

5

A Good Neighbor Who Creates a Friendly Workplace



2016 KPI

- Lower than the retail industry average of **0.38** over the last three years in Taiwan (average for 2013-2015)
 - **0** cases of serious occupational safety incidents
 - Proportion of health exams increased by **54%** compared to 2015
 - First-time online resolution rate of **78%** by the Joint Services Center
- In 2015, 284 employees with disabilities were hired, which was **3.39** times the legal quota
 - In 2015, salaries were increased by over **2%** for 72.7% of employees
 - As of 2015, **66** auditors have been trained to conduct internal audits and implement the principle of fairness at a workplace

5.1 Implementation of Employee Care

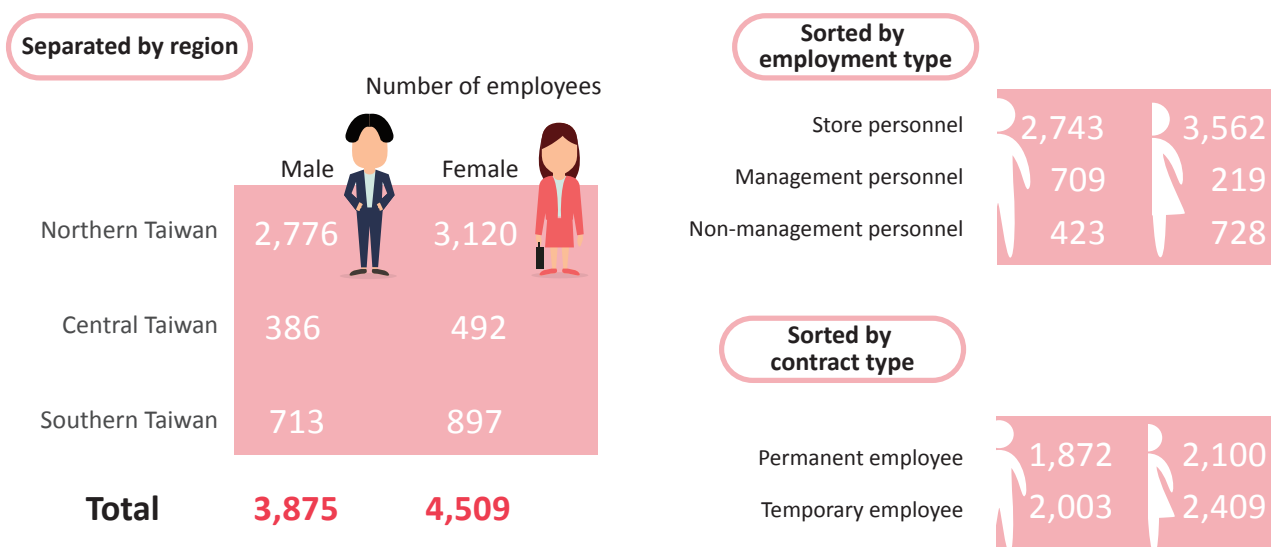
Becoming a happy enterprise is the vision and goal of PCSC. We believe that only "happy employees can fully demonstrate PCSC's values for customers, and only satisfied employees can provide outstanding services that satisfy consumers". Through close partnerships between stores, franchisees, headquarters, and affiliates, we are able to offer the most convenient services to society. The PCSC family is where passionate people can showcase their skills. "Selfless Innovation", "Full Delegation", and "Bold Experimentation" are the most basic and most important attitudes we expect from our employees when dealing with new businesses. Flexibility and adaptability is embraced in business management. Incentives are targeted at employee needs. Through

our complete career planning, healthy work environment, and comprehensive benefits, every PCSC partner feels proud of being a part of our big happy family.

Our Partners

PCSC consists of the headquarters and seven business operation departments to respond to the requirements of local stores and consumers in Taiwan in a timely manner. As of December 31, 2015, we employed a total of 8,384 individuals, including 9 female foreign workers. There are more than 30,000 members in the PCSC family including part-time workers from franchises and company-owned stores. Apart from helping full-time employees fulfill their dreams, since our stores operate 24-hours a day all year round and need a large number of front line staff to handle customer interactions. PCSC not only offers many part-time job opportunities, but it is also a place where students and people returning to the workforce can showcase their talents. We have setup cooperative programs with senior and vocational high schools as well to provide students the chance to earn part-time income along with academic credits and work experience.

Employee data (As of 12/31/2015)



Employee age distribution (As of 12/31/2015)

Employee category	< 30 years old		30-50 years old		> 50 years old		Total
	Male	Female	Male	Female	Male	Female	
Store personnel	1,805	1,950	893	1,512	45	100	6,305
Management personnel	68	52	540	158	101	9	928
Non-management personnel	42	109	325	586	55	34	1,151
Total number of employees	1,915	2,111	1,758	2,256	201	143	8,384

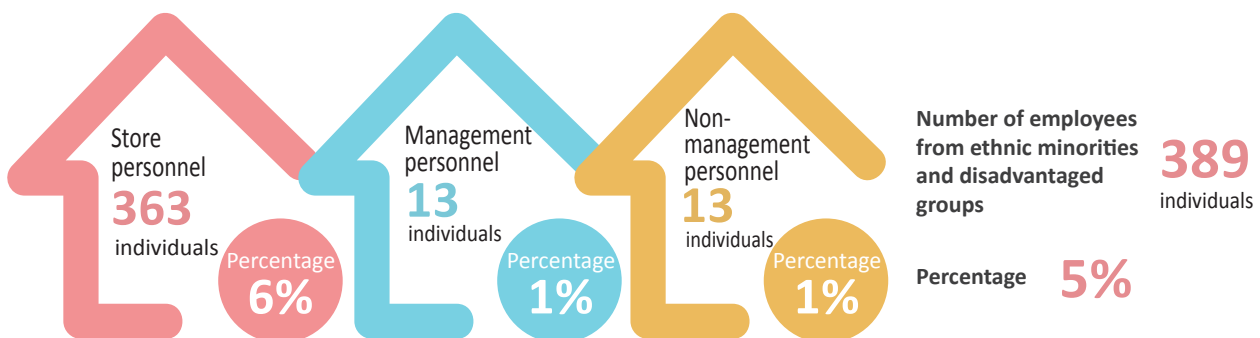
Total number and proportion of newly hired permanent employees in 2015

