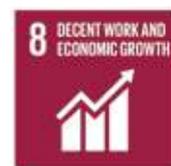




Employee Care and Franchise Development



2018 Highlights

- PCSC received **ISO 45001** Occupational Health and Safety Management Systems certification with zero corrections, a first for a Taiwan retailer and service industry.
- **Zero** serious occupational disasters.
- Among employees with abnormal health examination results, those with extremely high risk saw **100%** intervention and management.
- Employees received an average of **32.03** hours of training, the highest in the last **five** years.

We have always believed that only happy employees can relay PCSC's values and only happy employees can provide superior services that surpass customer expectations. To achieve this goal, our comprehensive career planning, diverse education and training, healthy work environment, and generous benefits package help our employees and franchisees obtain development and care they need and together with the Company reach ever new heights.



4.1

Human Resources Overview

Management approach

PCSC consulted such internationally recognized human rights conventions as the “International human rights law”, “Core Labor Standards, Fundamental ILO Conventions”, and “Ten Principles of the United Nations Global Compact” when formulating the PCSC human rights policy, which was established on June 2018. Our seven major policies are designed to provide a friendly and safe work environment; to eliminate forced labor; to abolish child labor; to eradicate discrimination and ensure equal opportunities to work, access to training and benefits, rewards, and advancement; to ensure freedom from workplace violence, sexual harassment, and coercion, treating employees with dignity; to support the physical and psychological well-being of employees; to ensure a balance between work and personal life; to establish diverse channels of communication and a grievance mechanism to ensure the rights and interests of stakeholders. Specific management and measures include, regular annual reviews of occupational safety and health as well as labor conditions. PCSC employs comprehensive internal and external training, encourages inter-company and interdisciplinary work rotation to important positions and give challenges to cultivate outstanding talents. We require all employees take part in law training program to avoid illegal behavior and ensure friendlier and safe work environments. and provide annual health check-ups and implement health promotion campaigns based on the data analysis findings of health exams over the years to enhance the employee health index. PCSC has a variety of communication channels available in its auditing office, joint service center, and in the stakeholder area on its official website. They can offer suggestions over the internet, on the phone, or even write letters. We utilize a comprehensive system and mechanism to ensure the timeliness of feedback. For more details on PCSC’s human rights requirements suppliers and relevant audit results, please refer to 3.3 Sustainable Supply Chain Management.

After evaluating the area where our operations are located and the type of work they are involved within PCSC’s individual operational scope, we found retail locations to be work environments with occupational safety concerns. For example, retail store staffs might need to come in contact with hot/cold temperatures or move heavy objects in the course of their work; they might also experience violations of labor rights due to shift work, incomplete work attendance records, unfair remuneration or vacation time that has not been given as required by the law, or too little time between shifts. Therefore, PCSC has its Human Resources Department and external third party carry out a health and safety inspection of work environments of all of its retail stores each year and an audit of the labor conditions of franchise stores.

Employee Human Resource Structure

To meet the needs of stores and customers in each area, eight Operations Centers were established across Taiwan and a head office in Taipei. As of December 31, 2018, PCSC employed 8,101 people¹, while franchises employed 36,932 as of May 2019². We provide many part-time opportunities to retirees and students as we require a large number of people to work on the front line and interact with customers because retail locations nationwide are open 24 hours 365 days a year. We also cooperate with general and vocational high schools, providing programs where students can earn credits while earning pay and gaining valuable experience. 55.5% of PCSC’s employees are female, while 49.4% of sales-related managerial jobs are filled by females, indicating that PCSC respects gender equality in terms of work environment and personnel utilization.

With regards to waged employees, no person under the age of 15 is hired in accordance with the Labor Standards Act. Hiring is conducted under the principle that employment is the most direct way to support disadvantaged people living on their own. As such, we provide work opportunities to those with physical or mental disabilities. A total of 274 disadvantaged people (3.38% of employees) were hired at the headquarters and chain retail locations in 2018, 3.38 times more than required by law. PCSC also hired another 99 aboriginals (1.22% of employees).

¹ Including head office and our chain stores.

² As of December 31, 2018. The number used for franchise employees was taken from Labor Insurance documents by May 2019

■ Employee Distribution by Employment Region and Employment Contract (Numbers as of Dec. 31, 2018)

| | Northern Taiwan | Central Taiwan | Southern Taiwan |
|-------------------------|-----------------|----------------|-----------------|
| Non-fixed term contract | 5,356 | 984 | 1,761 |
| Fixed term contract | 0 | 0 | 0 |
| Total | 5,356 | 984 | 1,761 |

Note: The term non-fixed term contract personnel are employees of permanent contract according to GRI standards, while fixed term contract personnel are employees of temporary contract according to GRI standards.

■ Employee Distribution by Gender and Employment Type (numbers as of Dec. 31, 2018)

| | Males | Females |
|--------------|--------------|--------------|
| Full time | 2,344 | 2,904 |
| Part time | 1,260 | 1,593 |
| Total | 3,604 | 4,497 |

Note: Full-time personnel include part-time personnel who work 1,820 hours or more in a year.

■ Employee Distribution by Gender and Employment Contract (Numbers as of Dec. 31, 2018)

| | Males | Females |
|-------------------------|--------------|--------------|
| Non-fixed term contract | 3,604 | 4,497 |
| Fixed term contract | 0 | 0 |
| Total | 3,604 | 4,497 |

Note: The term non-fixed term contract personnel are employees of permanent contract according to GRI standards, while fixed term contract personnel are employees of temporary contract according to GRI standards.

■ Employee Distribution by Age (numbers as of Dec. 31, 2018)

| Gender | Employee type | Store personnel | Management personnel | Non-management personnel | Total no. of employees |
|---|---------------|-----------------|----------------------|--------------------------|------------------------|
|  | ≤30 | 1,624 | 0 | 162 | 1,786 |
| | 31-50 | 1,653 | 36 | 784 | 2,473 |
| | >50 | 153 | 12 | 72 | 237 |
|  | ≤30 | 1,383 | 0 | 123 | 1,506 |
| | 31-50 | 941 | 120 | 750 | 1,811 |
| | >50 | 87 | 84 | 117 | 288 |
| Total | | 5,841 | 252 | 2,008 | 8,101 |

Note: Management personnel does not include store managers and zone consultants.



4 Employee Care and Franchise Development

■ 2018 Total number of newly hired permanent employees and rate by age and gender

| Gender | Age | Northern Taiwan | Central Taiwan | Southern Taiwan | Total |
|---|-------|-----------------|----------------|-----------------|-------|
|  | ≤30 | 41 | 25 | 11 | 77 |
| | 31-50 | 39 | 3 | 5 | 47 |
| | >50 | 1 | 0 | 0 | 1 |
| Rate of newly hired employees (number of female employees newly hired that year/ Number of female employees employed as of Dec. 31, 2018) | | | | | 2.78% |
|  | ≤30 | 39 | 14 | 6 | 59 |
| | 31-50 | 22 | 2 | 3 | 27 |
| | >50 | 1 | 0 | 0 | 1 |
| Rate of newly hired employees (number of male employees newly hired that year/ Number of male employees employed as of Dec. 31, 2018) | | | | | 2.41% |

■ 2018 Total number of permanent employees that resigned and turnover rate by age and gender

| Gender | Age | Northern Taiwan | Central Taiwan | Southern Taiwan | Total |
|--|-------|-----------------|----------------|-----------------|-------|
|  | ≤30 | 48 | 10 | 5 | 63 |
| | 31-50 | 57 | 4 | 13 | 74 |
| | >50 | 2 | 2 | 2 | 6 |
| Turnover rate (number of female employees that resigned that year/Number of female employees employed as of Dec. 31, 2018) | | | | | 3.18% |
|  | ≤30 | 32 | 15 | 8 | 55 |
| | 31-50 | 51 | 9 | 7 | 67 |
| | >50 | 3 | 3 | 7 | 13 |
| Turnover rate (number of male employees that resigned that year/Number of male employees employed as of Dec. 31, 2018) | | | | | 3.74% |

