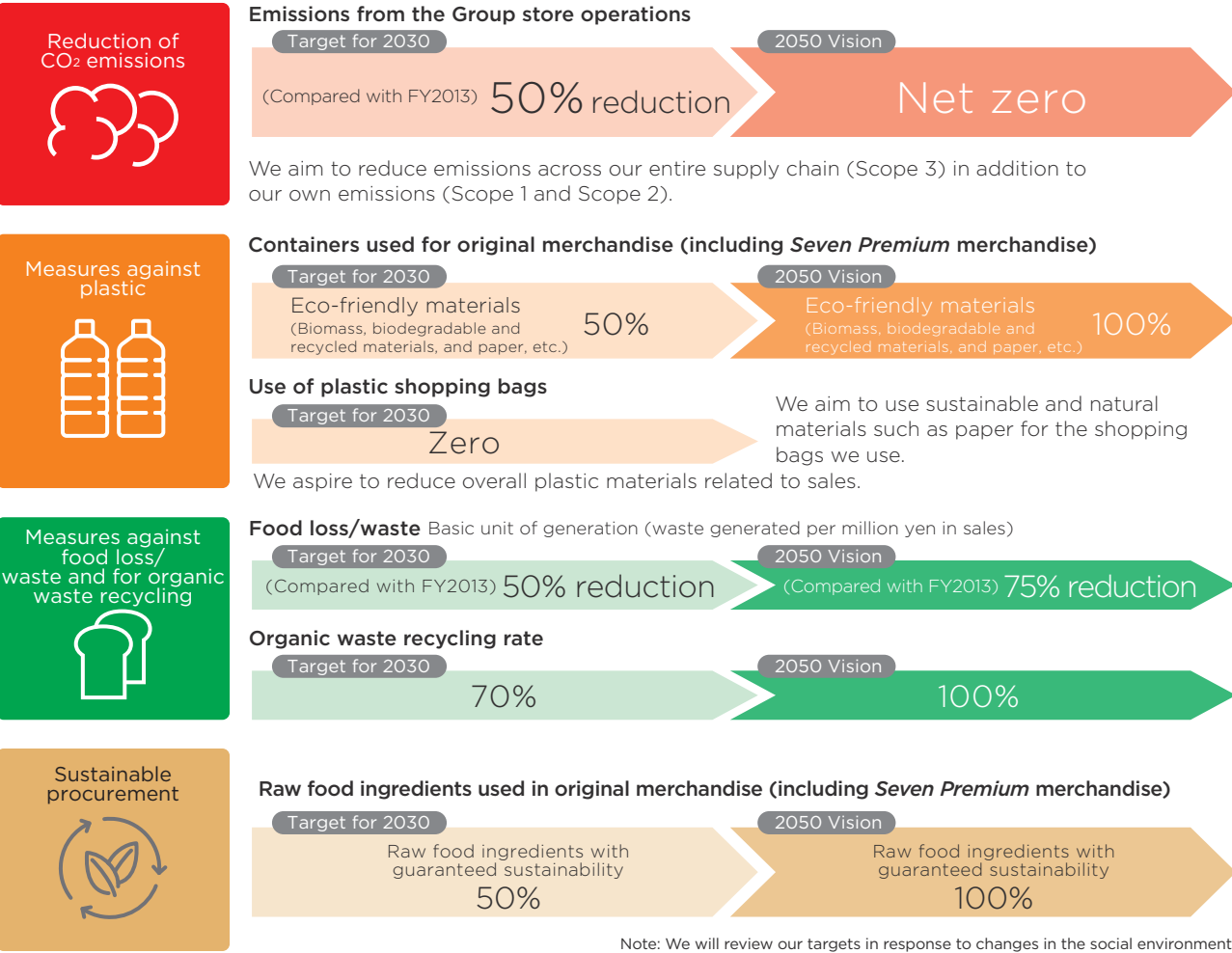


Seven material issues		Examples of concrete initiatives to address issues		Risks	Opportunities
1	Create a livable society with local communities through various customer touchpoints		Management that aims to address community issues including an aging and decreasing population <ul style="list-style-type: none"><li>Expand online convenience store, online supermarket, and mobile supermarket vehicles</li><li>Administrative services (issuance of official documents)</li><li>Work with local governments to develop local merchandise</li></ul>	<ul style="list-style-type: none"><li>Decline in sales opportunities from decrease in the infrastructure of daily life, leading to population decrease, depopulation, and aging population</li><li>Failure to open new stores as planned because of insufficient coordination with local communities resulting in inability to provide new value, etc.</li></ul>	<ul style="list-style-type: none"><li>Gain stakeholder trust through expanded social role as infrastructure for daily life</li><li>Increase sales opportunities through community revitalization, etc.</li></ul>
2	Provide safe, reliable, and healthier merchandise and services		Support for an abundant and safe society <ul style="list-style-type: none"><li>Expand development and sales of health-oriented merchandise</li><li>Strengthen quality control structure</li><li>Develop health management app</li></ul>	<ul style="list-style-type: none"><li>Loss of customers because of merchandise issues or in-store accidents</li><li>Decline in trust due to violations of laws such as quality control and labeling</li><li>Loss of customers from delayed development of health-related merchandise, etc.</li></ul>	<ul style="list-style-type: none"><li>Increase customer loyalty through rigorous safety and quality control</li><li>Expand sales opportunities by offering health-oriented merchandise and other new merchandise that matches customers' needs, etc.</li></ul>
3	Realize decarbonization, circular economy, and society in harmony with nature, through environmental efforts	     	Environmentally friendly management <ul style="list-style-type: none"><li>Develop environmentally friendly stores</li><li>Recycle plastic bottles, increase use of environmentally friendly containers</li><li>Reduce food loss/waste and recycle organic waste</li><li>Expand lineup of certified merchandise</li></ul>	<ul style="list-style-type: none"><li>Physical damage to stores/distribution network due to increase in natural disasters caused by climate change</li><li>Sharp increases in purchasing prices due to changes in demand and supply or changes in prices of crude oil and other raw materials caused by unusual weather</li><li>Loss of customers due to corporate image with a large environmental footprint in areas including food waste and greenhouse gas emissions, etc.</li></ul>	<ul style="list-style-type: none"><li>Cut costs by saving energy, reducing waste, recycling, and changing energy sources</li><li>Create brand value as a company at the forefront of environmental measures, etc.</li></ul>
4	Achieve a society in which diverse people can actively participate	 	Realizing a society that accepts diverse values and lifestyles <ul style="list-style-type: none"><li>Support child-raising and education of next generation</li><li>Normalization, universal design</li></ul>	<ul style="list-style-type: none"><li>Damage to corporate image, loss of customers, decline in employee engagement from tolerance of discrimination and prejudice</li><li>Difficulty in retaining human resources, outflow of human resources, etc.</li></ul>	<ul style="list-style-type: none"><li>Acquire future customers and develop new services through dialogue with and development of the next generation, the young generation, and people with various values, etc.</li></ul>
5	Improve work engagement and environment for people working in Group businesses	  	Becoming a company that provides job satisfaction and sense of accomplishment <ul style="list-style-type: none"><li>Promote diversity and inclusion</li><li>Increase engagement through human resource development and dialogue</li><li>Promote DX to improve work environments</li></ul>	<ul style="list-style-type: none"><li>Decline in employee engagement from lack of improvement in work environments</li><li>Difficulty in retaining human resources, outflow of human resources, etc.</li></ul>	<ul style="list-style-type: none"><li>Promote diversity to enhance competitiveness</li><li>Increase productivity by enhancing employees' skills and autonomy</li><li>Develop new businesses and acquire talented personnel, etc.</li></ul>
6	Create an ethical society through dialogue and collaboration with customers		Working with customers to make communities thrive <ul style="list-style-type: none"><li>Public awareness and cooperation with customers (food drives, turning off lights, etc.)</li><li>Improve services using customer opinions</li></ul>	<ul style="list-style-type: none"><li>Inability to offer new value through merchandise and services from delayed response to changes in consumer lifestyles and diversification of values, etc.</li></ul>	<ul style="list-style-type: none"><li>Expand sales opportunities by offering merchandise and services addressing ethical consumption</li><li>Work with customers to increase customer loyalty, etc.</li></ul>
7	Achieve a sustainable society through partnerships	    	Working with business partners to achieve a thriving society <ul style="list-style-type: none"><li>CSR audit of business partners (eradication of forced labor and child labor)</li><li>Work with NPOs and NGOs, have joint projects with business partners, other industries, and same industry</li></ul>	<ul style="list-style-type: none"><li>Interruption of merchandise supply, deterioration of merchandise quality, or boycotts associated with labor environment or human rights problems or compliance violations in the supply chain, resulting in loss of social trust, etc.</li></ul>	<ul style="list-style-type: none"><li>Increase resilience through sustainable raw material procurement</li><li>Provide new merchandise and services in cooperation with business partners, other industries, same industry, etc.</li></ul>