	Northern Taiwan (North 1, North 2, North 3, Taoyuan/Hsinchu)	Central Taiwan (Changhua/Taichung, Fengyuan/Qingshui)	Southern Taiwan (Chiayi/Nantou, Kaohsiung/ Pingtung, Yilan/Hualien)	Total
Female				
< 30 years old	136	24	31	191
31-50 years old	79	18	15	112
>51 years old	1	1	0	2
Proportion of new hires (total number of new recruits during the year/number of employees as of December 31, 2015)				
Male				
< 30 years old	92	19	25	136
31-50 years old	37	7	4	48
>51 years old	1	0	0	1
Proportion of new hires (total number of new recruits during the year/number of employees as of December 31, 2015)				

Total number and proportion of permanent employees who departed in 2015

	Northern Taiwan (North 1, North 2, North 3, Taoyuan/Hsinchu)	Central Taiwan (Changhua/Taichung, Fengyuan/Qingshui)	Southern Taiwan (Chiayi/Nantou, Kaohsiung/ Pingtung, Yilan/Hualien)	Total
Female				
< 30 years old	55	8	4	67
31-50 years old	104	12	17	133
>51 years old	1	0	0	1
Turnover rate (number of departures during the year/number of employees as of December 31, 2015)				
Male				
< 30 years old	51	12	8	71
31-50 years old	54	12	10	76
>51 years old	10	0	2	12
Turnover rate (number of departures during the year/number of employees as of December 31, 2015)				

Employee diversity (As of December 31, 2015)



Note: Ethnic minorities and disadvantaged groups include indigenous tribes and individuals with disabilities

As for part-timer hiring, we do not hire people under the age of 15 as workers in accordance with the "Labor Standards Act". We also follow the philosophy that "employment assistance is the most direct way of helping the disadvantaged achieve independence". We not only provide additional job opportunities for people with disabilities, but also welcome middle-aged women re-entering the workforce looking for part-time work with shorter hours. In 2015, PCSC headquarters and company-owned stores hired a total of 284 employees from disadvantaged groups, which accounted for 3.39% of our total workforce and was 3.39 times higher than the statutory quota.

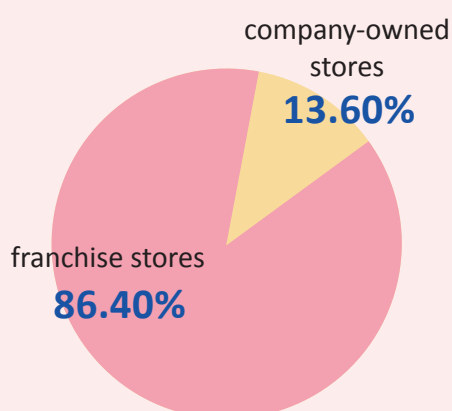
To provide more disadvantaged people with steady employment and a chance for independence, we also hired **105** indigenous employees, or **1.25%** of our total workforce. We provide a diversified and tolerant work environment.



Franchise management

There are more than 5,000 7-ELEVEN stores throughout Taiwan, among which over 80% are franchise stores. To look after our franchise owners in the spirit of sharing and mutual prosperity, franchise agreement were adjusted in 2015. Around NT\$1.2 billion in investment subsidies were allocated between 2015 and 2016. The profitability of our franchise owners as well as their feedback have always been important to PCSC. Adjustments are therefore being made to progressively increase their profit margins. In 2015, we increased license chain's profit share and guaranteed margins. Renovation and hardware costs for franchise chains were also reduced starting from January, 2016. In terms of store management, the current trend is moving towards larger, more distinctive stores aimed at providing customers with a more comfortable and friendly shopping space. In terms of store renovations, apart from scheduled renovations, we now offer lightweight renovation packages for greater flexibility. Lower-cost renovations of key store areas provide pleasant store environment for consumers. We have set up a franchise partner education platform for professional development as part of our continued efforts to look after our franchise partners. We also organized recreational and health promoting activities for franchise partners with more than NT\$19,554,000 invested on related activities during 2015.

The two types of PCSC franchises are "Franchise Chains" and "License Chains". For "Franchise Chains", the storefront is provided by the franchisee; for "License Chains", the storefront is provided by headquarters. In 2015, there were a total of 3,195 franchise owners. 86.4% of our stores in Taiwan were managed by franchise owners, while 100% of offshore stores are franchise-owned. Franchising information is available on the corporate website: <http://www.7-11.com.tw/fr/index.asp>.



Franchise owners are critical stakeholders for PCSC. To demonstrate our interest in the welfare of franchise owners, the Franchise Relations Team visited 84 stores in 2015 to listen to their ideas, interact with them, and provide feedback.

We are also actively building a learning and development platform for franchise owners. In addition to enhancing their professional skills, the platform also offers health and recreational activities for franchise owners in order to create a better franchising environment. Over NT\$10 million is spent each year on motivational seminars for exceptional store managers and organizing the Elite Franchise Owner Academy. In terms of health and recreation, NT\$3 million was set aside in 2015 to provide franchisees with holiday subsidies. Senior franchise owners over the age of 40 with more than 10 years of experience are also entitled to receive health exams valued at NT\$16,000 once every two years. In 2015, NT\$8 million was budgeted for the health exams of senior franchisees. The monthly franchisee bulletin includes benefits and discounted events for franchisees as well.