■ 2018 Total number and ratio of managers at all levels by gender

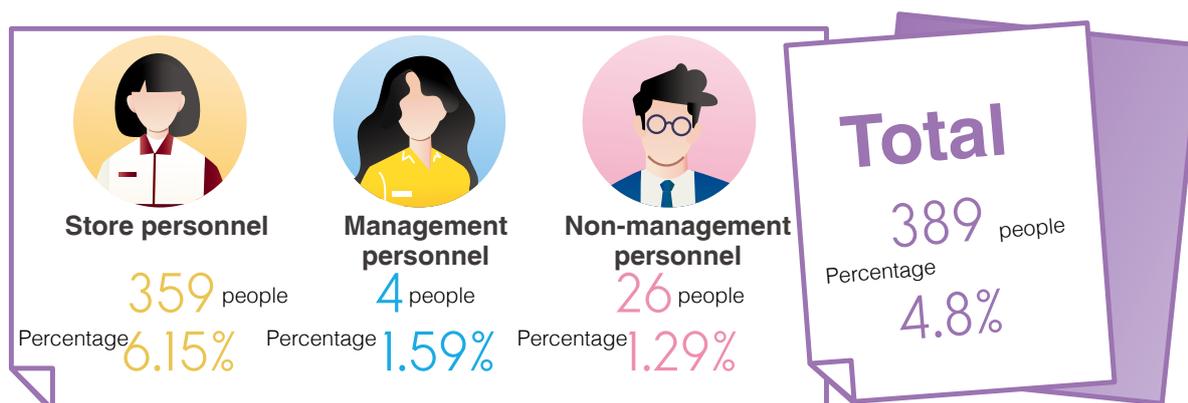
| Gender | TEAM level manager | Top manager | Total |
|--------------------------|--------------------|-------------|-------|
| Females | 41 | 7 | 48 |
| Males | 159 | 43 | 202 |
| Total no. | 200 | 50 | 250 |
| Ratio of female managers | 20.5% | 14% | 19.2% |

Note: Here high level managers does not include male managers: president and special assistant to the chairman

■ 2018 Total number and ratio of management positions in revenue-generating functions by gender

| Gender | Store managers | Zone consultants | Zone managers | Head of ZONE | Total |
|--|----------------|------------------|---------------|--------------|--------------|
| Females | 422 | 231 | 2 | 0 | 655 |
| Males | 70 | 524 | 68 | 8 | 670 |
| Total no. | 492 | 755 | 70 | 8 | 1,325 |
| Ratio of females in management positions in revenue-generating functions | | | | | 49.4% |

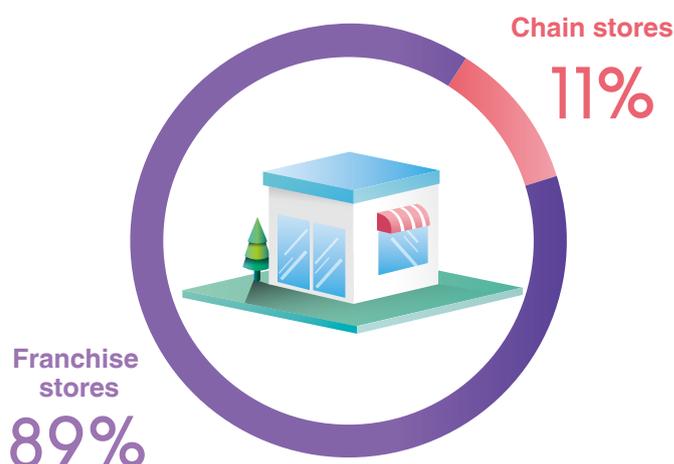
■ Minorities and disadvantaged groups (numbers as of Dec. 31, 2018)



Note: Minorities and disadvantaged groups include 99 aborigines, 16 foreign nationals, and 274 individuals with disabilities

Franchisee operations

In 2018, there were over 5,300 retail 7-ELEVEN locations across Taiwan, including 3,521 franchisees. PCSC works alongside and shares benefits with all franchisees in order to take care of our franchisees and protect their profits. We also constantly monitor the soundness of each policy. In response to increased labor costs resulting from the government's adjustment of the minimum wage, beginning in January 2018, profit distributions for franchised stores and licensed stores was increased 0.5% and an NT\$4,000 business subsidy provided. In 2018, PCSC also invested NT\$466 million, further creating an environment promoting the creation of businesses with stable profits.





4 Employee Care and Franchise Development

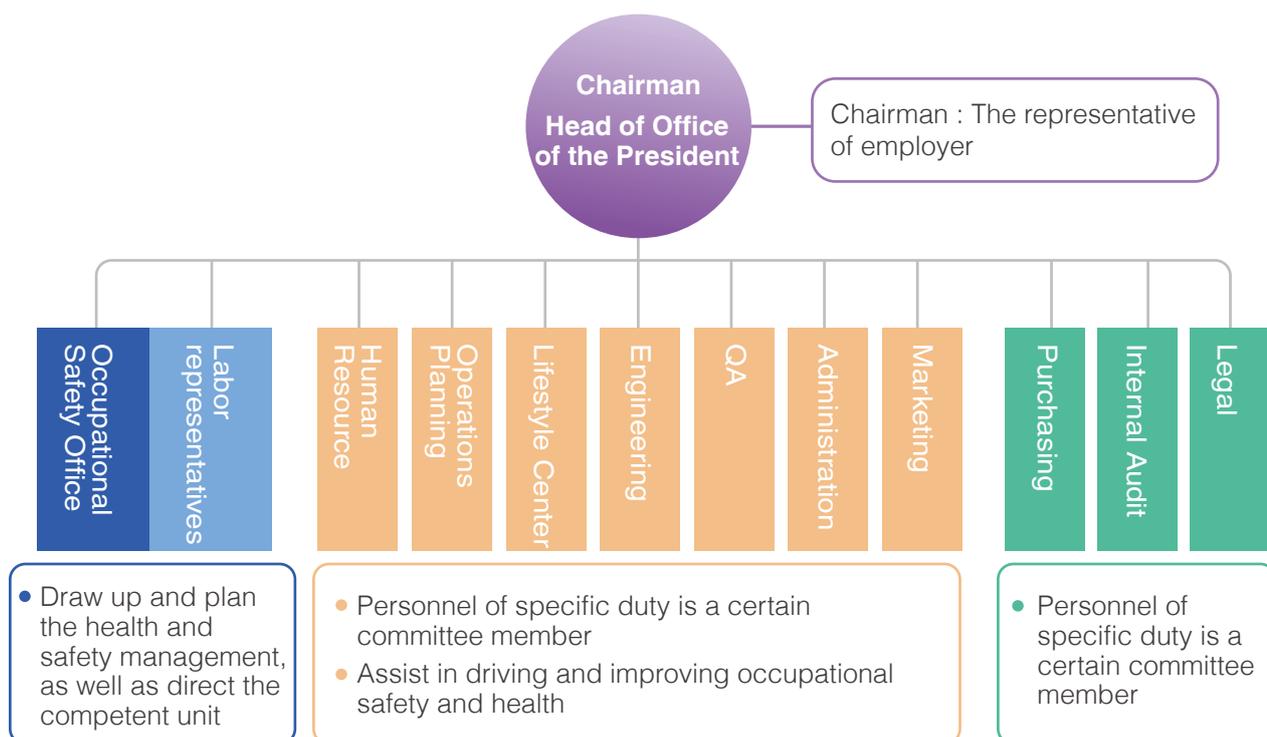
Franchisees are important stakeholders in PCSC for whom we continuously express our concern. In 2018, our franchisee relations team visited 38 retail locations, attended 17 franchisee seminars, and held face-to-face meetings at 184 retail locations in order to interact, listen to opinions, and provide feedback. It also took the initiative to participate in 66 regional store manager meetings for regional classes and 4,000 live sharings and interactions with franchisers.

