

PCSC Corporate Social Responsibility Report

7-ELEVEN®

PCSC Corporate Social Responsibility Report



www.7-11.com.tw



About This Report

This report is intended to communicate PCSC's perspectives and responses towards important issues of sustainable development and explain the current achievements and future plans for the purpose of self-monitoring and self-evaluation. This report also acts as a means for us to communicate with our stakeholders. We expect the disclosure, communication, and feedback of information can contribute to our mutual understanding with the stakeholders and help create synergy to achieve the goal of bringing thoughtful service and happiness to our customers anytime, anywhere.

PCSC refers to GRI G3.1 issued by Global Report Initiative (GRI) and publishes the 4th Corporate Social Responsibility Report this year (2013). Data and contents of this version are based on the statistics of 2011 and 2012 (from January 1st, 2011 to December 31st, 2012). The report covers future outlooks and opportunities with an application level of B and sets the organization boundaries according to the principle of report consolidation. The performance data in the report is focused in Taiwan and covers the CSR activities of our logistics affiliates. It is expected that statistics of other affiliates whose businesses are relevant with the operation of PCSC to present a more comprehensive picture of PCSC's value chain and serve the purpose of report validation.



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Publication :

The President Chain Store Corp. will produce its CSR report on a biennial basis and publish it on the company website : www.7-11.com.tw.

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1

Words from the Chairman



Words from the Chairman

PCSC is about to celebrate its 36th anniversary in Taiwan. Despite the challenging environment of economic recession and increase cost, PCSC still sets record high numbers in terms of revenue and net profit before tax thanks to the efforts of all employees and franchisees, the support of our suppliers and the trust of the consumers. We would like to extend our sincere appreciation to all of our stakeholders and publish this CSR report to disclose our sustainable progress in performance with our efforts in innovation and transformation.

The success of a retail service company depends on seven fundamental elements, which are people, store, merchandise, logistics, system, policy and culture. The greatest challenge for PCSC is to make our products and services the preferred choice for customers, and in the meantime helps the society to advance to a higher level. We have committed to become the best happy enterprise and internalize the concept of CSR in our core business to make every store the proving ground of CSR.

During the past two years, we considered achieving the satisfaction of our customers, partners, shareholders and the general public our most important objective; we therefore spent a lot of time and efforts in building a solid foundation for our CSR efforts. In terms of corporate governance, we have recruited independent directors and established an auditing committee to strengthen the corporate governance system. In terms of organization reform, PCSC is aimed at constructing a fair and friendly working environment and building a sustainable brand. In 2012, more than 50% of our stores are the newly-renovated ones with bigger interior spaces. We have also been sparing no efforts in developing store managers that have the strategic thinking and professional expertise to further connect the store with the community, environmentalism, and charity activities.

In terms of quality management, we have invested in establishing the quality inspection lab and full process management through contract farming. In the area of product differentiation, the percentage of private brand products has reached 31.4% by 2012. We have incorporated the concept of sustainability in 7-SELECT products and introduced products like LED light bulb, detergent and thermal underwear with energy-saving, water-saving and resource recycling features so that consumers can enjoy sustainable life at a reasonable price. Meanwhile, our saving energy and greenhouse gas reduction

action began at stores. The stores have introduced advanced energy-saving technology in terms of power management, lighting design, air-con planning and refrigerator improvement and further enhance energy efficiency by adopting power-saving device, refrigerator frequency converter and shared radiator.

PCSC has advanced its organizational restructuring process and fully introduce the CSR philosophy after two years of transition period. In the future, we will focus on the value, quality, service and cleanness of our stores to facilitate sustainable growth with structural change and make our products and services the best solutions in the consumer's daily lives. With sincerity and integrity, we have the confidence to truly practice our business philosophy to make PCSC the most reliable and favorable brand.