Franchisees enjoy the following insurance coverage and benefits:

Insurance	Description
Group insurance	Insurance coverage is also extended for franchisees' dependents as well as store employees; this allows franchisees to focus on work knowing that their families are well cared for.
Employer liability insurance	Enhanced medical insurance coverage provided by franchisees for employees working the graveyard shift.
Personnel guarantee insurance	Compensation for losses suffered by franchisees during employees' performance of job duties is provided.
Franchisee/Franchise Store Employee Mutual Association	A mutual-support mechanism between franchise stores that provides funereal assistance for direct dependents.

Benefits	Description
Group movie tickets	Franchisees can receive subsidies on movie ticket purchases. Each store is eligible to receive a 20% rebate for up to 20 tickets.
Offers from affiliated enterprises	Product discounts and promotions from affiliated enterprises.
Holiday and recreational promotions	Subsidies and discounts are offered for staying at the Uni-Resort, as well as for visiting BEING spa/BEING sport.
Franchisee benefits trust	A tool that franchisees can use for their savings or retirement fund; subsidies are provided to encourage investment.
Health exam subsidies	Senior franchisees over the age of 40 with more than 10 years of experience are eligible to receive health exams valued at NT\$16,000 once every two years.

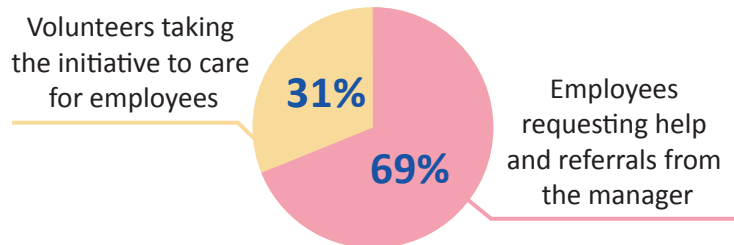
 **Building a Happy Enterprise**

PCSC strives to build a secure and happy enterprise. As headquarters logistics employees are the driving force behind innovative products and services at PCSC, we hope that the promotion of a sound and happy workplace through the Happiness Cooperative Society, health management, and employee benefits will provide employees with a sense of fulfillment and happiness.

Happiness Cooperative Society

Work-related health topics such as job stress and excessive work-hours have attracted much public attention in recent years. The mission of the Happiness Cooperative Society formed by PCSC in 2010 is to realize proactive caring or guidance, provide employees with the most timely and effective assistance, and educate employees on proper physical and health management concepts. A total of 8 affiliates have signed up since the program was established 5 years ago. Nearly 220 volunteers have been trained with 111 receiving official certifications; through telephone or face-to-face interviews, they provide counseling to more than 1,890 employees on topics including: Workplace relationships, job adjustments, family and gender relationships. If necessary, employees can also be referred to professional counseling organizations; this along with the injury/illness, occupational injury and cooperative assistance mechanisms help our partners come to terms with their emotions and get through difficult times.

The cultivation of corporate volunteers means not only greater empathy during consultations with employees, but also savings on the cost of referrals to the Teacher Chang Foundation. The estimated investment efficiency is approximately 183%¹. During 2015, a total of 281 care cases (155 cases from stores) with a total duration of 239 hours were carried out. Cumulative care hours reached 1,610 hours in 2015. The percentage of employees who actively sought assistance and referral was 69%; this meant that in more than half of these cases, our employees trusted the volunteers enough to seek help and referral advice.



Health Promotion Plans

Promotion of "Healthy Workplace Certification"

People spent more than one-third of their day at the workplace, so the work environment must have a certain amount of effect on their health. We want employees to enter the workplace in good health, and to leave or retire with a healthy mind and body as well. In 2015, PCSC received the "Badge of Accredited Healthy Workplace" from the Health Promotion Administration of the Ministry of Health and Welfare, in recognition of our exceptional performance in promoting a non-smoking environment, workplace injury and illness prevention, and workplace health promotions.






¹ Investment efficiency = the cumulative investment efficiency between 2010 to December of 2015 (the ratio between cost of training per volunteer and teacher's expenses for implementing each case) was calculated as: One-hour cost for executing a TCF case service is NT\$1,960*(cumulative care hours as of 2015 is 1,610)/Total cost of volunteer training (NT\$1,726,163)

Blood Drives

We also organized a nation-wide blood donation drive. Health exam results of store employees from 2014 found that 35% suffered from high cholesterol. Donating a suitable amount of blood at regular intervals can help reduce high cholesterol and promote the production of new blood cells. In addition, blood donations are for a good cause as well. Nearly 79,500 cc of blood in 318 bags were donated.

Overview of the activity's achievements

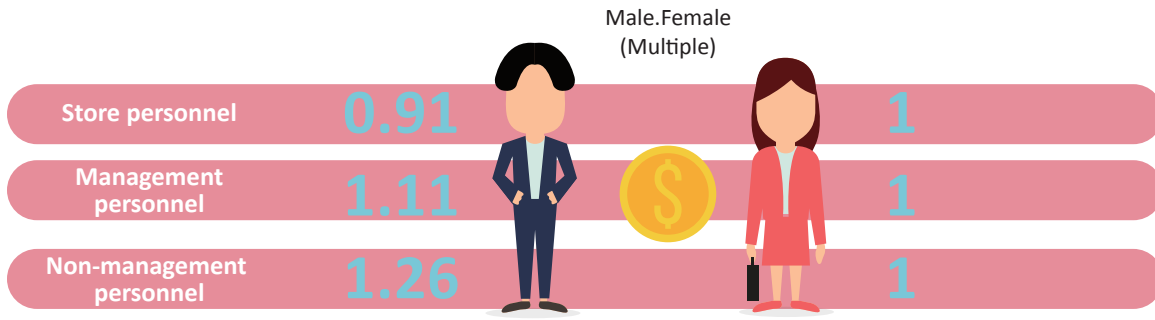
Activity period	June 16, 2015 - July 26, 2015	
 Achievements	 Blood donation bus (No. of employees)	180
	External participants (No. of people)	57
	Volunteered to visit the blood donation stations (No. of employees)	52
	 Blood donation bus (bags)	245
	Volunteered to visit the blood donation stations (bags)	73

