

Seven & i Holdings

Our engagement with Seven & i began in 2008 and since then we have focused on board independence, diversity, and low profitability of its superstore business.

Company overview

Seven & i Holdings Co., Ltd. manage and operate group companies with a wide variety of business operations including convenience stores, superstores, food services and financial services. The group includes the global convenience store chain 7-Eleven, superstores, department stores, and speciality stores in 19 countries and territories.

Background

We have been concerned about the company's underperforming superstore business and encouraged focus on its successful global convenience store businesses. The lack of board gender diversity and independence were also a focus of our engagements.

Our engagement

We have had a longstanding engagement relationship with Seven & i dating back to 2008 when we first challenged the company on board independence, diversity, and low profitability of its superstore business. We intensified our engagement on business performance in 2016 following the resignation of the former chair of the board. In 2019, we met with the CEO to discuss the merits of a proposal to sell its underperforming supermarket business and urged the company to publish a clear and convincing plan to address underperformance, including specific targets.

We reiterated our expectation for further female director appointments, aiming to be in line with the 30% Club Japan's expectations.

Engagement objectives:



Governance:

Business strategy



Governance:

Board composition – gender diversity

Sustainable Development Goals:



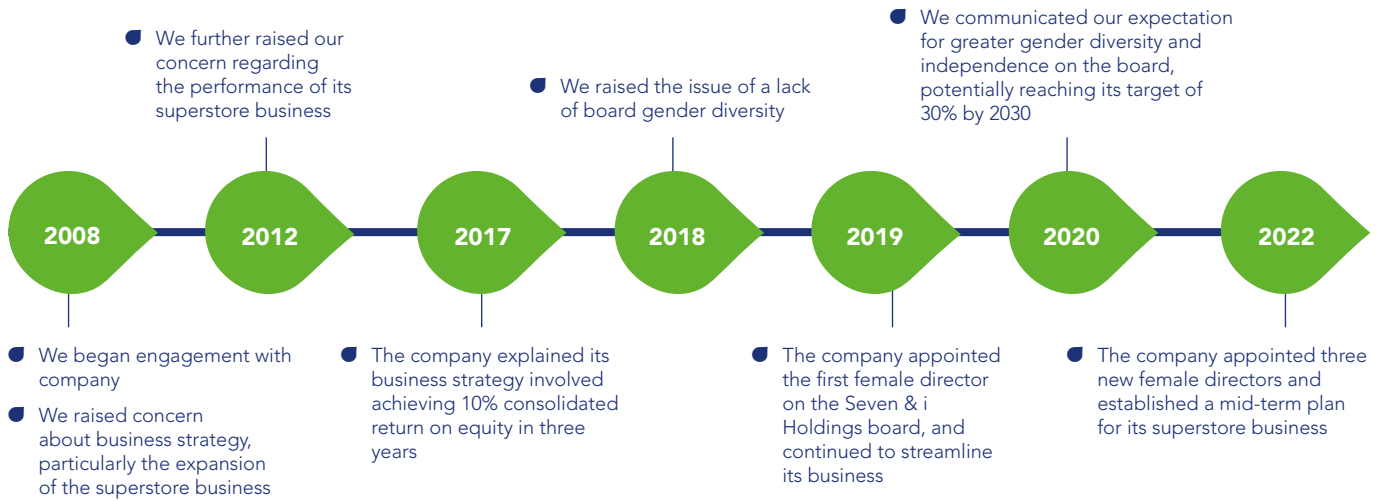
Company quote

“Our engagement and dialogue with EOS over the years has been useful to evolve our business strategy and progress gender diversity at the board, hopefully leading to improved investor confidence” – Junro Ito, Director & Managing Executive Officer, Seven & i Holdings

Regarding the lack of board gender diversity, we first raised this issue in 2018. The company acknowledged our concern and appointed its first female director in 2019. However, ahead of the 2020 AGM, we were disappointed to see that board independence had lowered. We reiterated our expectation for further female director appointments, aiming to be in line with the 30% Club Japan's expectations of having 30% female representation on the board.

In advance of the 2021 AGM, we expressed similar concern and provided our enhanced voting policy on gender diversity which stated we would recommend a vote against the chair of the nomination committee of TOPIX100 companies if the board's female ratio falls below 10%; this applied to Seven & i with only 7.7% female representation of directors.

Timeline



Changes at the company

Following the resignation of the chair in 2016, who had built his career in the supermarket business and had been with the company for over half a century, the company indicated that reform was now more possible. The company then set out plans to streamline its supermarket business, closing underperforming superstores and department stores, while growing its successful convenience stores, with the goal of achieving 10% return on equity over three years. However, despite some improvement in profitability, the business continued to underperform. In March 2022, the company developed a more comprehensive plan to change its capital allocation, with a focus on expansion overseas.

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On board governance, the company responded well to our expectations on board gender diversity. As part of the board refreshment in 2022, three new female directors were appointed, of which two were non-Japanese, bringing the board gender ratio up to 20%. The appointment of additional non-Japanese independent directors with relevant business background increased its board diversity and it is now a majority independent board.

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Next steps

Following the significant improvements in board composition at the company, we will now focus on board effectiveness. We recently discussed the director selection process and encouraged the alignment of its skill matrix disclosure with corporate strategy. We will also continue to engage for better disclosure of the pay of its directors in its US subsidiary, including the metrics for calculating the cash bonus. We will also continue to monitor the company's progress on its business strategy reform.

✓ This case study has been reviewed by Seven & i Holdings to ensure a fair representation of EOS work carried out and changes made at the company.



Haonan Wu
Engagement
EOS

Federated Hermes

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Why EOS?

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