4.2

Occupational Safety and Health

Management approach

In order to ensure all employees work in a safe and sanitary work environment, we have organized established a tier one Occupational Safety Office and an Occupational Safety and Health Committee in accordance with the Occupational Safety and Health Act. There are a total of 24 committee members, 8 (33.33%) of whom are labor representatives recommended by employees. The Occupational Safety Office has a quota for three full-time personnel (1 occupational safety management specialist, 1 occupational health management specialist, and 1 occupational health and safety management associate). Meetings are held every quarter chaired by the vice president office manager and quarterly reports are written by the Occupational Safety Office and nurses. We also invite upper management from each department and labor representatives to discuss company safety and health matters and set occupational health and safety performance objectives, such as a total injury rate that is lower than the average for the retail industry in Taiwan over the past three years and there are to be no major occupational safety incidents each year. In addition to the aforementioned meetings, relevant stakeholders can express their views concerning occupational health and safety through the Joint Service Center, email, dedicated stakeholder areas on our official website, and internal communication platforms.

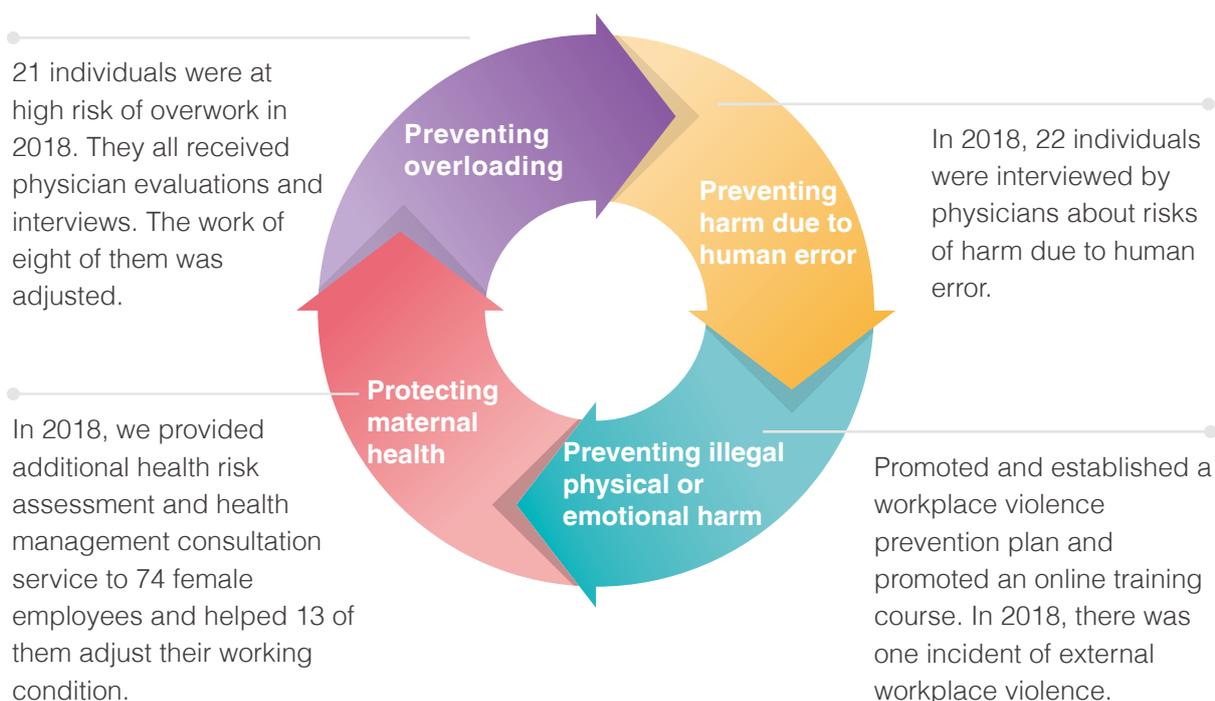


In 2018, the president of PCSC approved the “Occupational Safety and Health Policy” which consists of five major implementation guidelines to realize risk prevention and management and calls for a total injury rate lower than 0.4, the average for the retail industry in Taiwan over the previous three years (the average for the years 2015-2017) as well as for zero major occupational safety incidents for each year. To achieve these goals, we implemented the following actions: holding safety agreement organization meetings, health and safety training and emergency evacuation drills, implementing risk assessments and safety audits, monitoring the environment for air, light, and water quality, and implemented safety management for large activities. In addition, we continued to implement our four major occupational safety programs, including the “physical and psychological overload prevention program”, “ergonomics hazard prevention program”, “unlawful mental or physical harassment prevention program”, and “maternal protection program” to protect the health and safety of our employees through prevention and risk identification. In 2018, we used our manual and online courses to guide franchises around Taiwan (apx. 4,800) in the implementation of these four major programs in accordance with the law.

In December 2018, we received ISO 45001 Occupational Health and Safety Management Systems certification with zero corrections, underscoring our determination to lay a foundation of Company culture that prioritizes safety that meets international standards. We were the first company in Taiwan’s retail and service industry to receive the certification. In the future, we will realize our goal of having our entire staff work together to create and maintain a safe and friendly workplace, while continuing to monitor our contractors to ensure that they join in.

In 2018, we designated NT\$6,269,939 for the implementation of occupational safety and health programs, including the establishment of ISO45001 Occupational Health and Safety Management Systems, threat and risk assessment and contractor management, employee health exams, physician health services, setting up a health management system, and advancing health promotion activities.

📍 2018 Four occupational safety programs



Note: “External workplace violence” means customers inflicting violence on employees.



4 Employee Care and Franchise Development

Implementation of occupational safety and health in 2018

Health and safety organization

- Occupational Health and Safety Committee meetings are held each quarter and Management Review Meetings each year.



Health and safety training and drills



- Trained new and current employees on health and safety matters and holds emergency evacuation drills every year to ensure safe evacuation.
- Training courses (level C/first aid): 110 classes, 4,013 participants
- Head office evacuation drill: Held one time with 530 participants

Conduct risk assessment and safety audits

- Tested indoor air quality, water quality, and lighting and regularly cleaned and sanitized work places.
- Risk and danger identification: 55 workplace inspections were completed; 166 infractions which were corrected, suggestions for improvements were made and 100% were adopted.



Event safety management



- Safety management procedures ensured safety for all internal and external Company events; zero public safety accidents occurred.
- 4 events were managed in 2018 with 640,000 people in attendance; 0 fines and 0 major work safety incidents.

Contractor management

- 2 Taiwan-wide contractor safety agreement meetings with ; 111 contractors participated; 48 audits with no notification with 100% improvement rate
- Set up contractor labor safety fines and high risk machine and equipment operating procedures.
- Required that contractors show proof of insurance for construction workers as means for monitoring the rights of workers employed by contractors and outsourced labor.
- Assessed potential risks to occupational health and safety for contractors, including 8 operation procedures have been identified as high-risk. The top 3 accidents are: falling from high place, electric shock, and contact with harmful substances.