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2 Highlight Summery

Economic & Governance

7-ELEVEN Store Expansion

Market Share (%)

49.02

Total number of 7-ELEVEN (Stores)

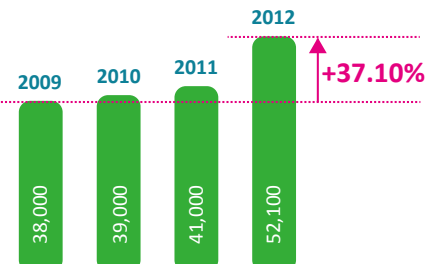
4,852

CSR Governance Performance

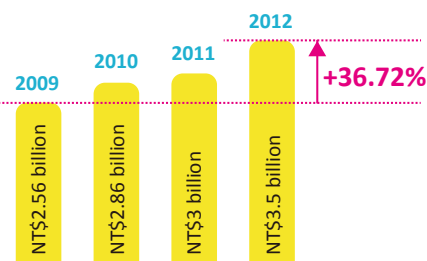
- Enact "PCSC Corporate Social Responsibility Best Practice Guideline".
- Establish the Compensation Committee.
- Introduce Independent Director and Establish the Audit Committee.

Indirect Economic Impact

Total Consumption for Agricultural Produces (tons)

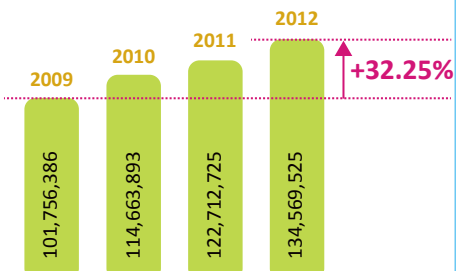


Purchase Amount in Dollars (NT\$)

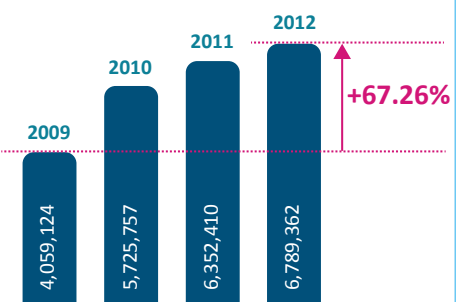


Direct Economic Value

Revenue(NT\$1,000)

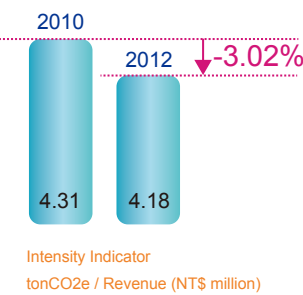


Net Profit(NT\$1,000)



Environmental

Energy and Climate Change



With the introduction of energy-saving measures during 2011 and 2012, it is expected that PCSC can save more than **51.63** million kw-hr of power each year, which equals to the reduction of 30,621 tons of CO2 emission. The power bill saving for 2012 is expected to be around NT\$100 million.

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.

Promote Logistics Affiliates-Implementing Carbon Reduction

- Truck fleets will install vehicle real-time monitoring system.
- Based on the results of the pilot run period, approximately NT\$3 million of fuel cost can be reduced annually for every 1,000 vehicles after the system is introduced. Each vehicle on average can reduce 4.6 hours of idle time and reduce CO2 emission of **21.5 kg** every month.
- Logistics Affiliates (Retail Support International, President Logistics International Corp, UPCC, Wisdom Distribution Service, and President Transnet Corp)-Implementing Energy-Saving and Carbon Reduction Program.

Green Product

- PCSC introduced new 7-SELECT green products that promote sustainable lifestyle
- 7-SELECT Extra Heat thermal underwear have sold more than one million pieces in 2012 alone.
- Coffee grounds of CITY CAFE have been recycled to produce Extra Heat thermal wear. Each kilogram of fabric contains 10g carbonized coffee particle.

Green Procurement

- PCSC has upgraded to the 3rd generation of POS system in 2012.
- The computing speed **3.7times** ↑
- Normal rated power **↓ 25%**
- standby power **↓ 38%**
- 3rd generation of POS helps to improve the efficiency of operational management and bill processing.
- 3rd generation of POS significantly reduce the power cost of the POS system.