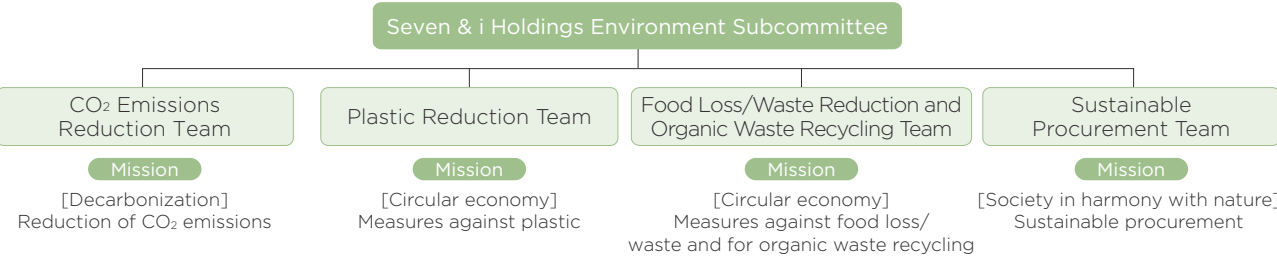


Formulated the environmental declaration, GREEN CHALLENGE 2050, aiming to reduce the Group’s environmental burden

In order to respond to various changes in the social environment, the Seven & i Group has established GREEN CHALLENGE 2050, its environmental declaration, to promote further reduction of environmental impact and pass on a plentiful earth to future generations. We are working together with all our stakeholders to realize a rich and sustainable society. In order to achieve the goals set forth in the declaration, we have identified four themes, established innovation teams, and are promoting initiatives across the Group.



Four innovation teams



Reduction of CO<sub>2</sub> emissions

**Reducing electricity consumption from store operations and expanding the use of renewable energy**  
Approximately 95% of the Seven & i Group’s CO<sub>2</sub> emissions are attributed to electricity use in store operations. For this reason, we are first focusing on implementing energy-saving measures and subsequently expanding the use of renewable energy through energy creation and renewable energy procurement to effectively reduce CO<sub>2</sub> emissions.

**Energy saving**  
Measures are being implemented to visualize electricity usage in more than 20,000 stores throughout the Group, including at SEVEN-ELEVEN JAPAN and York-Benimaru. Based on this usage data, we are undertaking energy-saving initiatives for the stores.

**Energy creation**  
Solar panels have been installed in a total of 8,889 stores (as of February 28, 2023) in the Group, including SEVEN-ELEVEN JAPAN, Ito-Yokado, York-Benimaru, and York.

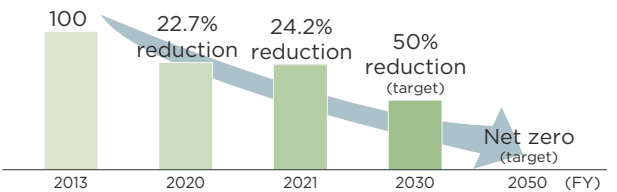
**Renewable energy procurement**  
Renewable energy is being procured through off-site power purchase agreements (PPA) in three different regions across Japan.

In addition, in June 2023 we initiated a pilot experiment at the 7-Eleven Misato-Hikonari 2-chome store with the goal of developing new eco-friendly stores by harnessing advanced technologies from our business partners. In the experiment, we are promoting energy efficiency and the effective utilization of renewable energy by implementing new refrigeration and freezing equipment, next-generation solar panels, movable storage batteries (Battery Cubes), and introducing an energy management



system (EMS) for optimizing overall energy use. The aim is to reduce CO<sub>2</sub> emissions by approximately 70% compared to FY2013 levels.

Percentage of reduction of CO<sub>2</sub> emissions from store operations (compared with FY2013)



Note: The period of the calculations was from April to March. Totals are for 12 companies (SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Life Foods Co., Ltd., York Co., Ltd., SHELL GARDEN CO., LTD., IY Foods K.K., Sogo & Seibu Co., Ltd., Akachan Honpo Co., Ltd., Barneys Japan Co., Ltd., Seven & i Food Systems Co., Ltd., and THE LOFT CO., LTD.).

Decarbonization of the entire supply chain

To decarbonize the entire supply chain, it is essential to foster a unified approach that integrates manufacturing, distribution, and sales. For this purpose, we launched a project in April 2023 aimed at developing a circular model for decarbonizing the retail industry supply chain through the use of renewable energy,\* with a pilot experiment set to get underway. In the experiment, we are demonstrating energy management practices in the utilization of renewable energy sources, including electric trucks, solar power generation, and biomass power generation. The initiative is based in the Group’s Tokyo stores and our business partners’ food production facilities and distribution centers.

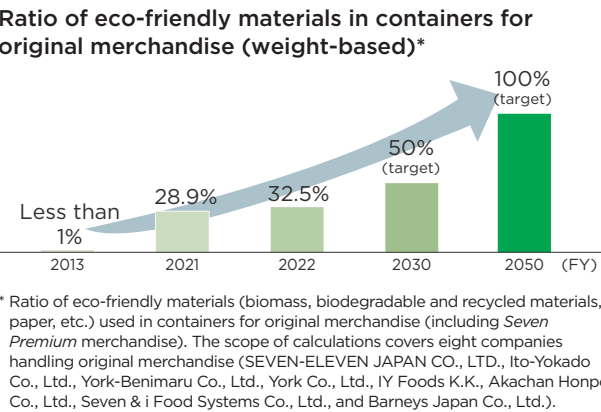
\* The initiative has been selected as a project supporting the development of technologies for promoting new energy conducted by the Tokyo metropolitan government and Tokyo Environmental Public Service Corporation.

Measures against plastic

Resource collection at stores, promotion of recycling, and use of reusable materials

The Group is engaged in activities including resource collection at stores, recycling, and the use of reusable materials, in cooperation with customers, business partners, and local governments, with the aim of achieving a circular economy, which uses resources effectively.

We are also working on environmentally conscious design for the packaging of our original merchandise and promoting the reduction of plastics used in sales.



Plastic bottle recycling

The Group has been installing plastic bottle collection machines at stores since 2012.

When a bottle is put into a machine, sensors detect and remove foreign matter, and the bottle is compressed or crushed to reduce volume to enable recycling as a high-quality resource. In addition, transporting a large quantity from the stores to the recycling facilities in a single trip reduces the number of deliveries.

Some of these recycled plastic bottles are turned back into plastic bottles or items such as clothing or merchandise packaging. As of February 28, 2023, a total of 3,174 collection machines had been installed at four companies: SEVEN-ELEVEN JAPAN, Ito-Yokado, York-Benimaru, and York.

With the cooperation of our customers, the equivalent of roughly 470 million plastic bottles was collected and recycled during FY2022. Working with customers, business partners, and local governments, we are steadily expanding the loop of plastic resource circulation.