Occupational Health and Safety Management Systems and Health Certification



2018 Occupational injury/absentee rate statistics

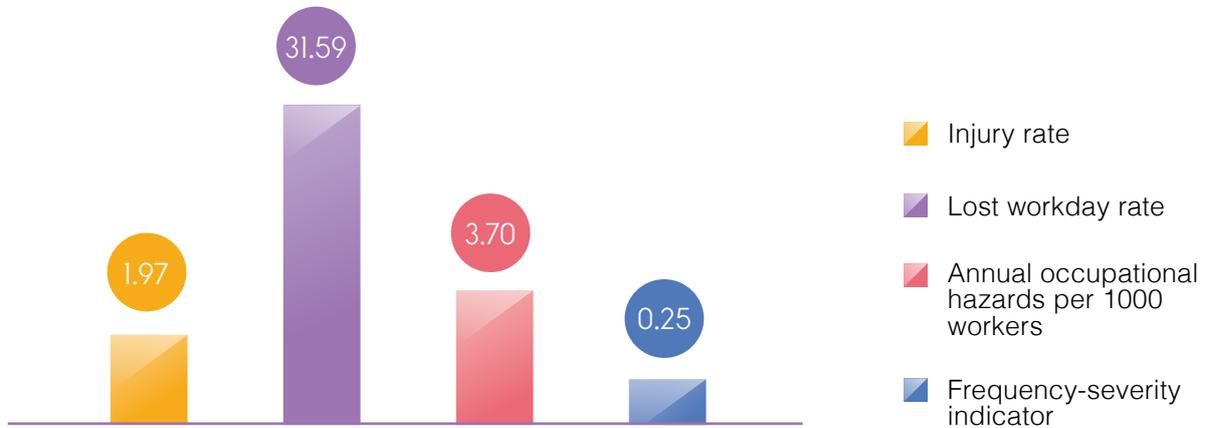
PCSC strives to reduce the number of work safety incidents by tracking important statistics, including injury rate, lost workday rate, absentee rate, annual work safety incidents per 1000 workers, and frequency-severity indicators (see the following table for details). Along with the safety and health management plans, 2018 marked the fifth consecutive year with zero work-related fatalities or critical injuries. The frequency-severity indicators in 2018 was 0.25, lower than 0.4, the average for the retail industry in Taiwan over the previous three years by 0.4 (the average for the years 2015-2017). Furthermore, from 2015 to 2018, PCSC saw no incidents of formal employees being stricken with occupational illnesses.

| Injury types | Improper action | Falling objects | Objects collapsing, falling over | Coming in contact with high or low temperatures | Cuts, scrapes | Pinched, caught |
|--------------|-----------------|-----------------|----------------------------------|---|---------------|-----------------------|
| People | 2 | 1 | 2 | 8 | 4 | 1 |
| Injury types | Bumped into | Trips | Falls, tumbles | Collisions | Other | Total 30 People |
| People | 1 | 5 | 4 | 1 | 1 | |



4 Employee Care and Franchise Development

2018 Disability statistics (excluding traffic accidents)



Note: Formulas for calculation are shown below:

- Injury rate = Total number of injuries * 10⁶ / Total number of work hours for all employees (per million hours of work)
- Lost workday rate = Total number of days disabled * 10⁶ / Total number of work hours for all employees (per million hours of work)
- Annual occupational hazards per 1000 workers = Number of occupational hazards * 1000 / Number of employees
- Frequency-Severity Indicator = $\sqrt{(\text{Disabling injury frequency rate} \times \text{Disabling injury severity rate} \div 1,000)}$
- Statistics were not calculated by gender. Starting in January 2019, statistics have been calculated by gender.



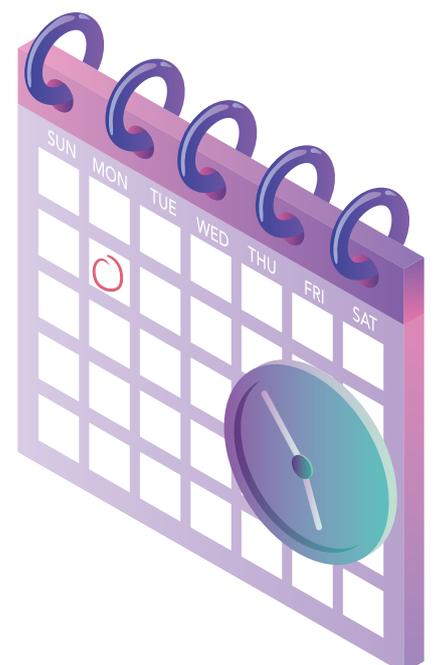
2018 Absentee rate



No. of days absent 3,151
 Total no. of work days 897,645
 Absentee rate 0.35%



No. of days absent 5,925
 Total no. of work days 1,119,504
 Absentee rate 0.53%



Note:

1) Absentee rate (AR) = Total number of days absent / Total number of work days x 100%.

2) Total number of days absent includes menstrual leave and all types of sick leave (ordinary, extended, injury, and occupational).

In the spirit of treating others as we expect to be treated, PCSC has established a sound work safety incident notification mechanism and emergency response and accident handling regulations for contractors. When the event of work-related safety incidents happen, contractors should take the initiative to notify the relevant unit at PCSC, who will then notify the Occupational Safety Office. After the incident, PCSC is to hold an incident review meeting and require that contractors attend the meeting and submit a review report to help ensure workplace safety. Between 2015 and 2017, there was no work-related injuries happened to field staffs of our contractors occurred in the workplace. In 2018, we conducted a survey on the number of serious work safety incidents of field staff sent by contractors to our stores or other locations of operation to provide service and found that there had been two incidents of work-related injury. However, we haven't had any work-related fatalities in historical record. In 2018, contractor field staff worked approximately a total of 724,480 hours (see note), we estimate that the injury rate among contractor employees was about 2.76.

Note: The number of hours worked by contractor field staff was estimated by the number new stores prepared for opening and contract details.

Health improvement plan

Employees are an important Company asset and PCSC has made it one of its “happy enterprise” goals over the years to ensure that employees are healthy, both physically and emotionally. We hope that attentive programs, health promotion events, environment considerate of expectant mothers, and great benefits allow our partners to keep healthy and gain a sense of joy in being a part of PCSC.

A Health Management Plan was executed in 2013 in which professional nurses were stationed in offices to provide health consultations and an infirmary was set up in the head office where employees could check blood pressure, receive cold or hot compresses, receive first aid, and seek consultation. Employees were also given Health Passports. In 2018, we adopted a phone app to continue promote health and employed electronic bulletins and health seminars on health education to encourage employees to manage their health.

Health and medical assets/services

| | | |
|--|---|---|
| <div data-bbox="127 1131 295 1288" data-label="Section-Header"> <h4>Health checks</h4> </div> | <ul style="list-style-type: none"> Health check are provided to employees and food industry workers each year: In 2018, 6,751 people participated in health checks; employee satisfaction was 4.3 and participation was 83%. Full-time employees over the age of 36 and with 5 years of seniority receive a NT\$16,000 health check subsidy (every two years). 2,107 employees were allowed to apply in 2018. | |
| <div data-bbox="127 1310 295 1478" data-label="Section-Header"> <h4>Individual medical health services</h4> </div> | <ul style="list-style-type: none"> Health services: introduced in 2013, service frequency was increased to 16 times each month starting in 2018 (3 hours each time). In 2018, doctors were on-site for 576 hours and met 348 people for one-on-one consultations. Satisfaction was 4.9. Nurses: there are four nurses on staff. In 2018, the nurses provided services to 463 employees with a satisfaction rate of 5. In addition, PCSC introduced a comprehensive health management system to provide employees who received abnormal exam results with tiered health management, extremely high risk employees with 100% intervention management, follow up treatment tracking, and individual case follow up management. | |
| <div data-bbox="127 1500 295 1713" data-label="Section-Header"> <h4>Health passport</h4> </div> | <ul style="list-style-type: none"> In 2018, we incorporated an innovative and revolutionary app that features a Healthy Living Community for employees, emphasizing taking charge of one's own health and striking a balance between healthy living and work. It includes exercise and healthy diet tasks to make the campaign more fun. Tasks include a weight monitoring station, Mr./Ms. Fitness, sugar-reduction competition, healthy dishes, health genius, and healthy living genius. Employee participation was 31% in 2018. |  |
| <div data-bbox="127 1758 295 1926" data-label="Section-Header"> <h4>Motherhood handbook</h4> </div> | <ul style="list-style-type: none"> PCSC provides nutritional tips and advice for expectant mothers during each trimester, a healthy pregnancy app, and information on company benefits and policies to help mothers enjoy raising their child. 74 handbooks were distributed in 2018. |  |
| <div data-bbox="127 1948 295 2116" data-label="Section-Header"> <h4>Other</h4> </div> | <ul style="list-style-type: none"> PCSC launched Family Wednesdays to remind employees to maintain a proper work-life balance. | |