Social

Charity Works



Coin Donation at 7-SELVEN stores has accumulated a total charity donation of **1,647,640,000** (by February 28th, 2013) during the past 25 years.

We have raised more than NT\$ 32 millions and helped more than 125,000 physically and mentally challenged people and their families since 2007. A total of **1.59 millions** person-times have been benefited by the program.

Employee Rights

- PCSC published the labor rights and interest policy in 2012.
- We recruited **60** auditors within the group to conduct labor-related internal audit to create a fair working environment.

Society Safety

4,852 stores of 7-ELEVEN cooperate with Governance to become part of the government's disaster information reporting system

CSR Happy Ambassador

A total of **60** store managers have completed the program in 2011 and 2012. They have implemented community-specific CSR projects within the store.

Community Involvement

- A total of **1,420** Good Neighbor party were held in 2011 and 2012.
- More than **82,184** volunteers had participated in the "Clean Up the World" event in the 2011 and 2012.
- There are **421** 7-ELEVEN stores featuring the Community Health Station in Taiwan.

3

PCSC
OverviewCompany
Background

Uni-President Enterprise Corp. established PCSC to introduce 7-ELEVEN to Taiwan in 1978, and opened the first convenience store with open and bright store display two years later. After the challenges in the early years and the constant trial and improvement, we have gradually evolved from the conventional grocery stores into a dense network that reaches every corner of Taiwan. After all these years, we have blended into local communities by providing daily convenience and create quality lifestyle experience for the consumers. We constantly pursue innovation, reposition products, introduce advanced services and create hot topics to enable the consumers to enjoy a brand new CVS experience. We stand at the frontline of market demand and fulfill every need of the consumers. The 24/7 operation and a comfortable dining space have made 7-ELEVEN, in the minds of consumers, a convenient good neighbor and a safe haven in the dark of the night. We consider the smile of satisfaction on every customer's face our ultimate achievement.

For more than 30 years, PCSC has set countless No.1 records in Taiwan, but there are still a lot of rooms for improvement. The corporate culture of "sincerity, innovation and sharing" motivates us to move forward and work hard towards the goal and vision of becoming the No.1 in Taiwan and No.1 in the

world. We leverage our extensive experience in forming a powerful supporting network with the affiliated companies in the group, expanding our range of business to encompass restaurants, drug stores, general merchandise stores, hypermarkets, online shopping, logistics and information system. PCSC advances towards a globalized, diversified and multifunctional business model by establishing a solid and highly efficient collaboration platform.

In the future, PCSC will adhere to its business philosophy of integrity, utilize the concept of TK (product management) to improve on each of the seven business elements of people, store, merchandise, system, logistic, management and culture, and create sustainable growth via initiating structural reforms. We will join with the virtual distribution channels of 7net online shopping service and ibon kiosk to create synergy and introduce more differentiated products and services to provide consumers with more conveniences via a comprehensive service model.

3.1 Our Influence

Organization Size

Status of PCSC operations (end of 2012)

- Founded :1978
- Chairman: Kao Chin-Yen
- President : Ray Chen
- Capital:NT\$10.396 billion
- Revenue:NT\$134.57 billion
- Net Profit After Tax: NT\$6.789 billion
- No. of Employees: +8,000

Total number of 7-ELEVEN Stores

4,852

Market Share (%)

