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Always Open · Always Happy

PCSC is committed to be the best happy enterprise and is targeted at offering the most convenient services to create the biggest benefits for all stakeholders. It is our mission to fulfill our corporate social responsibility, promote social stability, and pursue business excellence. Starting from our store, we expect to incorporate our vision, governance, products and services to strengthen the communication on CSR performance in response to the capital market home and abroad. We also hope to leverage our influence on the suppliers and consumers to bring happiness to everyone.

PCSC has been with the consumers for more than 35 years in Taiwan. We started an revolution among retail channels and significantly transformed consumer's lifestyle while improving our own sales revenue. CVS chains have become a distinctive feature in Taiwan and an integral part of the consumer's daily lives. It is our greatest mission to pursue innovation leadership, improve consumer's quality of life and become a happy enterprise that contributes to the stability and sustainable development of the society.

4.1 Sustainable Lifestyle

In an era of uncertainty, it is PCSC's responsibility to create a new type of consumer experience with our products and services in response to the consumer expectations and market trends in Taiwan. Through the extensive work on product development, we are able to offer consumers with low-price products that are of fine quality and environmental-friendly. We also try to bring back the human touch in Taiwan by engaging in the community services. PCSC has led our affiliates in fulfilling our corporate social responsibilities through partnerships and extensive communication. We lead by example and achieve the target of reducing 5% of greenhouse gas emission at PCSC. It is our hope to lead our business affiliates and the general public to a better future with sustainable lifestyle.



Products

PCSC introduced the 7-SELECT private brand that covers low-price items ranging from foods, beverages and convenience items to healthcare and textile products. PCSC chooses to work with the best manufacturers in developing these products under the private brand to bring both quality and value to the consumers. We have put a great deal of efforts in product manufacturing and packaging design, the commitment to the best quality not only satisfies consumer demands, but also has made 7-SELECT a great success.

In view of the global development trends, sustainable business development comes from the well-being general public. In the time

of high inflation, it is crucial for business to introduce products and services that can contribute to revenue growth and reduce the financial burden for the consumers at the same time. We therefore introduced eco-friendly products in 2012, 7-SELECT LED light bulb and 7-SELECT 2.5X Concentrated Anti-Bacteria Detergent. These products offered at a value price can help the consumers to save energy and reduce the expenditures for daily life. Meanwhile, we recycle the coffee grounds of CITY CAFE to produce the 7-SELECT Extra Heat thermal underwear and socks with the patented coffee carbonation technology. This technology not only helps to increase the economic value of coffee grounds, but also create quality apparels with thermal insulation and anti-bacteria features is able to provide quality textile products that have sold more than one million pieces in 2012 alone.

It is our belief that by prioritizing our consumer's needs, we should be able to develop products that are both cost effective and environmental friendly. This will create a win-win situation by helping the consumers to develop a sustainable lifestyle while creating opportunity of business growth for ourselves.

Social Care

PCSC expects the 7-ELEVEN stores can bring back the human touch of the neighborhood grocery stores in the 1970s (when the first 7-ELEVEN opened), and become the community center where local residents can meet and socialize with each other. We love to become the consumer's good neighbor in the 21st century to

influence their lives with our enthusiasm. We also expect ourselves to bring warmth to the society through the charity efforts of our store and staff members.

Starting from 2009, we have been expanding the size of our new stores to provide a relaxing and comfortable social

place for the local residents. PCSC also hosts Good Neighbor Parties campaign to design activities and events according to the unique characteristics and cultural background of the neighborhood. The campaign has been a huge success in creating a community social platform and getting the

residents out of their own homes.

PCSC hosted a total of **776** Good Neighbor Parties in **2012** with an average of 2 events per day. The annual attendance has exceeded **250,000** people every year since inception. We hope to bring sincerity, enthusiasm, warmth and tolerance to the community and have the community pass on the love and care to every member of the society. We are able to learn the consumer's demands from these community events and use the feedbacks as the foundation for future product and service development. It is how we can earn the trust and friendship from the local residents and become the irreplaceable good neighbor in the community.



Moving Forward with Our Affiliates

Ever since PCSC joined with Ryoshoku Ltd. in founding Retail Support International in 1990, we have been working with our business affiliates in the retail and logistics industry in forming a solid network of logistics and business intelligence. With the unique business model that incorporates the physical retail channel, virtual distribution channel and the logistics supporting system, we are able to shorten the urban-rural gap and transform the modern lifestyle with the power of logistics.

Our logistics network covers the whole island of Taiwan and provides the consumers with a comprehensive set of services. We therefore are constantly thinking about how to leverage our influence to become the mainstay in the society. Consequently, we expect our affiliates can also develop their own goals of sustainable development, improve their soft power and influence to the society. We therefore invited our affiliates in the logistics, retail, F&B and service industry to share the CSR best practices with PCSC and learn the latest CSR trends via industry-specific benchmarking.