Salaries and Benefits

PCSC offers competitive compensation packages for our employees. We also conduct surveys on salary and benefits every year to ensure that our starting salary is above the national average (the starting salary for new logistics specialists (with an undergraduate degree) was 1.61 times the minimum wage (NT\$20,008); for graduate degree holders, it was 1.91 times the minimum wage. Our starting salary for graduates is therefore better than the prevailing market rate). To ensure fair compensation, the principle of equal pay for equal work applies to the starting salary of men and women. There is no difference in compensation and benefits due to gender or age. Labor-management meetings are convened on a quarterly basis in accordance with the law. Five representatives from each party meet to negotiate various benefits and systems in order to create a harmonious and friendly work environment. In 2015, there was no significant difference in the male-to-female salary ratio; the difference was less than 1.3% among all employee types. In terms of salary adjustments, in 2015, 72.7% of employees received a raise of more than 2% compared to 2014.

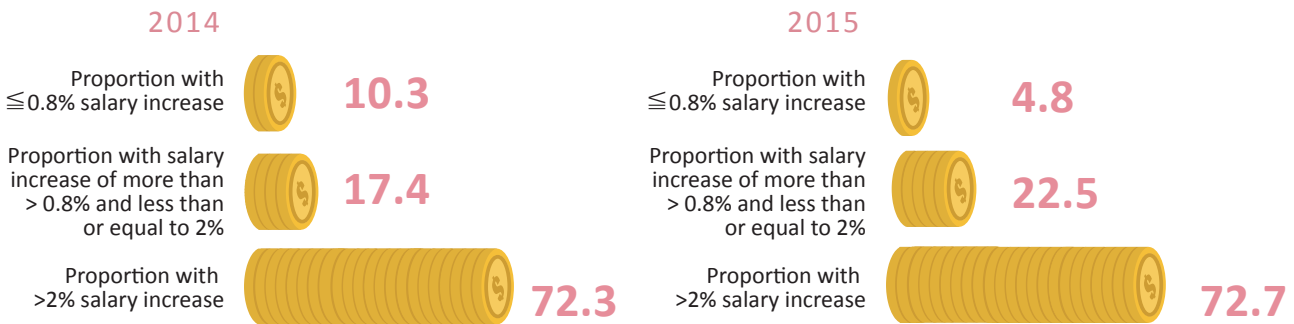
Benefits	Description
Bonuses	<ul style="list-style-type: none"> Performance-based adjustments, year-end bonuses, and other variable bonuses.
Benefits and Subsidies	<ul style="list-style-type: none"> Holiday travel for senior employees, employee health exams, trust fund, club subsidies, shopping discounts, wedding/funeral assistance, paid paternity leaves, group insurance, company holidays, and various subsidies from the Staff Welfare Committee. Employees are provided with unpaid family leaves, family care leaves, maternity leaves, and childcare services in accordance with the law.
Welfare Facilities	<ul style="list-style-type: none"> Library, dormitory for female employees, employee consultation, happiness seminars, and other benefits.
Retirement Plan	<ul style="list-style-type: none"> Regulations governing staff retirement have been defined in accordance with the Labor Standards Act and the Labor Pension Act. A "Labor Pension Fund Supervision Committee" was also established to supervise the accrual and distribution of pensions and other related matters.
Staff Welfare Committee	<ul style="list-style-type: none"> A "Staff Welfare Committee" has been set up in accordance with the law to promote benefits for employees.

Salary Ratio Between Male and Female



Note: Compensation consists of basic salaries for 2015 and annual bonuses.

Salary adjustments for full-time employees



Note: For those with a salary adjustment of ≤2%, for example, proportion = (No. of employees with a salary adjustment of ≤2%)/Total number of employees.

Employee reinstatement and retention rate after taking unpaid parental leaves

	No. of male	No. of female	Total
Employees eligible for taking unpaid parental leaves in 2015	185	305	490
Employees who applied for unpaid parental leaves in 2015	1	67	68
Expected reinstatement after unpaid parental leave in 2015	1	76	77
Actual reinstatement after unpaid parental leave in 2015	1	54	55
Actual reinstatement after unpaid parental leave in 2014	2	28	30
Employees still on the job 12 months after returning from taking an unpaid parental leave in 2014	3	27	30
Reinstatement rate (%)	100.00%	71.05%	71.43%
Retention rate (%)	100.00%	96.43%	100.00%

Note:

1. Reinstatement rate: Actual reinstatement after taking unpaid parental leaves/Expected reinstatement after taking unpaid parental leaves
2. Retention rate: Employees still on the job 12 months after returning from taking unpaid parental leaves (during the previous period)/Actual reinstatement after taking unpaid parental leaves (during the previous period)

5.2 Promote Harmonious Employee and Employer Relations

Human Rights and Labor Audits

Labor rights are now gaining traction. In order to fulfill our corporate social responsibility, ensure that employee rights conform to labor regulations, and reduce business risks for affiliates, labor auditor training was introduced by PCSC in 2012; the scope of training included affiliates as well. As of 2015, "PCSC Labor Auditor Training" has been held for five successive years. The theme of training was also changed each year to reflect the latest labor laws and regulations. The program helped investment subsidiaries understand latest HR-related laws, regulations, and guidelines. In addition to classroom courses, practical programs were also available to help employees apply what they learned during work. In 2014, for example, the focus was on labor safety techniques at the workplace, so the follow-up program included specially-designed audit missions with students assigned to actual audit teams at selected companies. In 2015, business units were each provided with checklists for "labor conditions" and "occupational safety" in accordance with the TK spirit; this enabled the internal review of labor conditions and work environment in order to propose improvements and take action, which will hopefully see knowledge actually applied within the organization. A total of 63 partners from 28 companies went through the training program in 2015, with building a safe and friendly work environment as their common goal. Each affiliate was also asked to conduct internal inspections after training in order to identify areas of non-compliance, as well as propose corrective actions and timetables.