4 Employee Care and Franchise Development

Happiness Cooperative

The Happiness Cooperative was founded in 2010. Specialized teachers and resources were brought in to teach and refer to experts and train coworkers with a passion and desire to serve as volunteers to provide fellow employees with immediate and effective help. The Happiness Cooperative helps with various issues, such as problems interacting with others at work, problems adjusting to work, problems at home, problems with members of the opposite sex, and health problems, and employs tiered case management. In the event that an evaluation requires further assistance, professional resources are actively provided and referrals to professional services made. 280 volunteers have been trained, 154 of which have received volunteer certification.



Training volunteers cuts down on costs of referring them to the outside clinic known as Dr. Chang. The estimated investment benefit is 2.08 times³. 332 were cases opened with a total of 242 hours logged in 2018. 2,455 hours of cumulative consultation time were logged from its inception until the end of 2018. In order to enhance the caring skills and sensitivity of front line managers, PCSC held four “Caring Store Manager One-Day Camps”. 195 people took part with a 4.8 satisfaction rate.

- 2018 employees who sought help vs. volunteers who sought employees who needed help



- Employees who sought help and managers who referred employees to volunteers
- Volunteers who sought employees who needed help

³ Investment efficiency = cumulative investment efficiency from 2010 to December 2018 (ratio of volunteer training costs and costs of consultation by Dr. Chang). Cumulative consultation costs by Dr. Chang (NT\$4,942,000)/ volunteer training costs (NT\$2,372,000)

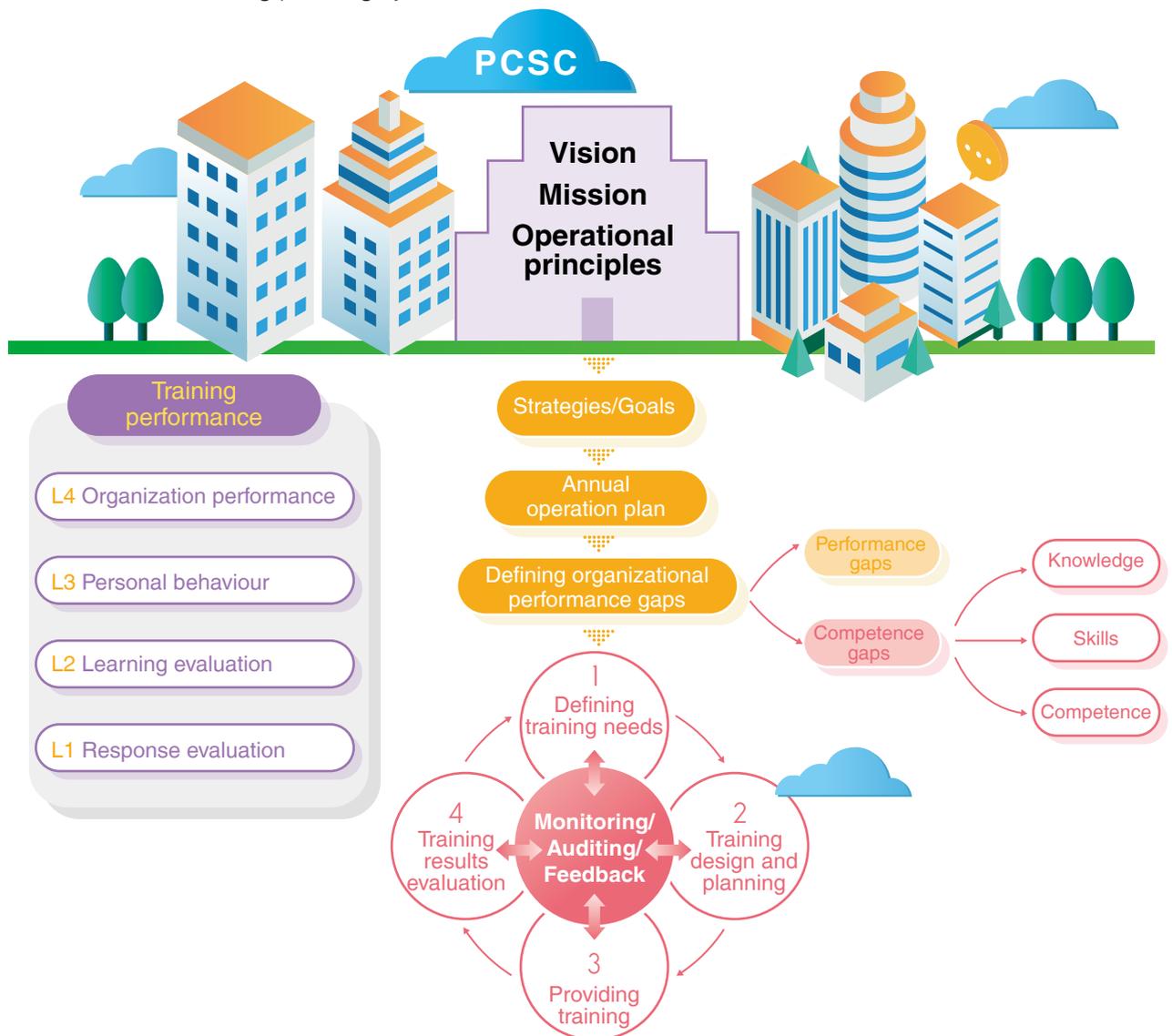
4.3

Employee training and development

Management approach

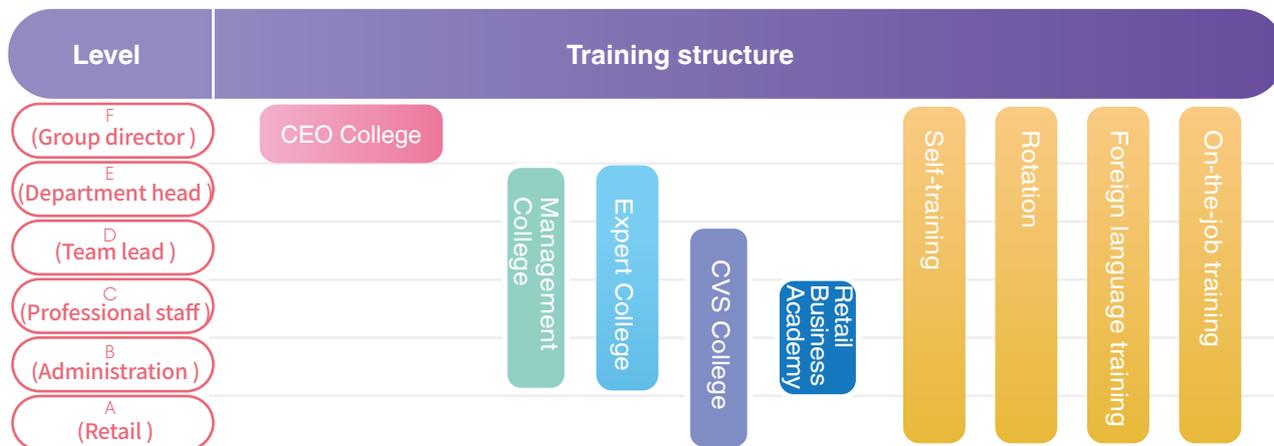
Education and training are the driving force behind PCSC's growth. We waste no effort in training our employees and provide the same opportunities for men and women to fully support them in gaining new knowledge and skills. PCSC issued "General Skills Needed by Logistics Personnel and Standards for Training Courses" and "Training Management Guidance". The former covers training programs developed by PCSC for various positions within the organization to build employee skills and standards. The latter serve as guidelines for training activities. Based on their individual needs, employees can take internal or external training classes. Our objectives include enhancing operational/sales training framework, expanding group business training, planning internal and external seminars, and having our Human Resource Department's Personnel Development Team and Operations Planning Department's Operations Training Team be in charge of advancing education and training.