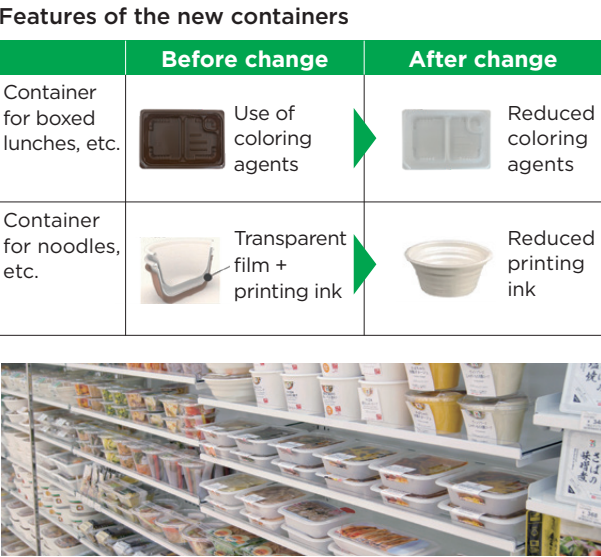


Adoption of easy-to-recycle containers

SEVEN-ELEVEN JAPAN is changing containers used for items such as boxed lunches and pre-cooked meals to ones that have reduced petroleum-based inks and coloring agents.

The containers we have adopted are designed to be more recyclable by reducing the use of ink and coloring agents. Furthermore, this change allows us to reduce approximately 800 tons of CO<sub>2</sub> emissions annually, including emissions from container production and during their life cycle.

We initiated a pilot program at 7-Eleven stores in Hokkaido in December 2022, and we have been assessing it from various perspectives. Based on the results, we are currently rolling out the containers gradually across all stores nationwide.

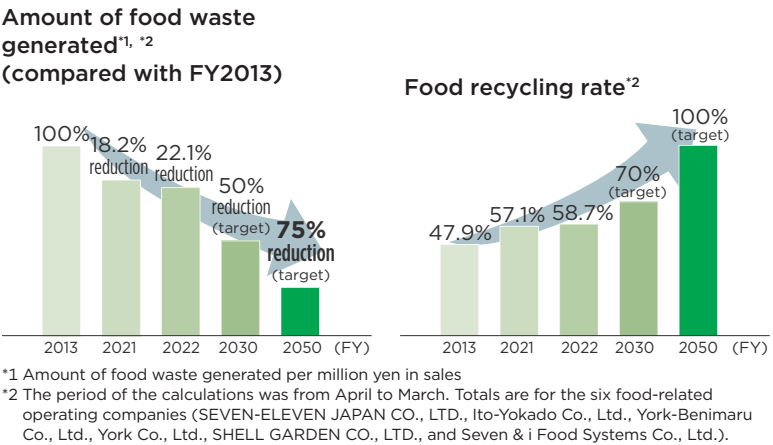


Measures against food loss/waste and for organic waste recycling

Reducing food waste generated in stores

In the Seven & i Group, where food accounts for 60% of sales, we are actively working to reduce food waste generated in our stores. We are working with customers to reduce food loss with initiatives on the sales floor, fostering a collaborative approach to minimize waste.

We also strive to recycle any food waste that does occur.



Temaedori Project

Together with the Consumer Affairs Agency, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of the Environment, and other convenience store operators, SEVEN-ELEVEN JAPAN has been rolling out the *Temaedori* Project since June 2021. This project aims to reduce food waste by displaying merchandise in a way that encourages customers to purchase food they intend to consume immediately by placing these items at the front of a display.



Promoting and raising awareness of mottECO

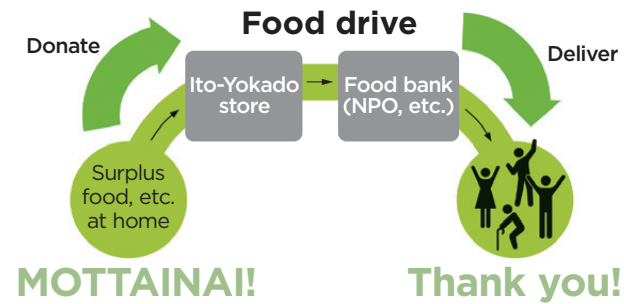
Seven & i Food Systems jointly applied for the FY2023 Model Project for Promoting Creation of Zero Food Loss and Waste Areas being undertaken by the Ministry of the Environment and was selected as a model project for introducing mottECO. Under this program, restaurant customers who wish to take uneaten food back home are given informational leaflets and containers to ensure safe consumption. This campaign is promoting and raising awareness of “a culture of taking home leftovers as one’s own responsibility.”



Food drives

Ito-Yokado (IY) encourages customers to donate any food items they may not be able to use at home. IY then distributes these donations to food bank organizations free of charge from its stores, ensuring that they reach such places as children’s cafeterias as well as individuals in need, including those requiring food assistance.

As of February 28, 2023, IY has implemented these community-based initiatives aimed at reducing food waste in 75 stores.





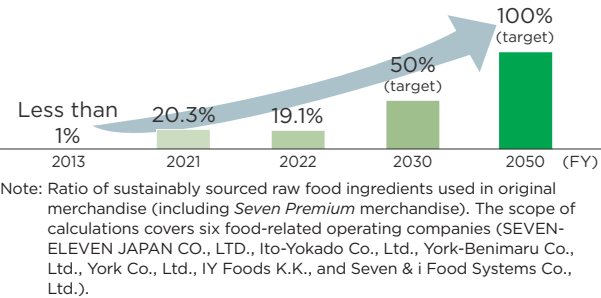
Sustainable procurement

Achieving a society in harmony with nature throughout the supply chain

With society directly facing numerous environmental problems such as climate change, depletion of natural resources, and the loss of biodiversity, as well as other issues including human rights and labor problems, the Group is working with stakeholders to incorporate sustainable procurement throughout the entire supply chain.

In April 2022, we revised the Seven & i Group Sourcing Principles and Policies and have been strengthening our efforts in alignment with these guidelines.

Raw food ingredients with guaranteed sustainability used in original merchandise



Enhancing the handling of vegetables with GAP certification

We are expanding the handling and sale of agricultural produce with Good Agricultural Practice (GAP) certification. GAP certification is a designation awarded to agricultural produce made through sustainable farming practices that prioritize food safety, labor safety, and environmental considerations.

To support our expansion efforts, we are encouraging product development personnel in the Group to obtain the Japan GAP (JGAP) instructor qualification and collaborate with our business

partners and producers. As of February 28, 2023, 150 individuals had obtained this qualification.

In recognition of our efforts, SEVEN-ELEVEN JAPAN received the GAP Popularization Award in 2022.



Achieving MSC's and ASC's CoC certification and increasing awareness of certified marine products in our stores

In October 2022, Seven & i Holdings obtained Chain of Custody (CoC) certification, a standard for the distribution and management of certified environmentally sustainable marine products, accredited by the international NPOs, Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC). Following the certification, as of January 31, 2023, we had certified marine products available for sale in 453 stores across three supermarket companies in the Group, including processed sashimi and fillet products under the Seven Premium Fresh brand, which handles our

main marine products.

We will continue to expand the marine products we handle that have been certified by such organizations as MSC and ASC, and work toward increasing awareness of sustainable marine product choices.



Using "factory vegetables" for eco-friendly and sustainable crop production

The Seven & i Group actively adopts "factory vegetables," which enable stable production unaffected by weather conditions. The technology-driven cultivation systems have the distinctive feature of low environmental impact, with reduced water and fertilizer usage, while also achieving high yields per unit of land area.

Since 2022, we have been using factory-

cultivated lettuce, grown at MISATO GREEN BASE run by BUTAI FARM in Misato Town, Miyagi Prefecture, for the pre-cut vegetable products we started selling at 7-Eleven stores in the Tohoku region. In collaboration with our business partners, we have been using it as a raw ingredient for salads and pre-cooked meals since July 2023 and are also progressing with expansion of the sales area.

Response to TCFD recommendations

The Seven & i Group has a diverse range of customer contact points, including clothing, food, housing, and financial services, and we serve more than 22.2 million customers through approximately 22,800 stores every day in Japan. Our business thrives thanks to the role it plays in our customers' daily lives, and we consider it our responsibility to drive sustainable business practices that contribute to the long-term well-being of our communities.

The Group recognizes climate change as a challenge that must be addressed for the sustainable development of our business, and we are committed to achieving the greenhouse gas emissions reduction targets set out in the Paris Agreement. In May 2019, we issued the environmental declaration, GREEN CHALLENGE 2050, positioning it as a roadmap toward the future society we should aspire to. In the declaration, we have identified the reduction of CO<sub>2</sub> emissions as one of the key themes to address, and are implementing measures to achieve this goal.