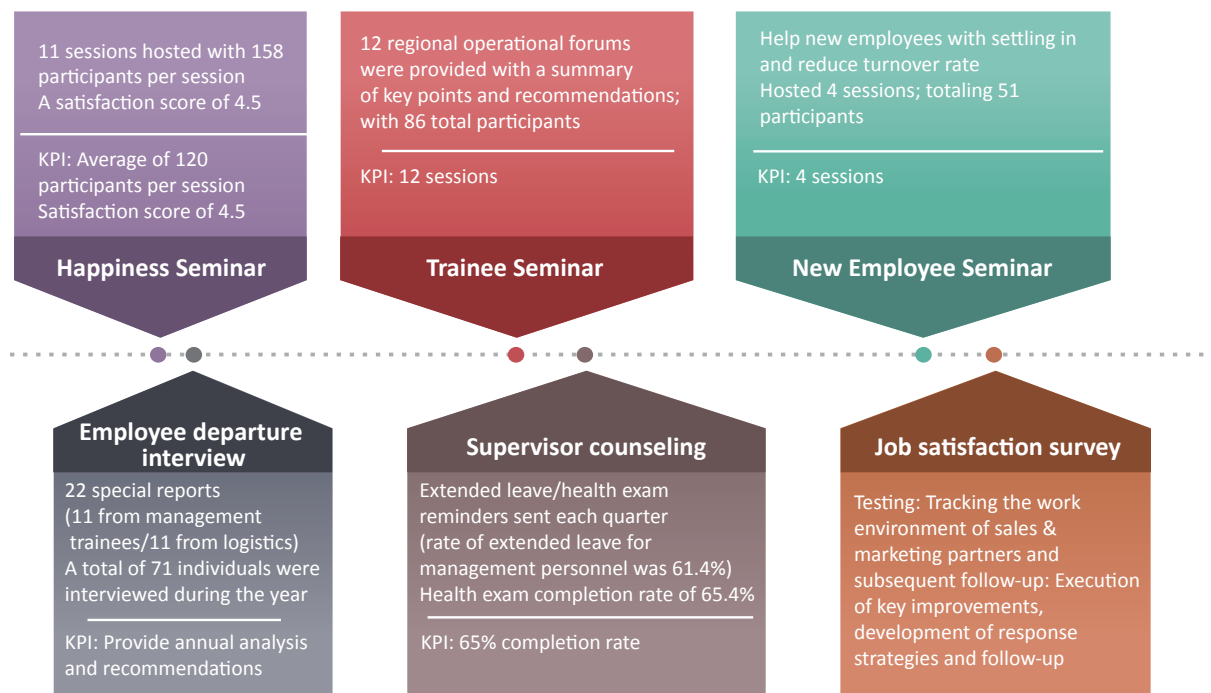
PCSC also audited all franchise stores on key areas such as National Health Insurance/Labor Insurance coverage, work hours, compensation, and occupational safety. Non-compliant stores received additional counseling. A total of 4,334 stores were audited in 2015. 860 stores had one or more areas of non-compliance, with the most common issues being "non-payment for overtime" and "employee attendance records not provided". Closer examinations revealed that 99% of stores which did not pay overtime were unable to provide employee attendance and compensation records. "Employee attendance records not provided" was therefore the primary problem. Other checks on work hours and compensation were also marked as non-compliant due to the lack of relevant data; this shows that there is a lot of room for improvement in terms of data integrity. Every operational division has been instructed to carry out regulatory assistance and make improvements. In the future, additional efforts will be made and comparisons of store improvements will be conducted. Stores that repeatedly have problems with the same issues will also be disclosed to push for proper management.

Open Labor-Management Communications

To protect the rights of employees, provide a workplace free from gender discrimination and sexual harassment, and encourage employees to communicate directly with management, PCSC has established up the "Joint Services Center" and a "dedicated email account" for handling inquiries. An "Internal Communications Platform" and the convening of labor-management meetings whenever necessary in accordance with the law also help to ensure timely and effective communications. PCSC views its employees as business partners rather than company asset. Our mission is to combine our vision for the future with employees' development goals. There has been harmonious labor-management interactions and relations at PCSC for many years. If employees have any suggestions or feel that their rights have been violated, they can use the above channels to make a complaint. There were a total of 5 human rights-related complaints in 2015, with most cases relating to work hours, leaving the job, and compensation; all cases on record were resolved and closed within the same year.



Implementation of diversified caring and follow-up plans









PCSC also conforms with the Labor Standards Act on the minimum period of notice for assignment changes to give employees sufficient buffer time. Those who have been with the Company between 3 to 12 months will receive a 10-day advance notice; those between 1 to 3 years will receive a 20-day advance notice; those over 3 years will receive a 30-day advance notice.