- Education and training planning system:





4 Employee Care and Franchise Development



In regard to investing resources, our diverse learning opportunities foster learning anytime and anywhere. These opportunities include manager and peer guidance, knowledge management systems, outside training, company training, seminars and conferences, digital learning, on-site education, on-the-job training, and both brick-and-mortar and online libraries. PCSC cultivates enthusiasm and a willingness to share with our partners and trains specialized internal lecturers. In 2018, PCSC invested a total of NT\$83.733 million in education and training, an average of NT\$10,330 in training per person.

In 2018, in addition to implementing education and training, PCSC also encouraged employees to shore up their foundation and professional knowledge through scholarships for outside training and language courses. In order to ensure that employees have objectives at different stages and are learning and growing in a planned fashion as they steadily enrich themselves with specialized know-how and skills, PCSC also assists employees set individual development plans. If employees have any ideas concerning education and training, they can share them through the Joint Service Center, email, dedicated stakeholder areas on our official website, and internal communication platforms. We also use satisfaction surveys to determine how coworkers feel about the education and training and to serve as a basis for assessing and making adjustments to the course.

Education and training statistics

PCSC attaches a great deal of importance to employee education and continues to invest large amounts of education and training resources each year to that end A variety of courses are designed for employees at all levels and in all departments, including new hire training, training for each level, open courses for retail and office workers, general education, and work-specific training.

Over the past five years, all Company employees have received an average of over 25 hours of training. Altogether, 259,447 hours of education and training were logged across the entire company in 2018. Courses on self-management and business were the most popular. On average, each employee dedicates 32.03 hours/year to training—the highest since 2013.

■ Average hours of employee education and training in 2018 (classroom and online courses)

| Employee type | Total hours of training | | Number of employees | | Average time trained (hours per person) | |
|--------------------------|-------------------------|---------|---------------------|---------|---|---------|
| | Males | Females | Males | Females | Males | Females |
| Store personnel | 65,446 | 110,153 | 2,411 | 3,430 | 27.1 | 32.1 |
| Management personnel | 8,258 | 1,612 | 204 | 48 | 40.5 | 33.6 |
| Non-management personnel | 39,944 | 34,034 | 990 | 1,018 | 40.3 | 33.4 |
| Total | 113,648 | 145,799 | 3,605 | 4,496 | 31.5 | 32.4 |



Education and training courses

New hire education and training

Training is provided for all new hires—retail and office workers—to help them quickly acclimate to the Company. In addition to courses available to familiarize themselves with PCSC’s core values, Company culture, Company regulations, systems use, and health services, new hires are given a training passport to provide direction and a mentor is assigned to help adjust to the new environment. Special district consultant training passports and comprehensive courses are provided for district consultants, part of the core business team, for focused and fast learning.



Shared education

Utilizing Group training resources, PCSC and Uni-President Enterprises Corporation co-sponsored legal education and aesthetics education programs and has gradually developed other common optional courses to share education and training resource.

2018 Common education and training

| | | |
|-----------------|------------------|---|
| Legal education | Purpose | Increase legal awareness when drafting policies |
| | Open to | Group department managers or higher must attend 3 hours/year, while it is optional for managers of other levels |
| | Classroom course | <ul style="list-style-type: none"> On such topics as Labor Law cases, corporate governance, intellectual property rights, and personal information 23 classes/lectures |
| | Online course | <ul style="list-style-type: none"> Logistics, Good Faith Management, and Personal Information Protection was incorporated into our new employees required training. 226 people completed the course. Legal common sense (cooperating with the law): 5,483 people completed the course. The course includes common sense about the law (Fair Trade Act, Act Governing Food Safety and Sanitation, Labor Standards Act, preventing sexual harassment and workplace violence), 7-ELEVEN brand name use Authoritative decrees—how to legally manage incompetent employees: helping managers avoid management-labor disputes Worked with Operations Training to produce 6 online operations courses (3 Four plans for occupational safety, 3 labor conditions) |



4 Employee Care and Franchise Development

| | | |
|----------------------|---------------------|--|
| Aesthetics education | Purpose | To improve Uni-President Group's overall aesthetic refinement and create a group with moral character, high quality, and good taste. |
| | Open to | All employees can attend. |
| | Theme/no.of courses | 6 classes/year (3 in-class and 3 video). 1,159 people completed the course. |



OPEN studio

All supervisors were invited to share their specialized knowledge or business management experiences. These are edited into online courses to record and disseminate knowledge and promote a top-down learning culture. This year, outside lecturers were also invited to provide managers and employees with different viewpoints. In 2018, a total of 7 lectures were given with 814 attendees, approximately 70% more than last year's 484 attendees.



大師OPEN講

STARBUCKS

打破框架 談行銷創新

課程訊息

主講人：張志華
總經理辦公室副總經理

日期：2018.05.04(五)
時間：14:00-15:30

地點：統一國際樓第 201A 會議室
統一國際樓第 201A 會議室
統一國際樓第 201A 會議室

報名方式

登錄數位學習平台 <http://e-learning.pcc.com.tw> - 課程選擇/管理學院/研習課程(大師OPEN講)/20180504_打破框架談行銷創新【地點：統一國際樓第 201A 會議室/課程查詢電話：123456】或掃描 QRcode

大師OPEN講

跨界歷練(部門/產業/文化)的學習分享

談刻意練習與非刻意學習

報名學員請於開講前 3 日登錄講堂
以便更多選擇

課程訊息

主講人：張志華
副總經理

日期：2018.06.15(五)
時間：14:00-15:30

地點：統一國際樓第 201A 會議室
統一國際樓第 201A 會議室
統一國際樓第 201A 會議室

報名方式

登錄數位學習平台 <http://e-learning.pcc.com.tw> - 課程選擇/管理學院/研習課程(大師OPEN講)/20180615_跨界歷練(部門/產業/文化)學習分享【地點：統一國際樓第 201A 會議室/課程查詢電話：123456】或掃描 QRcode



Elite program

Managers act as pillars in the organization. The goal of the Elite program is to pre-select talent for management through switching roles, task assignment, courses, as well as guidance and feedback aimed at developing management skills and improving readiness and planning.

Evaluations help pinpoint skills that require improvement, draft individual development plans (IDP), and set development goals. We also arrange classes to enhance knowledge and skills. 1-on-1 coaching from managers, counseling records, and a review of the results at the end of training ensure continued and steady improvements. 23 back-up managers were trained in 2018—12 from PCSC, 5 of whom were promoted. 100% of the training program was completed.

| Stage | Goal | Content |
|---------------------------------|--|--|
| Individual development plan | <ul style="list-style-type: none"> Determine areas for development Draft development plan | <ul style="list-style-type: none"> Functional evaluation Position rotation Exclusive training and guidance |
| Knowledge and skill improvement | <ul style="list-style-type: none"> Increase managerial knowledge Strategically expand planning competency | <ul style="list-style-type: none"> IDP courses Strategic executive abilities Financial courses Human resources courses Study groups |
| Motivation | <ul style="list-style-type: none"> Improve learning motivation Share new information on education Talent conference | <ul style="list-style-type: none"> Initial meeting Elite e-bulletin Talent conference |
| Feedback | <ul style="list-style-type: none"> Regular counselling and interaction Examine results of training | <ul style="list-style-type: none"> 1-on-1 developmental coaching records Review of results |

Tanpin Kanri - In Store Experience (ISE)

Promoted since 2015, customized experiences allow logistics managers to understand each store and how plans drafted at the head office affect stores. As such, they can adjust accordingly when exercising future policies and can continue to optimize retail locations. To improve experience quality, facilitators have been trained in design experience to provide a specialized guidance through experience. As for manager experiences, mixed groups (business + marketing) were used to increase the flow of ideas and exchange of opinions.