The Group expressed support for the Task Force on Climate-related Financial Disclosures (TCFD)

recommendations in August 2019 and joined the TCFD Consortium, which was established to promote collaborative efforts among companies, financial institutions, and other stakeholders in addressing climate-related challenges. The Group conducts scenario analysis\* based on TCFD recommendations, which involves identifying risks related to climate change and opportunities anticipated for each business unit by 2030 and considering measures to mitigate these risks and maximize opportunities. We will further integrate these measures with our management strategy, leveraging them for sustainable management.

In efforts concerning natural capital, we endorse the principles of the Taskforce on Nature-related Financial Disclosures (TNFD) and participated in the TNFD Forum in January 2023 and Science Based Targets Network (SBTN)'s Corporate Engagement Program in February. We are preparing for analysis and disclosure based on the TNFD framework.

\* Scenario analysis related to climate change based on the TCFD recommendations. The same description applies below.

Background and future implementation plans regarding TCFD

Business unit	FY2019 to FY2021	FY2022	FY2023
Seven & i Group	<ul style="list-style-type: none"><li>Endorsed the TCFD recommendations</li><li>Conducted scenario analysis (Domestic CVS business)</li></ul>	<ul style="list-style-type: none"><li>Updated disclosure content (Website / Management Report)</li></ul>	<ul style="list-style-type: none"><li>Disclose transition plans (Website)</li><li>Disclose results of analysis (Website / Management Report)</li></ul>
Domestic convenience store operations	<ul style="list-style-type: none"><li>Deepened analysis in FY2021</li></ul>	<ul style="list-style-type: none"><li>Conducted scenario analysis (Based on results of analysis of domestic CVS business)</li></ul>	<ul style="list-style-type: none"><li>Update scenario analysis and check progress on countermeasures</li></ul>
Superstore operations	<ul style="list-style-type: none"><li>Made first disclosure</li></ul>		<ul style="list-style-type: none"><li>Update scenario analysis and check progress on countermeasures</li></ul>
Overseas convenience store operations (7-Eleven, Inc.)			<ul style="list-style-type: none"><li>Continue conducting scenario analysis (Based on results of analysis of domestic CVS business and superstore operations)</li></ul>
Financial services	<ul style="list-style-type: none"><li>Endorsed the TCFD recommendations</li></ul>	<ul style="list-style-type: none"><li>Conducted scenario analysis</li><li>Made first disclosure (Seven Bank website)</li></ul>	<ul style="list-style-type: none"><li>Disclose results of analysis (Seven Bank) (Integrated Report/Annual Report, Securities Report, website)</li></ul>

The Seven & i Group conducted scenario analysis targeting domestic convenience store operations (SEVEN-ELEVEN JAPAN) from FY2019 to FY2021. The results of this analysis were disclosed, providing valuable insights into the specific risks associated with the convenience store business. We conducted the analysis using various scenarios, including those related to decarbonization and warming. As a result, we identified several key risks with significant financial impacts, including "imposition of carbon taxation," "damage from natural disasters," and "increased raw material costs." We have compiled these three risks

related to climate change, along with other significant risks, opportunities, and corresponding measures, and are working to align them with our strategies.

In FY2022, we conducted scenario analysis for our domestic superstore operations (Ito-Yokado, York, and York-Benimaru), which operate under similar geographical conditions. We plan to disclose the results of this analysis in FY2023. Moreover, in FY2023 we are leveraging the results of scenario analysis in our domestic operations to conduct more effective and efficient scenario analysis for 7-Eleven, Inc., in our overseas operations.

Key climate change risks for SEVEN-ELEVEN JAPAN (impact in 2030)

Scenario	Item	Business impact	Assumptions for calculations
Decarbonization scenario (1.5°C~2.0°C)	Imposition of carbon tax	¥12.6 billion	• Carbon tax: U.S. \$135/ton-CO <sub>2</sub> (Maximum amount from the International Energy Agency (IEA)'s "World Energy Outlook 2022") • Exchange rate: ¥131.62/U.S. \$1 (rate as of February 28, 2023) Note: In FY2022, we recalculated risks using the latest parameters.
Warming scenario (2.7°C to 4.0°C)	Damage from natural disasters	¥11.2 billion	• Estimated flood damage to stores in the Tokyo metropolitan area (assuming flooding of the Arakawa River) • Estimated based on past flood damage Estimates were made without factoring in insurance coverage in order to determine the extent of damage.
	Increased raw material costs	¥5.7 billion	• Estimated cost increase solely due to lower yields from climate change • The items selected for estimation included rice, seaweed, and livestock products (beef, pork, chicken, and eggs). Rice: ¥2.2 billion, seaweed: ¥1.9 billion, livestock products (beef, pork, chicken, and eggs): ¥1.6 billion.

Information regarding TCFD initiatives up until FY2021, including scenario analysis results and disclosure items as per TCFD recommendations, has been disclosed on our website and in this report.


Below, we will explain TCFD initiatives related to superstore operations, for which scenario analysis was conducted in FY2022.

TCFD initiatives in superstore operations (Ito-Yokado, York, and York-Benimaru)

Governance

The Group considers the issue of climate change to be one of the most important issues to be tackled across the Group companies. We have therefore established a governance structure centered on the CSR Management Committee and supervised by the Board of Directors. The CSR Management Committee, which includes representatives from all three superstore companies, is chaired by the

President and Representative Director of the Company, with CSR officers from Group companies (including presidents and representative directors) and managers of CSR-related departments in the Company serving as members. The committee meets twice a year.

 Sustainability Management  
<https://www.7andi.com/en/sustainability/organization.html>

Strategy

• **Scenario analysis framework**

Within each of the three superstore companies, we have established scenario analysis frameworks, with participation from key departments in management and those related to climate change. Discussions

were held in each department regarding risks and opportunities and countermeasures, enabling analysis that is consistent with actual conditions, which helped to enhance our preparedness for climate change.

• <b>Scenario analysis assumptions</b>	
Scenario	Decarbonization scenario (1.5°C~2.0°C), warming scenario (2.7°C~4.0°C) Note: The two scenarios were set by referencing scenarios given in the IEA's "World Energy Outlook," including Stated Policies Scenario (STEPS) and Net Zero Emissions by 2050 (NZE2050), as well as reports and other forecasts published by governments and international agencies.
Scope	Operation of Ito-Yokado, York, and York-Benimaru stores in Japan
Method	In addition to the physical impact on stores, the analysis covers costs in store operations and merchandise supply chain issues (raw materials, factories manufacturing merchandise, merchandise shipping) that significantly affect store operations, and customer behavior.
Target year	Impact as of 2030

• **Significant risks and opportunities (business impact assessment and countermeasures)**

Using the analysis of domestic convenience store operations in FY2021 and various reports as reference, different departments of the three companies discussed and identified specific risks and opportunities that could affect superstore operations. We examined the magnitude of the impact of these risks and opportunities on financial aspects such as sales and profits, as well as strategic aspects such as store operations and merchandise

procurement. As critical items among the identified risks and opportunities, we evaluated the impact on our operations of factors such as “carbon emissions targets and policies in each country,” “changes in consumer preferences,” “increase in severity and frequency of extreme weather events,” and “changes in precipitation and weather patterns.” These evaluations were conducted qualitatively and quantitatively, and corresponding measures were formulated.