5.3 Worker Safety and Health


The physical/mental health and balance of our partners is important to us, and occupational safety and environmental hygiene is very important as well. To ensure a safe and hygienic work environment for all employees, a Safety and Health Committee as well as the Occupational Safety Office was established in accordance with the "Labor Safety and Health Act". In 2015, the Occupational Safety Committee consisted of 14 members, including 5 labor representatives, or 36% of the committee membership. Work-related injury statistics are recorded every month. Incidents are also analyzed and publicized. In 2015, there were a total of 21 "Industry-specific Occupational Injury" cases. Our occupational injury frequency was 2.5 cases per 1,000 people, while the number of deaths due to occupational injuries was zero.

Occupational Injury Statistics


Non-industry-specific occupational injury	Industry-specific occupational injury				
Traffic + Other	Exposure to high /low temperatures	Ladders	Floor	Tools	Lifting/ stocking goods
 76 cases	 7 cases	 3 cases	 2 cases	 3 cases	 6 cases

2015 Disabling Injury Statistics

(not including traffic accidents)

Occupational injury rate per 1,000 people	2.5	(Note) Formula: 1) Occupational injury rate per 1,000 people = $\frac{\text{Number of occupational injuries}}{\text{Number of employees}} \times 1,000$ 2) Disabling Injury Frequency Rate (FR) = $\frac{\text{Total number of injuries and deaths}}{\text{Total work hours}} \times 10^6$ (per 1 million work hours) 3) Disabling Injury Severity Rate (SR) = $\frac{\text{Total days lost}}{\text{Total work hours}} \times 10^6$ (per 1 million work hours)	
Disabling Injury Frequency Rate (FR)	1.29		
Disabling Injury Severity Rate (SR)	33.34		

Absentee Rate (AR)

Number of days absent	10,841	(Note) 1) Absentee rate (AR) = Total number of days absent / Total work hours x 100%. 2) The total number of days absent include menstrual leaves, extended sick leaves, sick leaves, injury leaves, and official sick leaves.	
Total work days	2,137,920		
Absentee rate	0.51%		

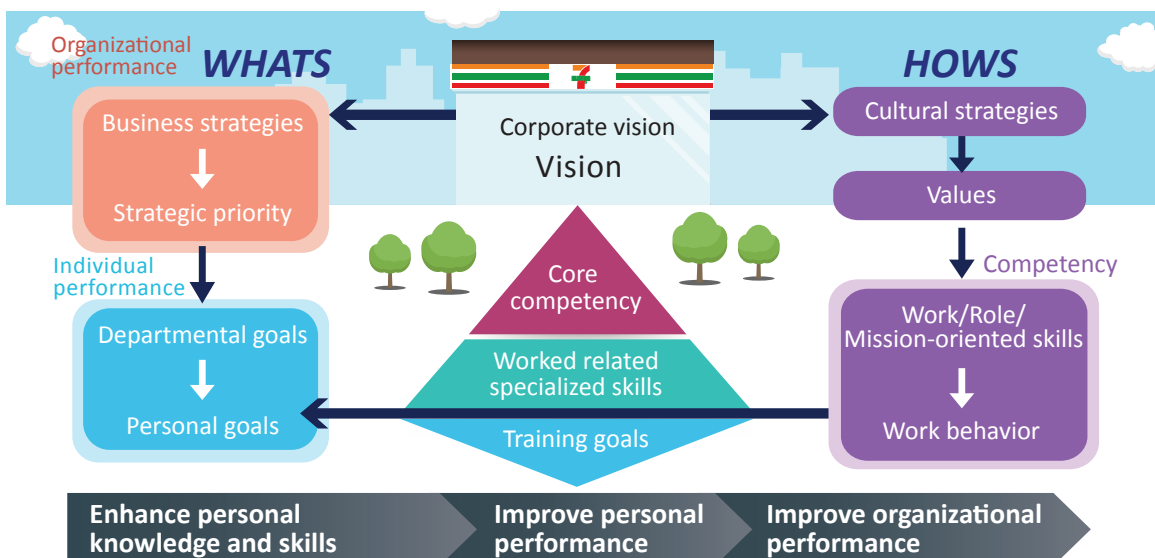
Labor safety and health enforcement

1	Established health and safety organizations	<ul style="list-style-type: none"> Established the Safety and Health Committee and Occupational Safety Office to study and manage safety and health operations.
2	Carried out safety and health management	<ul style="list-style-type: none"> Produce labor safety notices for our employees to follow in accordance with the Labor Safety & Health Act.
3	Implementation of safety and health education, training, and exercises	<ul style="list-style-type: none"> Safety and health education and training for all newly hired and current employees. "Emergency Response" evacuation exercises are also conducted on a regular basis to help employees master evacuation skills.
4	Implementation of safety and health inspections	<ul style="list-style-type: none"> Review if there are unsafe facilities and make immediate improvements. In 2015, a total of 48 random on-site audits were conducted. Recommendations for improvements were proposed and tracked. Conduct tests on indoor air quality, water quality, lighting, and perform period cleaning/sterilization.
5	Healthcare and insurance	<ul style="list-style-type: none"> Every employee receives group accident, life, and medical insurance coverage starting on their first day at work. Subsidies are offered for health exams.
6	Safety and health activities	<ul style="list-style-type: none"> "Occupational Injury Case Studies" are produced every month to remind and warn employees about the importance of safety and health. Promote Family Wednesdays to remind employees of the need to balance work and family.
7	Occupational safety and health handbook	<ul style="list-style-type: none"> The handbook provides employees with information such as the labor inspection checklist, occupational injury assessment and management, and occupational injury cases.