9 exercises were implemented in 2018 with 18 managers participating. 111 exercises have taken place since its inception with a total of 217 manager experiences. In addition, a dedicated unit is responsible for proposal follow-up. As of December 31, 167 proposals were made, 119 of which have been completed.





4 Employee Care and Franchise Development

Performance management

Performance management helps develop a consensus in terms of goals between Company and employees and promote Company growth. Performance management also allows employees to modify their goals and seek advice from managers to help in self-improvement.

Our performance management system is applicable for all of our partners. Refer to the table below. The Company also utilizes a promotion system each year. Employees that consistently perform well in their position and receive recognition from their supervisors can be promoted to a higher level. Promotion to a higher level means better basic pay, benefits, and bonuses to encourage employees to continue improving and contributing. In 2018, 100% of employee types, regardless of gender, received regular performance reviews.



| | |
|-----------------------------------|--|
| <p>Full time personnel</p> | <ul style="list-style-type: none"> • “Setting performance goals,” beginning in March, managers and employees discuss and set annual targets. During evaluation periods, supervisors can provide guidance to help accomplish tasks • Final performance assessments are carried out in December. |
| <p>Part time personnel</p> | <ul style="list-style-type: none"> • Each month, assessments for operational bonuses are conducted and bonuses issued to serve as incentive for part-time store personnel so that they work to maintain store image, service quality, and quality management. |



Employee engagement survey

To determine employee work satisfaction and how they adapted to their work, PCSC conducts an employee engagement survey every two years. The priority of the survey is local consultants and Marketing Group personnel whose work responsibilities have a direct connection to PCSC’s revenues. To understand how managers and our colleagues interact and to improve the ratio of actively engaged employees to the target of 50%, we analyze the findings of the engagement survey, looking for issues that personnel indicate are in high need of improvement. We then conduct further focus studies to draw up concrete improvement plans to enhance employee trust in the organization. The last time an engagement survey was conducted was in 2015. The scheduled time to conduct a survey (2017) happened to coincide with large-scale internal personnel and organizational changes. We felt that it would not be appropriate

to conduct an engagement survey before employees had a chance to adapt to their new positions and supervisors. The 2018 engagement questionnaire was designed to include questions about work satisfaction (self-grow demand, work satisfaction), job identification (work optimization, identification with system and behavior models), internal communication (supervisor leadership, coworker relations), and balance between physical and psychological development (workplace stress analysis). We used Likert Five-Point Scale to design the texts and scores of the questionnaire. After explained by Human Resource Department, coworkers were asked to fill in the survey questionnaires. The 2018 engagement survey primarily included zone consultants. We received 698 questionnaires back. Questionnaire statistical findings are shown below.

| Employee cohesion survey | All respondents ^{Note 3} | Male respondents | Female respondents |
|---|-----------------------------------|------------------|--------------------|
| % of actively engaged employees ^{Note 1} | 48.25% | 50.6% | 45.9% |
| Number of response ^{Note 2} | 698 | 456 | 170 |
| Perc | 8.34% | — | — |

Note 1: We defined 4&5 points as the indicator of employees hold a positive view toward work situation, job content, communication and balance of mind and body, who could be seen as actively engaged employees.

Note 2: A total of 698 respondents took part in the survey, but 72 of them did not tick the gender box, so their questionnaires could not be included in the statistics for gender.

Note 3: The percentage of actively engaged employees in the 2015 survey was 44.93%, with 662 employees taking part in the survey (7.89% of all employees). However, the content of the 2015 questionnaire differed from that of the 2018 questionnaire, so findings cannot be directly compared.

4.4

Employee welfare and care

Employee welfare

PCSC provides our partners with competitive salaries and wages and ensures that base pay is greater than the national standard for each year through salary and benefit surveys (remuneration for new office employees (college graduates) and labor base pay (NT\$22,000) is 1.55 times higher; remuneration for master's degree holders is 1.82 times higher; beginning pay for college graduates is based on standard salaries for current market conditions). In addition, men and women in the same position are given the same base pay to promote equality. Salary and benefits do not differ according to gender or age. There was no marked difference in salary ratios for men and women in 2018, with less than 20% difference for all positions. Regarding change in salary, when 2018 and 2017 are compared, the majority of changes were in excess of 2%.

2018 Pay ratio of males to females:

| Item | Males (Multiplier) | Females (Multiplier) |
|--------------------------|--------------------|----------------------|
| Store personnel | 0.93 | 1 |
| Management personnel | 1.12 | 1 |
| Non-management personnel | 1.08 | 1 |

Note: Salaries compared are base salaries for 2018 plus annual bonuses.

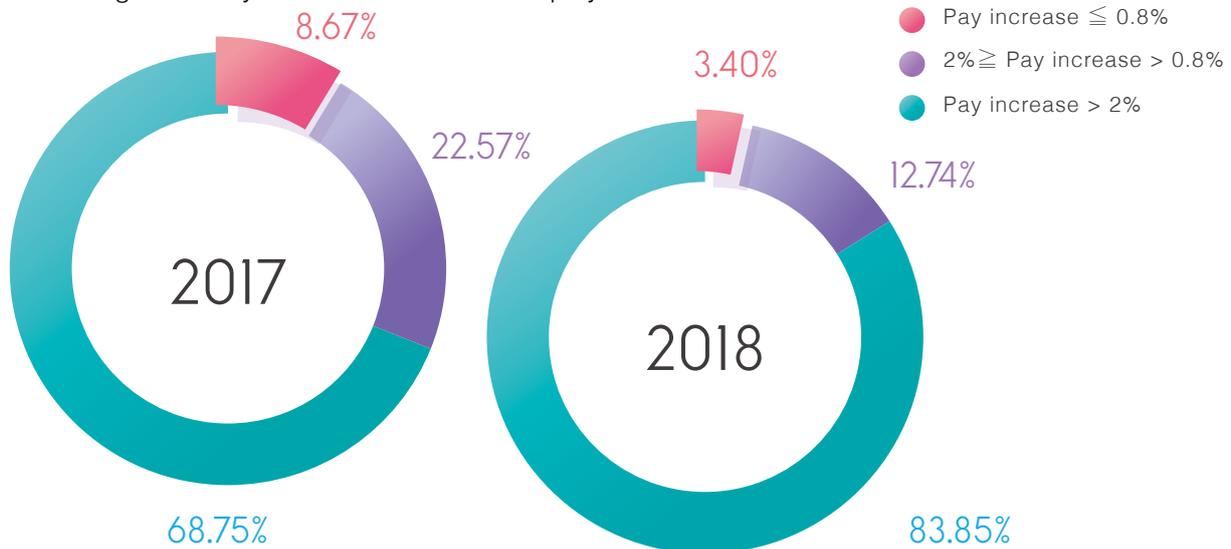
According to Article 4 of the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports, there are 5,506 non-managerial full-time employees in 2018⁴, and the average salary of the non-managerial full-time employees was NT\$953,000. The number of employees 2018 increased by 7 over 2017. Average salary for 2018 decreased by NT\$46,000 over 2017, which resulted from the injection of net profit of stock transaction of Starbucks in 2017.