49.02



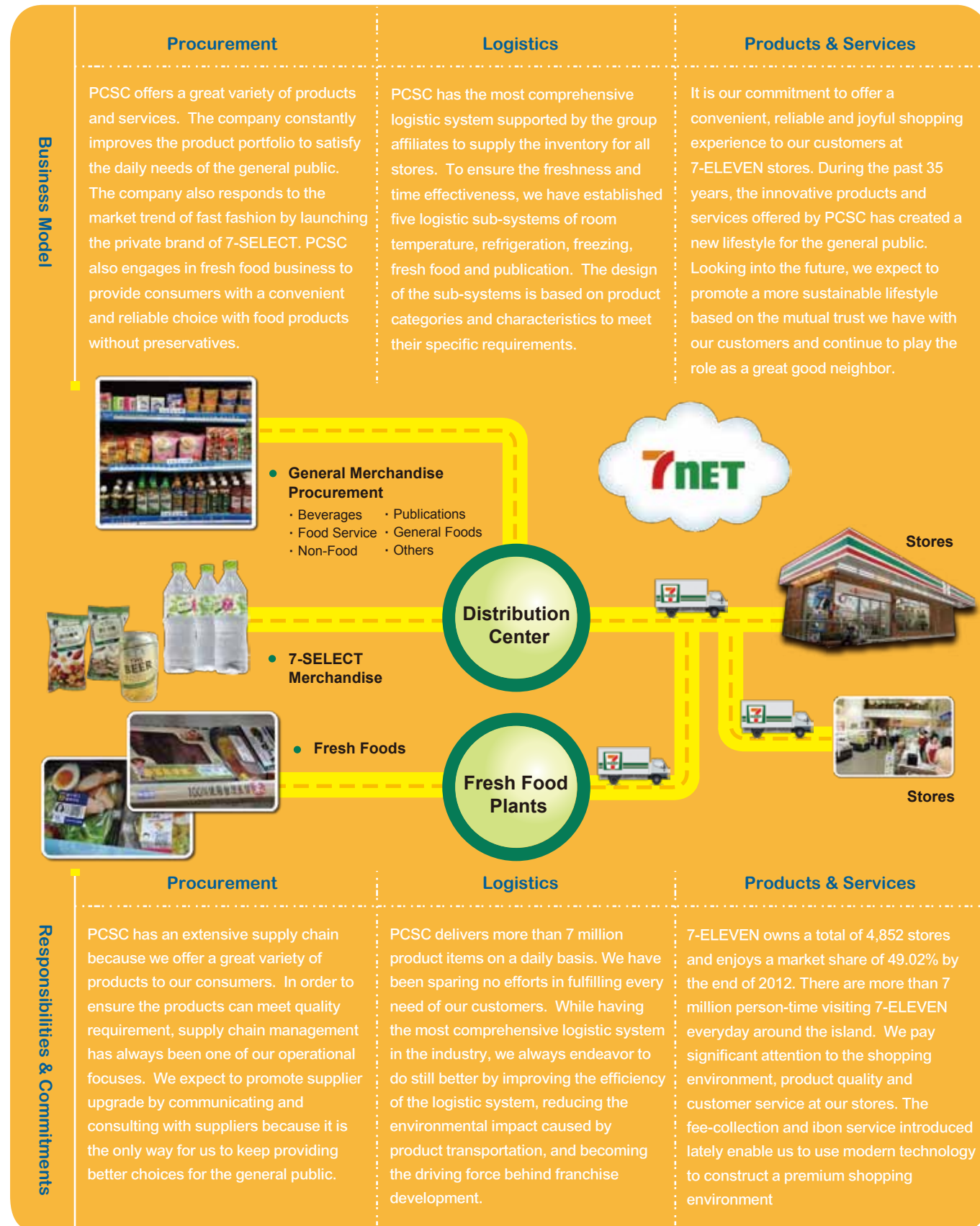
Corporate Governance

Improving corporate governance and business integrity has always been regarded as one of PCSC' s long-term goals. The following mechanisms have been set up as monitoring and control methods for the establishment of a solid governance system, strengthening of the monitoring function, and reinforcement of the management system:

01. Auditing committee members can gain an understanding of the company' s operating and audit conditions through the quarterly board meeting and regular audit reports submitted by auditing units, and are able to communicate with employees, investors and accounting personnel through various channels (telephone, mail, fax, conferences etc.)
02. PSCS carries out a regular internal evaluation with regard to the external auditors' independence to make sure they do not serve as the Company' s directors, supervisors or shareholders, nor do they draw a salary from the company. The external auditors shall not be the stakeholder or the company to ensure auditor independence.
03. The Company has an internal control system that is implemented jointly the board and several departments, and internal auditors check its compliance and report to the Board of Directors on a regular basis. To assure the continuing effectiveness of the system's design and implementation, review and revision are carried out annually in order to maintain good corporate governance and risk control system.
04. The chief auditor serves as the company' s Chief Ethics Officer to launch an "ethical management" campaign by encouraging all employees to sign the self-discipline pact to promote the best practices in ethical behavior. In addition, ethical management cases are publicized to all employees on a quarterly basis with the aim of internalizing ethics in employees and establishing a good corporate culture.
05. To ensure ethical transactions and protect the rights and benefits of both parties, PCSC especially includes an anti-corruption affidavit in all commercial agreements. Shall the company' s employee or supplier makes any improper request of kickbacks, the other party shall immediately inform the PCSC' s auditing office in written or oral form. The legal department of PCSC is planning to add a new clause of business integrity and bribery prohibition in the formal agreement template by 2013.

7-ELEVEN owns a total of 4,852 stores and enjoys a market share of 49.02% by the end of 2012. We hold to the principle of bringing 7-ELEVEN service to wherever it is needed, overcoming all kinds of logistical problems to penetrate into remote areas and provide a simultaneous convenient service to Taiwan and outlying islands.

Our Business model



Awards

For all these years, PCSC has always been working hard to develop innovative products and services while maintaining a positive, energetic and trustworthy brand image. We have been recognized as one of CommonWealth Magazine's "Most Admired Companies" and is a frequent winner in "best company service" ratings. Meanwhile, the company has also won CSR-related awards from both public and private organizations such as CommonWealth Magazine, Global Views Magazine, and the Executive Yuan. Major awards received in 2011, 2012 and the first five months of 2013 are listed as follows:

- ★ Most Admired Company, CommonWealth Magazine, 2011
- ★ CSR Award, Global Views Magazine, 2011
- ★ Taiwan Environmental Hero Award, Global Views Magazine, 2011
- ★ Best Digital Service Company Award, Business Next magazine, 2011
- ★ Emotive Brand Award, Yahoo! Kimo, 2011
- ★ Enterprise Green Procurement Award, Taipei City Government, 2011

- ★ Most Admired Company, CommonWealth Magazine, 2012
- ★ CSR Award in the categories of Community Care, Charity Promotion and General Performance, Global Views Magazine, 2012
- ★ Best Digital Service Company Award, Business Next Magazine, 2012
- ★ Enterprise Green Procurement Award, Taipei City Government, 2012
- ★ Taipei City Energy Conservation Award, Commercial Group B, 2012

- ★ Green Brand Award in Retail Distribution Channel Category, Business Next, 2013
- ★ Enterprise Green Procurement Award, Taipei City Government, 2013
- ★ One of Top 100 of Favorite Corporation of new generation, Cheers, 2013

2011

2012

2013

In order to improve corporate governance and protect the rights and benefits of investors and employees, PCSC has established a Compensation Committee in 2011 and appointed independent directors and set up an Audit Committee in 2012. PCSC also took a giant leap in corporate governance by enacting "PCSC Corporate Social Responsibility Best Practice Guideline."

Establish the Compensation Committee :

The company established the Compensation Committee on August 19th, 2011. It is aimed at helping the board of directors to implement and evaluate the company's policies on compensation and employee benefit, as well as the compensation for directors and professional managers. The Compensation Committee has held four meetings at the time of publishing.