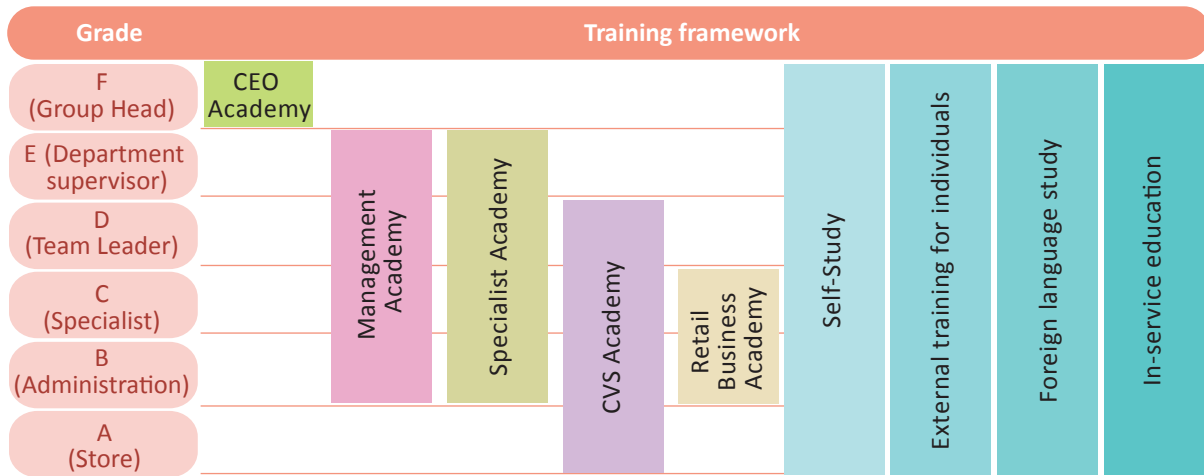
5.4 Promotion and Rewards

Employee Education, Training, and Career Development

Education and training is the main driving force of organizational growth; they do not just apply to new employees, but all partners must continue to study and to grow. PCSC possesses the most complete personnel development program in the industry. Extensive "classroom lectures" combined with "online learning" have helped cultivate an outstanding learning organization.



PCSC 7-ELEVEN University Training Framework



PCSC strives to build a "fair and friendly" workplace where both men and women can enjoy the same training and development opportunities, and employees have fair and transparent opportunities to be promoted

1. Individual Development Program

PCSC employees each have a customized "Individual Development Program" he/she developed with the help of direct superiors based on his/her personal education background, work requirements, performance evaluation results, and career development needs. The program lays out the best combination of development courses for the employee at different stages in their career while working for the Company; these help the employee learn and grown in a focused, organized, and disciplined manner, as well as progressively master all kinds of professional knowledge and skills.

2. Training Plans

Human Rights and Anti-Corruption Training

New employee training provides a quick introduction to the Company's core values, work environment, and human rights/anti-corruption policies. When office and store employees join the Company, they must sign a "self-regulation agreement" agreeing to obey the Company's rules on ethics, cross-gender interactions, and refuse to give or accept bribes. E-mail communications are used to reinforce the message. New logistics employees must attend a 2-hour new employee seminar on organizational overview, attendance regulations, salary definitions, sexual harassment prevention, integrity and compliance, and employee rights. Training on human rights and anti-corruption is not yet explicitly included in the training for personnel involved with store operations.

Work Capacity Upgrade Training

PCSC training uses rigorous research and interviews, combined with the Company's strategic direction, vision, and values to progressively construct a training regime that matches the organization's goals. Training activities are tailored to provide their intended recipients with a comprehensive training program covering all the skills needed for that specific role or grade. Apart from customized courses developed by internal instructors, we have also introduced quality external training programs to enhance the overall quality and competitiveness of our employees. These courses come in a variety of different formats including classroom lectures, group discussions, and workshops. The lively learning format helps employees absorb relevant knowledge and is also linked to the course action plan with emphasis on how the training can be applied to work. Employees are also offered self-enhancement opportunities including providing individual subsidies for external training, language classes, and on-the-job education.

Building an organization for learning

The "Commonwealth Innovation Academy" and mobile e-learning was introduced to provide employees with additional channels for learning, expand their fields of knowledge, strengthen their competitiveness, and transform PCSC into an organization for learning: An external knowledge platform was used to provide a range of self-learning channels. Employees can use different mobile devices (e.g. mobile phones, tablets) to acquire knowledge and concepts from the platform to boost their industry know-how, level of internationalization, and expand their global horizons. Being able to carry out learning at different times and space during their spare time also boosted learning efficiency.

Hosting of the "OPEN Masterclass"

In addition to diversified self-study, experience sharing is also necessary for true learning. The "OPEN Masterclass" has been held on "Learning Thursdays" since 2015. All department heads are invited to share their knowledge from different fields or insights in business management. Shared information from executives is used to produce online courses that promote a learning culture from the top-down. Lectures were presented by 25 department heads in 2015. More than 1,700 people participated in the courses and student satisfaction score averaged over 4.6. Student response to department heads serving as instructors was extremely positive.



Overview of the comprehensive education and training system

Average employee training hours in 2015

Employee category	Total training hours (h)	Total participants (individuals)	Average training hours (hours/individual)
Executives	770	93	8
Mid-level Managers	2,134	356	6
Specialists	150,790	27,107	6
Technicians (store staff)	244,023	40,797	6
Total	397,717	68,353	6

3. Continued Education and Career Development

PCSC employees can enrich their learning experience through diverse continuing education channels which include: Guidance from supervisors and peers, knowledge management systems, external training courses, internal training courses, seminars and symposiums, online learning, on-the-job training, in-service education, as well as physical and digital libraries.

A. Multiple Channels for Career Development

No effort is spared when it comes to the training and development of our employees. Employees wishing to learn new knowledge and improve their skills have our full support. Training courses, online resources, and mentoring systems are used to strengthen individual development plans, help employees develop an optimal career path and provide them with a wide variety of opportunities for growth.