Significant risks, opportunities, and countermeasures

Transition risks and opportunities (decarbonization scenario 1.5°C–2.0°C)

Significant risks and opportunities	Concrete examples	Impact	Scenario	Business risk	Business opportunities	Main countermeasures
Policies and regulation	Carbon emissions targets and policies in each country	Operating cost	Introduction of a carbon tax	• Introduction of a carbon tax with taxation based on CO <sub>2</sub> emissions, leading to increased costs related to store operations, etc.	○	To reduce CO <sub>2</sub> emissions, the Group primarily focuses on the following in line with GREEN CHALLENGE 2050: • Promote energy efficiency and use energy-efficient equipment in stores (Optimize lighting/refrigeration and freezing equipment temperatures, and use LED, etc.) • Use renewable energy in stores (Solar power, off-site PPAs, biomass power, etc.) • Employ food waste disposal machines to reduce the collection and transportation costs for leftovers and CO <sub>2</sub> emissions
			Fluctuations in retail electricity prices	• Cost increase due to carbon taxation at various stages of the supply chain (procurement, merchandise, packaging materials, store construction and equipment, sales, logistics, etc.), primarily focusing on fuel expenses for transportation • Increased investment costs for transitioning to electric delivery vehicles in line with a low-carbon society	○	• Provide support for business partners to expand energy-saving measures and renewable energy usage • Expand the use of eco-friendly vehicles such as EVs • Promote logistics efficiency and green logistics initiatives (Review the distribution system, implement shared delivery and modal shift, and expand doorstep delivery, etc.) • Reduce costs by promoting local production for local consumption
		Operating cost	Popularization of EVs	• Rising retail electricity prices due to the shift toward renewable energy sources • Cost increases throughout the supply chain (procurement, merchandise, packaging materials, store construction and equipment, sales, logistics, etc.)	○	• Promote energy efficiency and introduce energy-efficient equipment in stores • Support the introduction of energy-efficient equipment by business partners
			Sales	• Cost increases for the installation and maintenance of EV chargers in store parking lots • Increased store visits due to EV charging services in store parking lots	○	• Expand EV charging services in store parking lots with the expectation of increased customer numbers
Reputation	Changes in consumer preferences	Changes in sales due to sales of sustainable merchandise	Sales	• Heightened consumer interest in sustainable merchandise and increased sales by selling merchandise that meets this interest • Heightened customer interest in sustainable services, leading to higher foot traffic driven by initiatives such as resource collection and recycling, resulting in improved reputation	○	• Expand merchandise with certified raw ingredients such as organic agricultural produce and certified marine products (in line with the goal of “sustainable procurement” under GREEN CHALLENGE 2050) • Expand the selection of alternative meat products such as soy-based meat • Introduce eco-friendly containers and packaging such as non-tray and label-less options and promote plastic bottle collection and recycling (in line with “measures against plastic” under GREEN CHALLENGE 2050) • Introduce shopping baskets made from recycled materials

Physical risks and opportunities (warming scenario 2.7°C–4.0°C)

Significant risks and opportunities	Concrete examples	Impact	Scenario	Business risk	Business opportunities	Main countermeasures
Acute	Increase in severity and frequency of extreme weather events	Damage from natural disasters	Operating cost	• Increased costs due to store and merchandise damage caused by higher frequency and intensity of natural disasters, such as flooding from heavy rains and typhoons, as well as loss of sales due to store closures, restoration costs, and costs to ensure employee safety, etc. • Shortages and missed opportunities due to supply chain disruptions in production areas and logistics networks • Increased investment costs for disaster preparedness	○	• Develop store expansion strategy and construct stores in consideration of potential water-related disasters • Establish resilient logistics hubs and supply networks for disaster resilience • Turn stores into disaster response centers utilizing store infrastructure based on disaster agreements (evacuation centers for local residents, etc.) • Prevent flood damage by expanding the installation of watertight panels and flood barriers • Continue operations during disasters with “Phase Free (a concept of securing an adequate quality of life, regardless of phases such as daily life and emergencies)” facilities, including improved performance of storage batteries • Prepare fuel reserves for emergency supply delivery • Install water wells for emergency water supply (Ito-Yokado)
		Enhanced trust and sales due to increased resilience	Sales	• Increased demand for disaster preparedness products due to heightened consumer awareness	○	• Expand the selection of emergency supplies, provisions, and convenient ready-to-eat products
		Insurance cost related to natural disasters	Operating cost	• Increased insurance cost related to natural disasters due to increased frequency and intensity of natural disasters	○	• Mitigate losses using various damage prevention measures
Chronic	Changes in precipitation and weather patterns	Price fluctuations of raw ingredients for agricultural, livestock, and marine products	Operating cost	• Higher raw ingredient costs and increased procurement costs due to declines in yields and quality of agricultural, livestock, and marine products	○	• Diversify and consolidate raw material production locations • Ensure stable procurement by expanding the sourcing of climate-resistant raw ingredients such as factory vegetables, land-based aquaculture, and improved crop varieties • Utilize digital technology and AI • Diversify the selection of frozen and processed food merchandise that are less susceptible to climate fluctuations
		Rise in average temperatures	Operating cost	• Higher average temperatures increase electricity use for air conditioning and refrigeration and freezing equipment, particularly in summer, resulting in higher electricity fee payments	○	• Promote energy efficiency and introduce energy-efficient equipment in stores • Reduce operational costs during winter, including heating and snow removal expenses (York-Benimaru: cold regions) • Increase customer visits during winter (York-Benimaru: cold regions)
			Sales	• Reduced frequency of outings due to extreme heat • Increased demand for delivery and e-commerce services	○	• Expand delivery services and e-commerce offerings (Ito-Yokado: increase delivery capacity through large centers) • Encourage people to visit stores for use as cooling shelters
		Generation and expansion of sales opportunities	Sales	• Changes in customer preferences due to rising temperatures	○	• Expand product range for hot weather, including items used for cooling and refreshing items, as well as sunscreen

Note: The scenario with the larger impact was referred to in assessing each business impact.



Environmental Initiatives

1 Transition risks, opportunities, and countermeasures  
Decarbonization scenario (1.5°C–2.0°C)

We conducted the following analysis regarding carbon tax, which is projected to have the most significant impact, considering the introduction of various regulations aimed at achieving the 1.5°C target.

Transition risks in the decarbonization scenario  
Impact of carbon tax

Item	Business impact
Carbon tax	¥7.4 billion

Assumptions  
• Carbon tax: U.S.\$135/ton-CO<sub>2</sub>  
(Maximum amount from IEA's "World Energy Outlook 2022")  
• Exchange rate: ¥131.62/U.S.\$1  
(adjusted to the rate used at the time of financial settlement for FY2022)

Based on simple calculation, the carbon tax for the three superstore companies would amount to ¥10.7 billion when CO<sub>2</sub> emissions increase in line with the growth of business activities. However, if we reduce CO<sub>2</sub> emissions by 50% compared to FY2013 levels by 2030 as stated in our environmental declaration, GREEN CHALLENGE 2050, we can expect to reduce carbon taxes by ¥3.3 billion to ¥7.4 billion. Furthermore, we expect that this carbon tax burden will eventually be eliminated by promoting efforts to achieve our 2050 net zero CO<sub>2</sub> emission target.

Business opportunities in the  
decarbonization scenario

We believe that customers' strong interest in sustainable products and services can translate into opportunities.

- Expanding EV charging services in store parking lots
- Eco-friendly packaging for original merchandise
- Promoting plastic bottle collection and recycling
- Expanding sustainable product offerings such as certified raw ingredients

Countermeasures in the decarbonization scenario

We are implementing various measures based on our environmental declaration, GREEN CHALLENGE 2050. See pages 45 to 49 for details of our initiatives.

- Reduce electricity costs by promoting energy conservation in stores (equipment, education)
- Significantly mitigate the impact of carbon tax through energy efficiency measures and promoting renewable energy utilization, such as solar panel installation
- Increase the number of customers by stimulating interest with a greater range of sustainable products and services (certified raw ingredients, plastic bottle collection)
- Introduce EV charging services in store parking lots  
Charging ports installed: 2,373 (total for three companies as of June 30, 2023)



Ito-Yokado car park (Ito-Yokado has a total of 2,337 EV charging ports)

2 Physical risks, opportunities, and countermeasures  
Warming scenario (2.7°C–4.0°C)

We have conducted the following analysis regarding an "increase in severity and frequency of extreme weather events" and "increased raw material costs," which are projected to have a significant impact.

Physical risks in the warming scenario  
Impact from natural disasters

Item	Business impact
Store damage, merchandise damage, loss of sales due to closures, restoration cost, etc.	¥5.5 billion

Assumption: A disaster of the same scale as in 2019 (Typhoon Hagibis) occurs  
Notes: 1. Estimates are based on the damage records from the 2019 disaster and predictions of increased frequency of disasters and floods.  
2. Estimates were made without factoring in insurance coverage in order to determine the extent of damage.