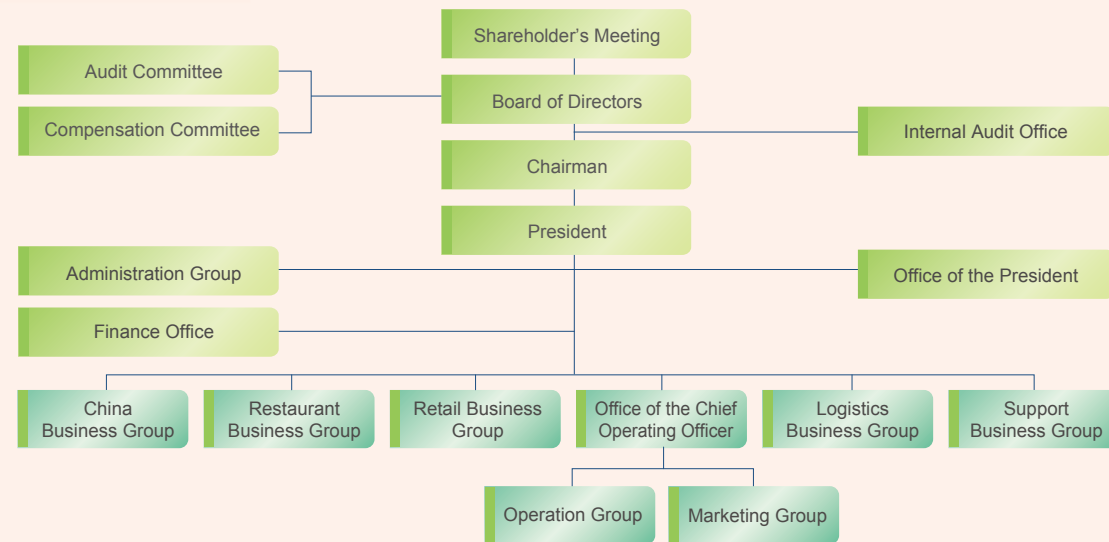
Enact "PCSC Corporate Social Responsibility Best Practice Guideline"

In order to help the board of directors to draft CSR policies, and to include corporate social responsibility as one of the focuses of our daily operation, the CSR Committee is positioned at the corporate governance level to build a top-down consensus of promoting CSR. The company enacted "PCSC Corporate Social Responsibility Best Practice Guideline" in 2012 to help each department to fulfill corporate social responsibility.

Introduce Independent Director and Establish the Audit Committee :

In response to the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", PCSC hosted the re-election of board directors and introduced independent directors in June 2012. The company also established an Audit Committee to help the board of directors to fulfill the responsibility of supervision and the duties assigned by the Company Act, Securities and Exchange Act, and other applicable laws and regulations. The three independent directors appointed are Mr. Wang Wen-Yu, Mr. Chen Min-Dao and Mr. Hsu Pei-Ji, whose term begins on June 21st, 2012 and ends on June 20th, 2015. The Audit Committee has held six meetings at the time of publishing.

Organization Chart



Independent Director

Dr. Wang Wen-Yu

Current Position

Professor, Law School, National Taiwan University

Educational Background

PhD Degree in Law, Stanford University

Professional Background

Former member of Fair Trade Commission of the Executive Yuan, former director of Taiwan Cooperative Bank, former supervisor of Taiwan Futures Exchange, former member of the review committee for public listed companies, etc.

Dr. Chen Min-Dao

Current Position

Professor, Graduate School of Finance, Fu-Jen Catholic University

Educational Background

PhD Degree in Accounting, University of Illinois at Urbana-Champaign

Professional Background

Former executive director of Taiwan Bank, former member of the disciplinary committee of Taiwan Futures Exchange, and former member of the review committee for public listed companies, etc.