B. Job Rotation

Employees are encouraged to experiment and gain experience from different units in order to expand their horizon and expertise.

C. Overseas Assignment

Employees are given opportunities for overseas assignment as part of our push for internationalization; this provides them with unique opportunities to make use of their skills and abilities while also enriching their international horizons, enhancing the competitiveness of both the employee and the Company.

Learning and development for newly hired logistics personnel

- 1  Contract signing
- 2  Store experience
- 3  Reporting for duty at headquarters (district)
- 4  Online classes
- 5  New employee seminar
- 6  Tiered training courses

In order to let office managers develop a sense of empathy towards stores, understand how plans made by headquarters will affect the stores, put themselves in the stores' position when implementing new programs and provide suitable explanations, the In Store Experience (ISE) project was introduced for the first time in 2015. A customized experience (e.g. sales pitch, stock-arrival/sorting, ingredient refills, coffee brewing, fast payment processing, etc.) was setup to allow office managers from headquarters better understand store operations, and help them empathize with store staff who must work hard to satisfy customer requirements and provide customer service; this in turn helps them understand how overall planning affects store operations (store operations must comply with company regulations and SOPs set by logistics). These experiences are intended for finding more efficient ways for stores to operate. A total of 28 ISE projects were conducted in 2015, with Operations and Marketing teams leading the way; there were a total of 52 participants (1 director, 15 department heads, and 36 managers). In addition, to improve the quality of the experience, we trained 12 counselors with course design and guidance skills to provide professional guidance.

Effects of ISE on logistics managers (case studies):

Optimized items	Description
Simplified publications of product return procedures	New product returns placed at the front Help stores keep up to date on the latest return information published so they don't have to scroll down.
New product resource support platform	Provide an open platform that helps stores wishing to host tasting events secure resources
Simplification of store order placement	Added subsidy information to help stores determine at time of ordering whether a product has any active promotions or subsidies.
Refrigerator safety	Restocking light/ 225 cm corridors were listed as a part of standard store feature so that stores no longer have to restock by walking through dark and narrow passages.

Headquarters is the support center for stores. Direct experiences help office managers develop better policies that suit customer requirements.

Elite Program for Talent Cultivation

The goal of the Elite program is to identify potential management talent; then through job rotations, assignments, and training courses, cultivate their management skills for future promotion. The first wave of the Elite program was launched in 2013, and a total of 46 people completed the 9-month training program. As of January 2015, 11 of the 46 outstanding individuals have been promoted to become department managers and 1 individual was appointed as a department's deputy manager. The diversified development approach to training and cultivation was also adopted in 2015.

Plans :

Cultivation phase	Cultivation content	Cultivation goals
Individual Development Program	<ul style="list-style-type: none"> Competency evaluation Job Rotation Personalized coaching 	Identify potential skills for development Complete the talent development program
Enhancement of knowledge & skills	<ul style="list-style-type: none"> IDP courses The ability to execute strategies Finance courses HR courses Book club 	Enhance knowledge on talent management Strategic planning skills
Motivation	<ul style="list-style-type: none"> Start-up meeting Elite e-newsletter Talent conference 	Motivate learning Sharing of the latest cultivation information Talent development meeting
Feedback	<ul style="list-style-type: none"> 1-On-1 mentoring records Presentation of results 	Regular follow-up and guidance Review the outcome of talent development

Cultivation interest surveys

HR conducts a cultivation interest survey in April of each year, which covers department managers at affiliated enterprises as well as specialists and team managers at PCSC. Combined with the annual talent inventory, individuals with potential are identified for further cultivation or rotation in order to build a pool of future managers. A total of 1,693 people were surveyed in 2015, 75% of department managers from affiliated enterprises and 60% of PCSC team managers were willing to accept job rotations.

Self-recommendation

To create more options for identifying talent, conditions and openings for team managers are posted publicly. Employees can nominate themselves for the position to have a clearer career development path. A total of 17 talent evaluations were conducted in 2015; there were 59 self-recommendations and 8 were promoted.

Reward scheme

PCSC provides employees with all kinds of incentive schemes including performance-based salary raises, year-end bonuses, and variable bonuses; these not only reward employees for their hard work, but also encourage them to help realize the Company's annual targets. Elite partners are also selected and recognized every year. Front line personnel include: outstanding store managers, top 100 elite franchisees, elite logisticians, outstanding shift managers, exceptional regional consultants; for logistics and sales employees, there are outstanding partner recognition events where

great employees can be seen and rewarded. The sales category of "Outstanding Employee Selection" is targeted at assistant store managers and store employees of company-owned stores; the logistics category is aimed at specialists and administration employees; in 2015, a total of 24 outstanding partners were selected for setting great examples in "building customer loyalty" and "customer-oriented approach". Each winner was presented with a trophy, NT\$30,000 in award money, and 2 days of honorary leave. A public recognition ceremony was also held on June 3, 2016.

The selection of outstanding employees will hopefully reinforce our people-centric corporate culture. Through public recognition and video production of great deeds performed by outstanding partners, we hope it will not only



make award winners feel proud, but also inspire more hard-working, base-level employees to shine brilliantly at their work position. Our partners will also learn and exchange with each other through these benchmark stories to help create a positive organizational feedback loop!



At the "2015 National Store Manager Awards" organized by the Taiwan Chain Stores and Franchise Association (TCFA), 30 outstanding store manager partners from PCSC and its affiliates including COSMED, Cold Stone Creamery, and Smile competed for the top honor. In the end, 9 individuals were selected to receive the highest award of "National

Store Manager for Best Service"; in the future, these elite employees will become the instructors for next year's outstanding store training course in order to pass on their spirit of professionalism and outstanding services. This award is considered to be the "Oscar" of the franchise industry, and it has been the main goal among competitors within the industry every year.