It is difficult to predict natural disasters, and once they occur, they can cause extensive damage. In recent years, there has been an increase in the occurrence of extreme weather events, such as heavy rainfall leading to disasters, and this scenario envisions a further intensification of this trend. Consequently, we have considered a scenario in which a massive and widespread disaster, similar in scale to the one caused by Typhoon Hagibis in 2019, which resulted in planned temporary closures, occurs. Under this scenario, we have estimated total damages for the three superstore companies, including store and merchandise damage, loss of sales due to closures, and restoration cost, to be ¥5.5 billion.

Impact of increased raw material costs

We analyzed the impact of rising raw material costs due to "changes in precipitation and weather patterns." We calculated the extent of the increase by assuming a reduction in harvest volume\*1 due to climate change would result in higher purchasing costs. It was found that the procurement of "rice, tomatoes, and pork\*2" would be significantly affected,

particularly in the context of the warming scenario. Furthermore, it is anticipated that the aforementioned "imposition of carbon tax" and "increase in severity and frequency of extreme weather events" will also have an impact, and we are actively promoting mitigation measures.

\*1 The variation in harvest volume was estimated based on data from government agencies and research institutes.  
\*2 We plan to increase the range of raw ingredients analyzed in the future.

Business opportunities in the warming scenario

We view the increased awareness of disaster preparedness among customers and changes in preferences and behavior due to rising temperatures as business opportunities.

- Increasing demand for products related to disaster preparedness and cooling
- Reduced outings due to extreme heat, accompanied by increasing use of delivery services and e-commerce services such as online shopping

Countermeasures in the warming scenario

Disaster response

We aim to enhance disaster response measures to ensure the swift reopening of stores in the event of a disaster. Additionally, by functioning as disaster relief centers that provide essential services such as infrastructure and shelter, we will continue contributing to the local community.

- Construct stores in consideration of potential water-related disasters and build a logistics network that is resilient to disasters (Phase Free facilities such as watertight panels, flood barriers, storage batteries, etc.)
- Turn stores into disaster response centers utilizing store infrastructure based on disaster agreements



In February 2023, York-Benimaru entered into an agreement with Nasu-Shiobara City, focusing on carbon neutrality promotion and collaboration during major power outages caused by disasters.

Number of comprehensive collaboration agreements  
with local governments

(Related to diverse fields such as local production for local consumption, support for the elderly, environmental conservation, and disaster relief)

	End of Feb. 2020	End of Feb. 2021	End of Feb. 2022
Ito-Yokado	56	56	79
York-Benimaru	10	10	11
York	4	4	4
Group total	270	279	332

Extreme heat measures

We will expand our range of products related to cooling, enhance our e-commerce services such as deliveries and online shopping, as well as provide cooling shelters.



In response to the growing demand for delivery services from our customers, we opened the Ito-Yokado Shin-Yokohama Center online supermarket in August 2023. This serves as a large-scale base with delivery areas for approximately 30 Ito-Yokado stores in the vicinity and up to roughly 30 kilometers from the center.


Actions regarding raw material procurement

We will continue to work on sustainable procurement, including strengthening collaboration with suppliers, to ensure a stable supply of raw materials (p. 49).

- Diversify and consolidate raw ingredient production locations
- Expand the variety of factory vegetables, land-based aquaculture, and climate-resistant crop varieties
- Expand the range of certified products, including marine products and agricultural produce

Risk management

The Group has established a risk management system with the Risk Management Committee at its core, based on the basic rules for risk management. Each Group company identifies its own risks based on the Group's common risk classification, and evaluates them from quantitative and qualitative perspectives, taking into account their degree of impact and likelihood of occurrence. The risks and mitigation measures are compiled into risk assessment sheets and submitted to the Risk Management Committee Secretariat. The risk assessment sheets include risks related to climate change such as CO<sub>2</sub> emission regulations.

 Risk Factors  
<https://www.7andi.com/en/ir/management/risks.html>

Indicators and targets related to climate change

The Group formulated the environmental declaration, GREEN CHALLENGE 2050, in May 2019, setting numerical targets for reduction of CO<sub>2</sub> emissions, and we are advancing Groupwide efforts to achieve them (pp. 45 to 49).

Enhancement of human capital

Human resource measures linked to the business strategy

The driving force behind the Group's growth is its human resources, and cultivating a workplace and corporate culture where a diverse range of employees feel both motivated and comfortable is key. We believe that providing a place for every individual to excel will in turn contribute to our growth as a company. We transitioned to a Chief Human Resource Officer (CHRO) system in April 2023 to effectively execute the Group's management strategy. This move aims to vigorously promote human capital management, facilitate the assimilation of our corporate philosophy, and expedite the development and implementation of a human resource strategy aligned with our business strategy.

As part of our efforts to transform culture, the Group is advancing human resource measures centered

around "improvement of employee engagement" and "promotion of diversity and inclusion." To boost motivation, we provide support for individual employees to experience personal growth through capacity development and self-directed learning.

To drive these initiatives forward, we are committed to articulating our direction and the significance of our existence in society. We also actively create opportunities for dialogue, allowing the sentiments of employees and their individual aspirations to align. Moreover, we are advancing work-style reforms and promoting productivity and health management across all business operations. We are committed to cultivating comfortable work environments where everyone can work with peace of mind regardless of age, gender, gender identity, nationality, or any other factor.

Improvement of employee engagement

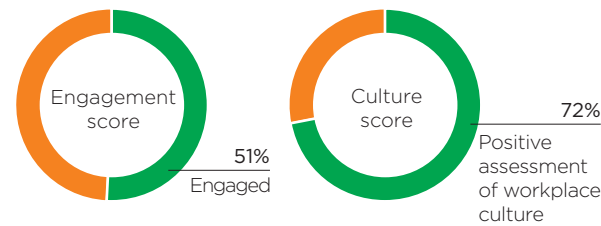
The Group is striving to improve employee engagement to create comfortable and motivating workplaces for diverse human resources. We conduct an employee engagement survey annually to visualize the state of the organization. Through the survey, we aim to grasp the challenges faced by both the company and employees, and subsequently carry out improvement activities. We believe that improving engagement and motivation to contribute for each individual will energize our organization and enhance corporate competitiveness.

To bolster the effectiveness of these efforts, each Group company has established an Engagement Improvement Committee. The committees are primarily chaired by human resource department managers and diverse employees are selected as members. Within each Group company, these committees take the lead in formulating action plans for enhancing engagement and regularly monitor the progress of their implementation. Survey results are reported at the management meetings of Seven & i Holdings and the specific Group company through the Engagement Improvement Committees to be analyzed and so any issues can be identified. By sharing best practices and promoting mutual understanding, each company is better armed to advance their own initiatives.

In FY2022, we expanded the employee engagement survey into the employee engagement

and culture survey covering approximately 72,000 employees, including monthly salaried, part-time, and hourly employees, across 32 companies in Japan. In addition to gauging engagement across the entire organization, we introduced seven additional questions that measure the state of culture in each workplace, covering aspects such as sincerity, respect for independence, encouragement to take on challenges, and open communication. The engagement score was 51%, and there was an average of 72% positive ratings for the culture-related questions (both for monthly salaried employees). We are committed to fostering a corporate culture in which both the company and its employees experience sustainable growth, feel motivated and comfortable, and diverse opinions are respected.

Results of the FY2022 employee engagement and culture survey (monthly salaried employees)



Note: The survey measures the state of culture in each workplace, covering aspects such as sincerity, respect for independence, encouragement to take on challenges, and open communication, in addition to gauging engagement across the entire organization.

Promotion of diversity and inclusion

The Group promotes diversity and inclusion (D&I), enabling individuals with diverse backgrounds, experiences, and abilities to thrive in a motivating environment. Driving D&I not only enhances productivity and attracts top talent but also contributes to increased customer satisfaction and fosters innovation.