⁴ Non-managerial full-time employees are full-time employees who are not belongs to managers defined by Taiwan Stock Exchange Corporation and their working hour achieve the requirement of the company. (152 hours/month)



4 Employee Care and Franchise Development

Percentage of salary increase for full-time employees:



Note: As an example, the percentage of employees who received raises >2% was calculated as: Percentage = (Number of employees who receive raises >2%) / Total number of employees.

The reinstatement rate of employees that took paternal leave and the percentage of employees that took paternal leave in 2018 both increased over the previous year. For details, see the table below. Care and follow-up projects for 2018 included showing concern for new hires, personnel exit interviews, and employee engagement survey. Workplace violence was added to the work status survey to determine risk and help managers improve the situation. For information on other benefits, please refer to page 54 of the 2018 Annual Report⁵. PCSC cares for its employees and assists their families. As a result, it has set up breastfeeding rooms in its offices and has signed agreements with childcare organizations to obtain preferential prices for our employees to help reduce their childcare costs. In addition, PCSC offers back office coworkers flexible work schedules, allowing them to work around the needs of their family, helping them achieve a balance between work and life.

⁵ PCSC disclosed its annual report on TWSE market observation post system or investor relations section website: <http://www.7-11.com.tw/company/ir/annual.html>

Reinstatement and retention rates after parental leave in 2018:

| Item | No. of Males | No. of Females | Total |
|--|--------------|----------------|--------|
| Number of employees with the right to ask for unpaid parental leave in 2018 | 178 | 256 | 434 |
| Number of employees who took unpaid parental leave in 2018 | 8 | 63 | 71 |
| Number of employees estimated to be reinstated after unpaid parental leave in 2018 | 5 | 37 | 42 |
| Actual number of employees reinstated after unpaid parental leave in 2018 | 3 | 26 | 29 |
| Actual number of employees reinstated after unpaid parental leave in 2017 | 0 | 17 | 17 |
| Number of employees still employed 12 months after reinstatement from parental leave in 2017 | 0 | 10 | 10 |
| Reinstatement rate (%) | 60.00% | 70.27% | 69.05% |
| Retention rate (%) | N/A | 58.82% | 58.82% |

Notes:

1. Reinstatement rate: Actual number of employees reinstated after unpaid parental leave / number of employees estimated to be reinstated after unpaid parental leave
2. Retention rate: [Previous period] Number of employees still employed 12 months after reinstatement from parental leave / [Previous period] Actual number of employees reinstated after unpaid parental leave

■ 2018 Interest and investigative projects:



- A questionnaire was sent every month to new management associates who completed their third month of work; a total of 87 questionnaires were distributed and 16 people received special attention.

- Special response to 24 cases (10 office workers/ 14 retail workers); 53 exit interviews in total

- Regional consultant satisfaction survey: Response rate 95.3%
- Workplace violence survey: To understand actual interaction between managers and employees to determine the seriousness of workplace violence in the Company and further draw up measures to bring about improvement. Back office employee response rate 42%, operations cadre 40.7%

Franchisee benefits

PCSC not only helps our franchisees improve their professional skills, but also helps to plan for health exams and leisure activities to create a positive franchise environment. Over NT\$10 million is invested annually to provide lectures, recognize outstanding store managers, organize a franchisee elite college, and encourage franchisee growth. In 2018, NT\$21 million was set aside as subsidies for franchisee vacations and other benefits. Franchisees over the age of 40 with at least 10 years of partnership are also offered a NT\$16,000 health check once every two years. The 2018 budget for these health exams was NT\$5.69 million. Applications are accepted to transfer these health exam subsidies to spouses. A total of 56 transfer applications were filed in 2018, of which 15.56% were approved. For other benefits offered, please see the following table:

■ Franchisee insurance and benefits

| | |
|--|---|
| <p>Insurance</p> <p>Group insurance Franchisee/franchise store employee association</p> | <ul style="list-style-type: none"> ■ In addition to store employees, franchisee family members can be covered. Insurance subsidy amount 15%. ■ Assistance program between franchise stores to help pay for funeral costs for direct family members. |
| <p>Benefit</p> <p>Group movie tickets Promotions with affiliated companies Discounts on leisure activities Franchisee trust fund Health check subsidies</p> | <ul style="list-style-type: none"> ■ 20% subsidy for group purchases of movie tickets up to 60 tickets per year. ■ Discounts on products from affiliated companies. ■ Provides franchises with opportunities for exercise, beauty treatments, and leisure. ■ A tool to help franchisees save money or put away for retirement that provides investment bonuses. ■ Franchisees over the age of 40 with at least a 10 year partnership are also offered a NT\$16,000 health check once every two years. (Applications can be filled out to transfer this incentive to spouses) |



4 Employee Care and Franchise Development

Human rights and labor inspections

To protect the basic labor rights of our employees, to ensure compliance with labor regulations and to reduce operational risk to affiliated companies, PCSC launched labor inspector training programs since 2012 for all affiliated companies. The programs covered legal requirements from Labor Standards Act and Occupational Safety and Health Act to help those in human resources and occupational safety stay departments up to date with the latest developments and changes. In 2016 and 2017, training was specialized into “PCSC Labor Law Training”. In 2018, we held the “Annual PCSC Human Resources Regulations Training”. 100 staffs from 24 companies in the Group participated in the training program. Also we have developed three online training courses about retail store-related labor laws and regulations.

We also conducted labor rights inspections on the condition of labor and health insurance compliance, work hours, remuneration, and occupational health and safety for all franchise retail locations. Guidance was given to any locations that did not abide by relevant regulations. Inspections were completed periodically for labor and health insurance compliance and occupational safety and annually for work hours and salaries. In 2018, 4,700 stores were audited with 4.9% failing to meet at least one standard, which was 4.8% fewer than the 2017 result. Based on the inspection results, the operational units in each zones provided additional consultation on legal compliance and performance improvement, which helped achieved 100% improvement rate. One infraction regarding compensation for not giving overtime pay and not giving workers enough rest time was found during labor inspections by the competent authority in 2018. A NT\$100,000 fine was issued and correct calculation methods provided. PCSC will continue conducting labor rights inspections and analyze year-to-year performance. Retail locations that repeatedly fail inspections for the same regulations will be disclosed in order to encourage complete legal compliance. In addition, PCSC has conducted inspections on occupational health and safety for 588 directly-owned stores and 4715 franchised stores.

Communication between labor and management

At PCSC, we view all of our partners as part of a whole, attaching importance to the views and feedback of each of our employees. In order to hear and understand them better, we provide various channels for communication, such as joint service center, dedicated email Helpline, stakeholder communication channel on the corporate website, and an internal communication platform, to encourage staffs to share their thoughts directly with managers. In addition to these channels, we have set up an internal proposition system, so that employees can offer feedback concerning Company operations. If any staff has a suggestion or feels that their rights have been violated, they can file a report through any of these platforms. There were 96 reports related to employee rights filed in 2018, the majority of which were in regards to remuneration and overtime pay disputes. All of the reports were handled within the 2018 calendar year. While PCSC does not currently have a labor union, we have drawn up labor-management consultation methods in accordance with the law and hold labor-management meeting regularly. The five representatives of employers and employees respectively, and the employer representatives are nominated by each departments and represented on behalf of all employees. The representatives of the employee and employer can dialog directly during meetings to negotiate issues like benefits, welfares and regulations, employment and how to improve the working environment, which ensures and improves timely and effective employer-employee communication. In 2018, four labor-management meetings were convened discussing such topics as paid leaves, calculation methods of overtime pay, human rights policies, amending work regulations, and workplace violence. The results of the labor-management meeting are submitted to and implemented by relevant units.

In addition, in the event of an incident related to Article 11 of the Labor Standards Act, communication is first initiated with the employee: workers who have worked continuously for more than three months but less than one year are notified ten days in advance; workers who have worked continuously for more than one year but less than three years are notified twenty days in advance; and workers who have worked continuously for more than three years are notified thirty days in advance.