Through our own implementation and constant sharing, we believe we can not only help our affiliates to recognize the close



relationships between CSR and their core business, but also help ourselves to improve our business performance and brand image to further create synergy. We can only create a sustainable society if every one of us can put the CSR concept into practice in the respective area. PCSC is committed to set the example for our affiliates in fulfilling our corporate social responsibility to contribute to the welfare and prosperity of Taiwan.

Reduce Greenhouse Gas Emission by 5%

Global trends including the change of social structure, the pressure of economic development and the concept of environmental protection have influenced PCSC's operation and the general public's daily life. We believe the most direct impact at the moment is the challenge brought by global climate change. From the frequency of natural disasters to global climate abnormality and the depletion of natural resources, these phenomena have gradually changed our reality in life.

It is an issue of business risk if we think from the enterprise's perspective, but it is

also an opportunity of new product development if we think from the consumer's perspective. We have to be familiar with the topic before we can find more opportunities to exert our influence. PCSC first conducted the greenhouse gas inventory check in 2005 based on the GHG Protocol and started to manage the risk of greenhouse gas emission and identify the opportunities of emission reduction. As the leading CVS chain in Taiwan, PCSC voluntarily set a greenhouse gas reduction target in 2011 to reduce 5% of greenhouse gas emission per revenue (NT\$ million) by 2015 based on the emission level of 2010.

The total amount of greenhouse gas emission is expected to increase with the business growth, therefore the key to our actions is to achieve the target of reducing greenhouse gas emission by 5% while maintaining the speed of our business growth. We will continue to strengthen energy saving measures, enhance equipment efficiency, and improve personnel training to make carbon reduction not only a business objective, but also part of our business culture at PCSC.

4.2 Healthy Food · Food Safety

According to our long-term observation of the consumer market in Taiwan, we have identified the significant increase of people eat out and choosing light meals on a regular basis. The demographic trends of late marriage, low birth rate and aging population have contributed to the growing of eat-out population. The eat-out market size has almost grown to NT\$500 billion and is continue to increase at a rate of 5% annually. We started to offer a variety of fresh food and light meal products in response to the consumer's demand for meals that are convenient, delicious and healthy. We also observe the diet habit of different market segments to introduce a variety of combo meals throughout the day and install the seating area for consumers to enjoy the meals in the store. By the end of 2012, food service has become the third biggest revenue source for PCSC among all product categories, making 7-ELEVEN the biggest F&B chain in Taiwan.



It is our commitment to the consumers to ensure food safety for the enormous population enjoying our fresh food products every day. From the source management of ingredient procurement and the manufacturing process management of food safety education, to the distribution and store management that emphasizes on end-to-end temperature control, we have been sparing no efforts in ensuring the best product quality for the consumers. All of our suppliers have to meet the GMP, CAS and HACCP requirements certified by the government authority concerned. All of our products are preservatives free. PCSC also joined with our suppliers in developing and improving the products to enhance the level of food hygiene and safety for the whole fresh food industry.

The food safety incidents in recent years such as the pesticides residue on vegetables, ractopamine on meats and plasticizers have caused the consumer's significant concern. In response to the concerns, we have further improved our management procedures because it is our responsibility and obligation as the leader in retail distribution channel to improve the credibility of fresh food products and strengthen the management of the supply chain.



Food safety is the fundamental requirement for our success because consumers will only purchase products that meet their requirements in quality and safety. In view of the constant reoccurrence of food safety incidents, we believe our criteria for food safety management should far exceed the level required by law. In view of the importance of food safety and to reduce the product risk, PCSC has raised the level of Quality Assurance Team under the Logistics Department to establish a Quality Assurance Department in 2011 that reports directly to our COO. We also founded the Quality Inspection Lab in October 2012. The three main responsibilities of the lab are quality assurance planning, verification and auditing, and quality inspection. The lab can inspect and monitor the unknown additives, animal drug

residue, pesticide residue, food additives and bio-toxins within our own products and their ingredients. The food safety inspect capability by leveraging food safety expertise and techniques to meet the consumer's expectation and monitor emerging risk factors by deploying a more thorough food safety information network. These measures will help the consumers to ensure food safety from the source to the shelf.

The goal for the Quality Inspection Lab is to win the ISO/IEC 17025:2005 certification. We will also establish a cross-disciplinary expertise that covers the area of food, chemistry and environment to upgrade our food safety system.

End-to-End Product Monitoring



Quality Assurance Flow Chart



In addition to improving food safety for the consumers, we also promote the concept of healthy diet to the consumers. We have launched the campaign of Calorie Diary since 2005 to help the consumers learn their daily calorie consumption. In addition to launching low-calorie food products, we also introduced our own mobile app of calorie database of 7-ELEVEN's food and beverage products as well as other common food products for users to document their total calorie and nutrient intake on a daily basis. Users can also use the app to share their calorie intake on Facebook to help them get motivated in weight management.