To ensure steady progress in our efforts, we established the Diversity and Inclusion Promotion Project in 2012. Under this project, we have formulated Groupwide policy guidelines and provide ongoing support for the initiatives of each company. We regularly convene D&I promotion meetings comprising major Group companies to share policies, progress on initiatives, and challenges related to D&I. This facilitates the swift horizontal expansion of successful practices. The details of these activities are regularly reported to the Corporate Ethics and Culture Subcommittee, which gathers the personnel managers of Group companies, and to the CSR Management Committee, attended by the management team.

Currently, a key focus of our D&I initiatives is the promotion of women's empowerment and participation. We have set a Groupwide target to achieve a female executive officer ratio and a female manager ratio of 30% by the end of February 2026. To drive these efforts, each Group company has established numerical targets and action plans related to the ratio of female managers, as well as the recruitment, attrition, and promotion of female employees. We are working to reach these targets by implementing a plan-do-check-act (PDCA) cycle at each Group company and on a Groupwide basis.

Since 2021, we have been holding Women Encouragement Seminars, a cross-Group training program aimed at nurturing female candidates



Women Encouragement Seminar

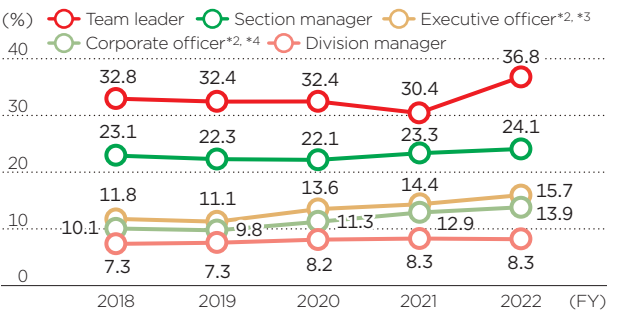
for managerial positions. Participants have the opportunity to hear from the president and other management members on the Management Policy and Management Philosophy while receiving encouraging messages. Through discussions among the participants, we have observed an increased motivation to take on managerial roles. In 2022, we initiated a program empowering women leaders in order to further encourage the appointment of female executive officers.

In addition, we continue to implement awareness-raising activities aimed at bridging generational gaps and addressing unconscious biases, among other initiatives aimed at creating an environment in which diverse talents can thrive.

Diversity promotion targets

- 1. Ratio of female executive officers: Raise to 30%  
Ratio of female managers (section manager and team leader): Raise to 30%  
(both by the end of February 2026)
- 2. Encourage male employees to participate in housework and childcare
- 3. Eliminate retirements resulting from need to provide family care
- 4. Promote normalization
- 5. Encourage understanding of LGBT

Trends in the ratio of female executive officers and managers\*1



\*1 Total for eight companies (Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Akachan Honpo Co., Ltd., Seven & i Food Systems Co., Ltd., and Seven Bank, Ltd.).

\*2 The total for six Group companies (Seven & i Holdings Co., Ltd., SEVEN-ELEVEN JAPAN CO., LTD., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., York Co., Ltd., and Sogo & Seibu Co., Ltd.) as of May 31 of each year

\*3 Excluding executive officers who are directors

\*4 Officers represent the total of directors, Audit & Supervisory Board members, and executive officers



Human rights initiatives

Seven & i Group Human Rights Policy

As business activities become increasingly globalized, public concern about company initiatives related to respecting human rights is mounting. While the Group has been conducting activities to protect human rights based on the Corporate Action Guidelines, we believe that it is extremely important to comply with international standards and respect the human rights of our stakeholders. With this in mind, in 2021 we established the Seven & i Group Human Rights Policy, based on the International Bill of Human Rights (the Universal Declaration of Human Rights and


the International Covenants on Human Rights), the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights, and other principles and standards. We will continue to engage with our employees, our supply chain, and local communities as we strengthen our efforts to respect human rights.

 Seven & i Group Human Rights Policy  
[https://www.7andi.com/en/sustainability/policy/human\\_rights.html](https://www.7andi.com/en/sustainability/policy/human_rights.html)

Promotion system

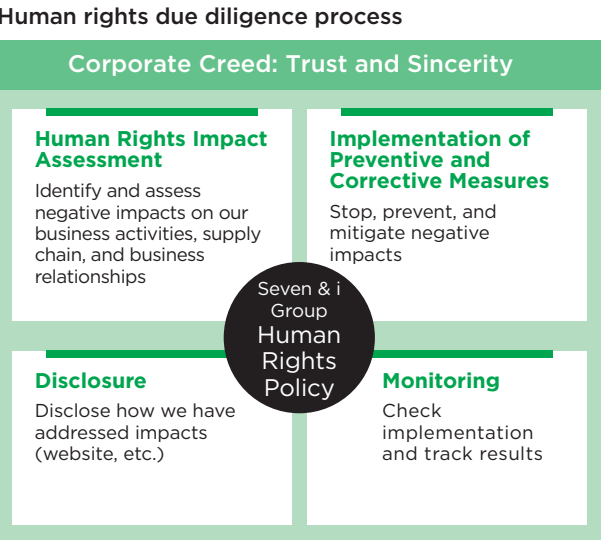
The Human Rights Promotion Project has been established as a cross-Group organization to promote the Human Rights Policy in the Group, and ongoing efforts are being made to implement it. The project involves the chairpersons of each of the four subcommittees under the CSR Management Committee (the Corporate Ethics and Culture Subcommittee, the Supply Chain Subcommittee, the Compliance Subcommittee, and the Environment Subcommittee), as well as the Human Rights Education Center, which serves as a dedicated

department overseeing tasks related to human rights awareness and normalization. The project promotes human rights due diligence initiatives, including identification of business-specific human rights issues, corrective actions, regular monitoring, and information disclosure. Meetings of the Human Rights Promotion Project involve development of plans for human rights initiatives and reviews of their progress.

 CSR Management Committee  
<https://www.7andi.com/en/ir/management/governance/structure.html>

Conducting human rights due diligence


We have a human rights due diligence mechanism in accordance with procedures set forth in the UN Guiding Principles on Business and Human Rights and Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct, and strive to prevent or mitigate any negative impact on human rights, and take corrective action as necessary. If it becomes clear that our business activities have caused or contributed to human rights abuse, we will work to correct and remedy the situation. Even if our business activities have not caused nor contributed to human rights abuse but if our products or services have been directly linked to the impacts through business relationships, we will encourage our business partners to correct and remedy the situation.



Human rights impact assessment

We recognize that the Group's business activities may have an impact on human rights. We are committed to identifying the causes of negative impacts on people and society, and to mitigating and remedying those we find.

In 2022, we conducted an assessment of the potential negative human rights impacts of our operations and those of our business partners. We held interviews and surveys throughout the Seven & i Group and our supply chain to identify human rights issues. We evaluate human rights risks and mitigate the risks by calculating and mapping the severity and likelihood of occurrence of the identified human rights issues based on human rights risk indicators published by international organizations and others. The identification of such issues is conducted with the support and advice of external experts.

 Details on evaluation of human rights risks  
[https://www.7andi.com/en/sustainability/human\\_rights/risks.html](https://www.7andi.com/en/sustainability/human_rights/risks.html)

Severity and likelihood of occurrence of identified human rights issues

Human rights issue		Severity <sup>*1</sup>		Likelihood of occurrence <sup>*2</sup>	
		Seven & i Group	Supply chain	Seven & i Group	Supply chain
Employees	Forced labor and human trafficking	3.67	4.33	6.04	6.05
	Child labor	4.00	4.33	4.04	4.26
	Discrimination	3.00	3.00	4.14	6.87
	Inhumane treatment	4.00	4.00	3.67	3.32
	Freedom of association and the right to collective bargaining	3.00	3.00	6.06	7.35
	Working hours and wages	3.33	3.50	4.83	6.73
	Occupational health and safety	4.00	4.67	5.33	6.73
	Rights of migrant workers	3.00	3.67	6.28	4.59
Our customers	Right to privacy (employees)	2.33	2.33	2.74	4.36
	Ethical/responsible marketing	2.67		2.29	
	Children's rights (other than child labor)	3.33		2.29	
	Right to privacy (consumers)	3.33		2.74	
Local communities	Product safety and quality	4.33		3.00	
	Health of local residents	3.00	4.33	2.35	3.21
	Land issues	2.33	3.67	1.52	3.34
	Access to water and sanitation	3.33	4.67	2.04	5.40
	Rights of indigenous peoples	3.00	4.33	2.02	4.91
	Human rights violations by security personnel, etc.		4.00		3.59
	Responsible mineral procurement		4.00		1.54
	Other high-risk situations	4.33	4.33	2.52	2.92

<sup>\*1</sup> Severity is converted into a score on a scale of 0 to 5 (0 being low risk and 5 being high risk).  
<sup>\*2</sup> Likelihood of occurrence is converted into a score on a scale of 0 to 10 (0 being low risk and 10 being high risk).