Dr. Hsu Pei-Ji

Current Position

Deputy Dean, College of Management, Fu-Jen Catholic University

Educational Background

PhD Degree in Business Administration, National Cheng-Chi University

Professional Background

Former director of the Center for Corporate Governance and Business Ethics, Fu-Jen Catholic University

Investor Relations

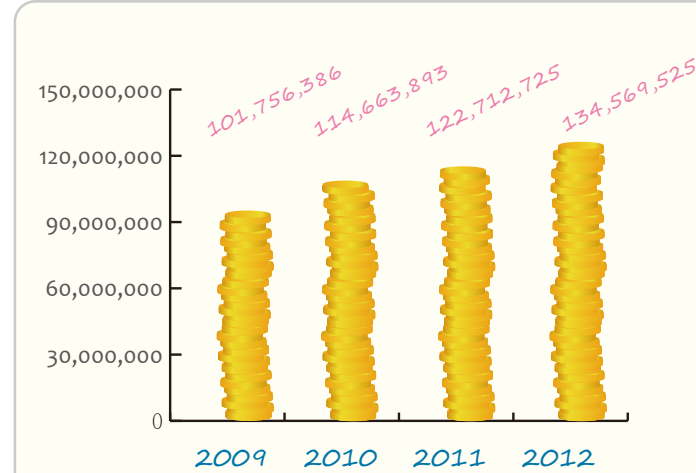
The global economy has been affected by the European debt crisis during the past two years. Companies in Taiwan have also been facing the challenges brought by the increase of energy and labor cost. Despite the economic slowdown, PCSC's management team continued to improve the profitability by adopting innovative business model, improving store quality, strengthening private brands, explore online business opportunities, and leverage the resources of group affiliates to implement integrated promotional campaigns. The total revenue and net profit after tax in 2012 have both set record high at NT\$208.26 billion and NT\$6.79 billion respectively.

It is our responsibility to the investors to offer them with long-term investment values. In view of the solid profit growth, we implement a steady dividend payout policy and maintain a high return on equity. In the future, PCSC will aim at sustainable growth by strengthening operational performance and financial structure to create long-term investment value and improve shareholder's equity.

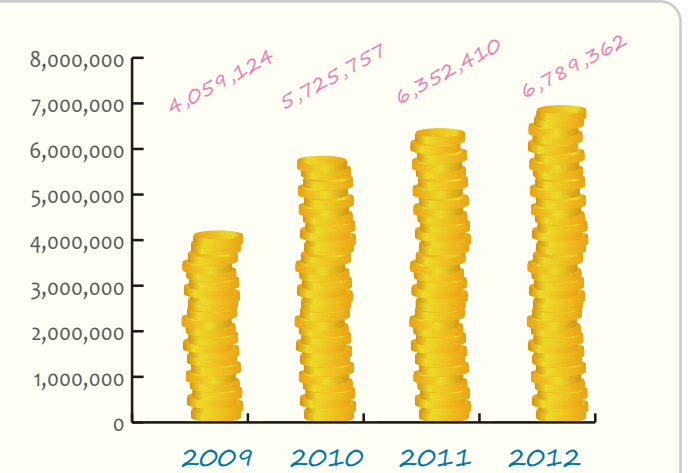
Information transparency is critical in improving the stakeholders' understanding of the company and helping the capital market to identify our intrinsic value. "Information Disclosure" therefore has always been an important part of our efforts in assuring business integrity and

transparency. In addition to hosting institutional investor's meeting to announce the quarterly financial numbers and operational outlook, we also establish an investor's section on our website to provide financial statement, annual report, and information regarding the institutional investor meeting and dividend payout. In 2012, we were rated A+ in the information disclosure review conducted by Securities and Futures Institute in Taiwan. PCSC also publishes CSR report on a regular basis to disclose information on corporate governance, environmental protection and charity contribution to improve information transparency and demonstrate our respect for the investors.