Safety Assurance from Farm to Table



We treat the food safety issue as one of the top priorities in our company. However it is also crucial for us to identify the source of the problem in the supply chain and take precaution measures. As a fresh food product vendor, we started to conduct in-depth analysis on our supply chain and established an end-to-end quality control procedure. We go to the source to partner with farmers and help them introduce the latest agricultural techniques. We develop stringent criteria in controlling the time and temperature during manufacturing and delivery process to ensure the safety and tastes of the foods.

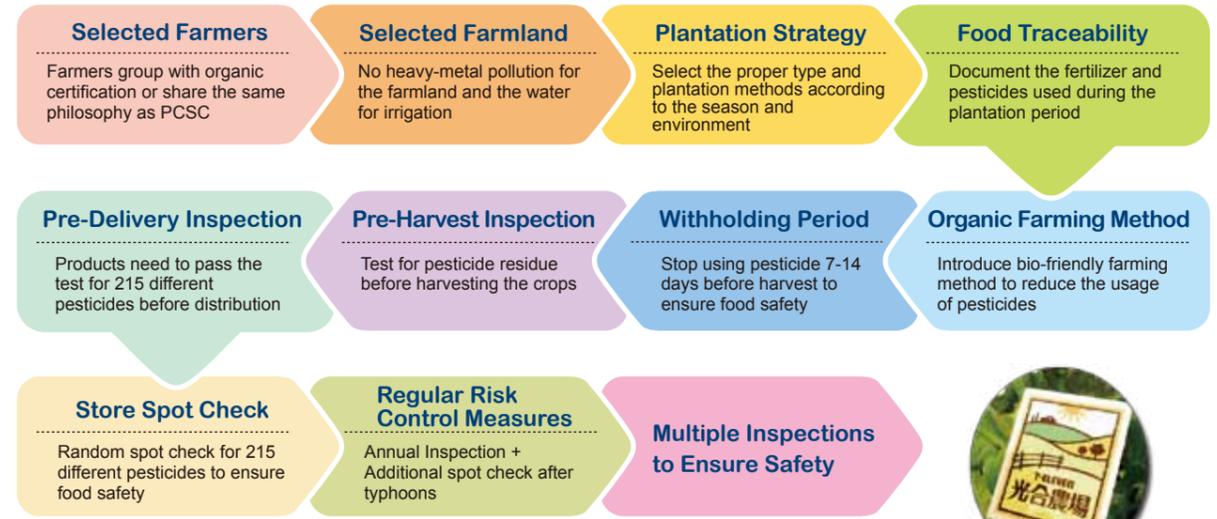
PCSC have introduced the concept of "New Agriculture in Taiwan" by selecting local produces for the fruits, vegetables, sandwiches, salads, and drinks under the Kuang He Farm brand of fresh food products. Our farm in Yunlin County features the only EU-standard vegetable hothouse and plantation technology. The farm produces different pesticide-free vegetables including

lettuce and baby leaf. These vegetables will be stored at a 7°C environment right after harvesting and be cleaned with running water for five times before being delivered to the stores.

So far we have established the food traceability system for our vegetable products at Kuang He Farm, the meat products (including the contracted pig farmer system), and the Quality Inspection Lab. PCSC works with more than **1,000** farmers, **400** fresh food suppliers and manufacturers to create the biggest fresh food supply chain in Taiwan. In order to ensure food safety and consumer health, we will conduct a series of tests on preservatives, microorganism and packaging material for each fresh food item before launch. In 2012, PCSC has invested a total of **NT\$7.417 million** for

testing. We will continue to incorporate modern agricultural technology and traditional farming techniques to provide safe and delicious fresh foods for the consumers.

While introducing new technologies to respond to the growing demand for production, we also value the opportunity to work with local farmers and fresh food manufacturers. It is our hope to support the local agriculture with our supply chain to encourage more people to devote their talents to the agricultural industry to help it break through the conventional business model. It is one of our most critical corporate social responsibilities to lead the consumers in supporting the growth of the new agriculture in Taiwan!



Item	Application	Consumption	Total Consumption
Rice	Rice balls, lunchboxes,	19,000 tons (1.9% of total yield in Taiwan)	The total consumption reached 52,100 tons (NT\$3.5 billion) by the end of the year.
Domestic Chicken & Pork	Lunchboxes, rice balls, pastas, sandwiches, oden	9,000 tons	
Egg	Oden, sandwiches, and salads	1,100 tons	
Vegetables	Lunchboxes, pastas, oden, sandwiches, salads	23,000 tons	

PCSC partners with more than 1,000 farmers, 400 fresh food manufacturers and suppliers and the famous Shih An Farm and YSS Foods to create the biggest fresh food supply chain in Taiwan.

To provide vegetables, salads from the Kuang He Farm brand of fresh food products.

Partners with special chicken farm, which is the first EU-standard in Asia.

7-ELEVEN set up a long-term platform to cooperate with farmers and suppliers.

To work with contracted farmers, monitor the manufacturing process thoroughly.