Implementation of preventive and corrective measures

The Group identifies human rights issues (and countries/regions) that we focus on preventing and responding to. For those high-priority human rights issues identified, we implement corrective measures within the Group as well as conduct education, training, and other activities aimed at prevention.

For human rights risks in the supply chain, we continuously engage in dialogue and consultation with relevant stakeholders and disseminate guidelines to improve and enhance our efforts to respect human rights, and take corrective measures when risks become apparent.

Monitoring

In order to identify negative human rights impacts of our corporate activities and to promote continuous improvement, we conduct monitoring both within the Group and the supply chain, as well as collect internal and external information.

The Group has conducted surveys of business partners to confirm whether the actions and statements of employees follow our Corporate Creed and Corporate Action Guidelines. In these surveys, business partners reply to questions anonymously. In FY2022, a total of approximately 10,900 people from our business partners responded to surveys issued by

Group companies.  
As part of supply chain monitoring efforts, we conduct CSR audits of end manufacturing facilities to which the Group outsources the manufacture of our *Seven Premium* private-brand merchandise as well as of overseas manufacturing partners for the Group's private-brand products. The audits ascertain their level of compliance with the Seven & i Group Business Partner Sustainability Action Guidelines ("Action Guidelines"). In FY2022, CSR audits were conducted at 846 production facilities in 13 countries, including Japan.

Disclosure of information to stakeholders

We regularly disclose our commitment to respect for human rights through our website, management reports, and other means of communication.

Supply chain management

Building a sustainable supply chain with our business partners

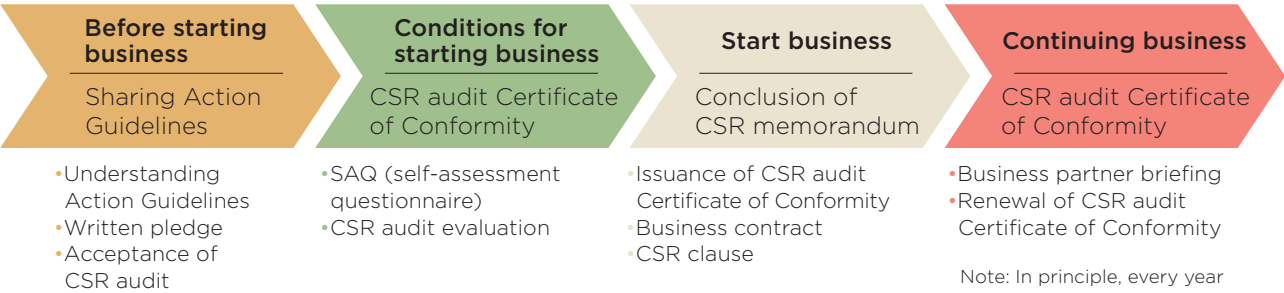
Since our establishment, the Group has been committed to being a sincere company that our stakeholders trust, as stated in our Corporate Creed.

Various human rights issues have come up in the world today. Expectations are high for companies to fulfill their social responsibilities throughout their supply chains for the merchandise and services they provide. That means respecting and protecting human rights, complying with laws and regulations, protecting the environment, and giving consideration to working conditions. The Group places the highest priority on respecting and protecting human rights, and we ask our business partners to understand and implement the Action Guidelines. Together with our business partners, we apply the Action Guidelines in building a sustainable supply chain. In this way, we not only provide our customers with merchandise and services whose safety and quality are ensured but we also promote the respect of human rights, compliance with laws and regulations, global environmental conservation, and consideration for working environments throughout our supply chain.

Implementing CSR audits of business partners

Of the factories to which the Group outsources the manufacture of our private-brand merchandise (*Seven Premium*) and the private-brand merchandise of Group companies, we seek cooperation in our CSR audits from factories in regions (mainly in China and Southeast Asia) that we judge particularly important from the viewpoint of risk management. We also share updates with our business partners on the status of the promotion of the Action Guidelines and support corrective actions to address any problems. When we request a new business relationship with a Group company, we ask the partner company to understand and comply with the Action Guidelines and undergo a CSR audit. If the business partner is found to comply with the CSR audit or to take any required corrective action, we issue a Certificate of Conformity and start business with the partner. Renewal of the Certificate of Conformity is a prerequisite for continuing business with the Group.

CSR audit certification process for private-brand production facilities in China and Southeast Asia



CSR audit

CSR audit items and procedures

The Group conducts audits of business partners' production facilities through a third-party organization in accordance with its own audit criteria, which are based on ISO 26000 and international conventions such as the global standards set forth by the International Labour Organization (ILO). Audit items cover adherence to the Action Guidelines, respect of human rights, compliance with laws and regulations, occupational safety and health, and environmental conservation. The four most important categories are forced labor, child labor and underage workers, living wage (minimum wage), and disciplinary action. Audits confirm compliance with CSR audit items through inspection of sites, documents, and data, as well as through interviews with managers and workers. The interviews with workers are conducted in a room with only auditors present to prevent any instructions or retaliation from employers. If the audit reveals a nonconforming item, the third-party audit organization will point out the nonconformity to the business partner. Business partners are requested to submit a Corrective Action Plan based on the findings and act immediately to improve the situation. After receiving a report from the business partner on the completion of improvement of the indicated item, the auditors will confirm completion of the improvement after viewing evidence that shows the improvement.

However, if a certain standard is exceeded, such as when numerous serious nonconforming items occur, the factory will be visited again, and another audit will be conducted to determine whether the issues have been corrected.

The 16 categories of CSR audits

The four top-priority categories

No.	Category
1	Implementation of management system and rules
2	Forced labor
3	Freedom of association
4	Health and safety
5	Child labor and underage workers
6	Living wage (minimum wage)
7	Working hours
8	Discrimination and harassment
9	Regular employment
10	Subcontracting agreements, domestic industry, outsourced processing
11	Disciplinary action
12	Global environmental conservation
13	Anti-corruption and fair business practices
14	Ensuring merchandise safety
15	Security management
16	Interests of local communities and disaster response

Results of CSR audits

Results of overseas CSR audits for FY2022 identified major nonconformities at seven factories, and corrective actions have been implemented. The following nonconformities were identified: living wage (minimum wage, five cases) and underage workers (six cases). Inadequate wage payment records were also handled as the nonconformities relating to living wage (minimum wage). The six cases of nonconformity related to underage workers concerned inadequate registration and documentation, for which corrective actions have

been taken. The CSR audit results did not identify any nonconformities in terms of forced labor, child labor under the age of 15, or disciplinary action. In Japan in FY2022, CSR audits were carried out at 535 production facilities to which we outsource the manufacture of merchandise for our private brand *Seven Premium*. One major instance of non-compliance related to child labor was identified. However, this noncompliance was due to an error in the recording of employment rules, and there was no actual occurrence of child labor.

Numbers of CSR audits (overseas factories)

Fiscal year	2016	2017	2018	2019	2020	2021	2022	2023 plan
Number of factories audited	245	215	274	304	413	357	322	327
Implementation rate (%) <sup>1</sup>	100.0	100.0	100.0	100.0	89.8 <sup>2</sup>	79.9 <sup>2</sup>	74.2 <sup>2</sup>	—

<sup>1</sup> Proportion of the number of factories audited to the number of factories where audits were planned (excluding factories that no longer need to be audited due to termination of production or suspension of business relationship)  
<sup>2</sup> Audits were suspended at some factories due to the COVID-19 pandemic.