Revenue (NT\$1,000)



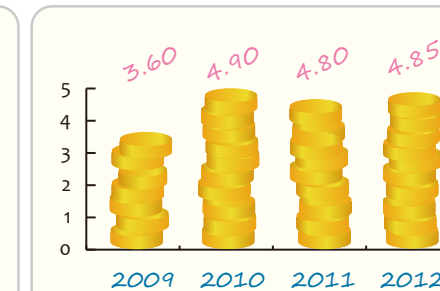
Net Profit (NT\$1,000)



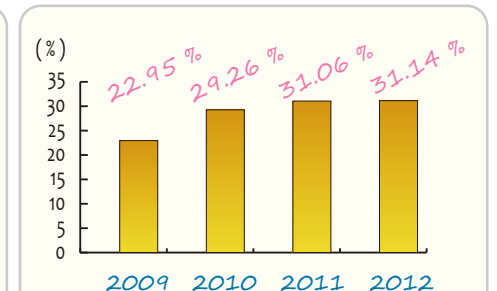
EPS (NT\$)



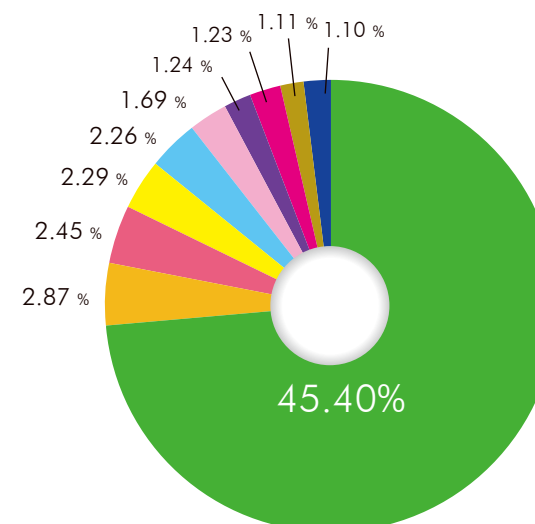
Dividend per share (cash dividend)(NT\$)



ROE (%)



Top Ten Shareholders (2013/04/30)



45.40% President Enterprise Co. Ltd.

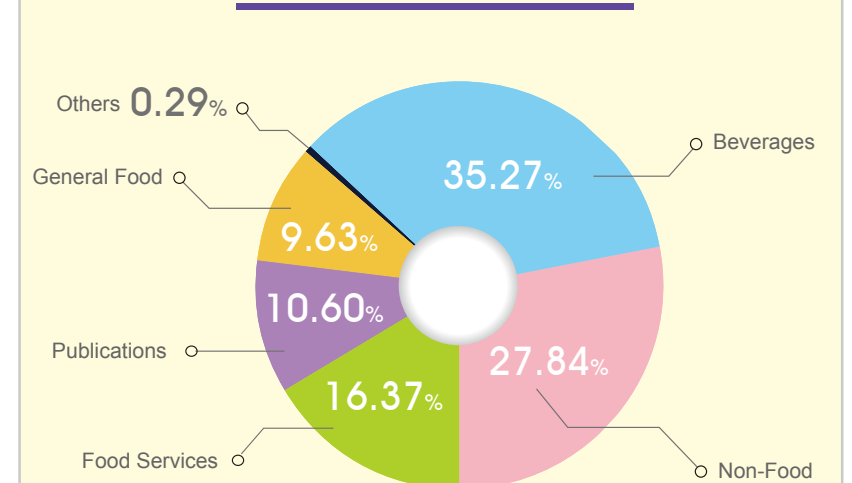
2.87% National Westminster Bank plc as Depositary of First State Global Emerging Markets Leaders Fund a sub fund of First State Investments ICVC

2.45% National Westminster Bank plc as Depositary of First State Asia Pacific Leaders Fund a sub fund of First State Investments ICVC

2.29% JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Saudi Arabian Monetary Agency-State Street Global Advisors as external fund manager

2.26% MATTHEWS INTERNATIONAL FUNDS

Product Category in 2012



1.69% PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank

1.24% JPMorgan Chase Bank N.A. Taipei Branch in custody for Fleming Investment Management Limited

1.23% JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price New Asia Fund

1.11% Labor Insurance Fund

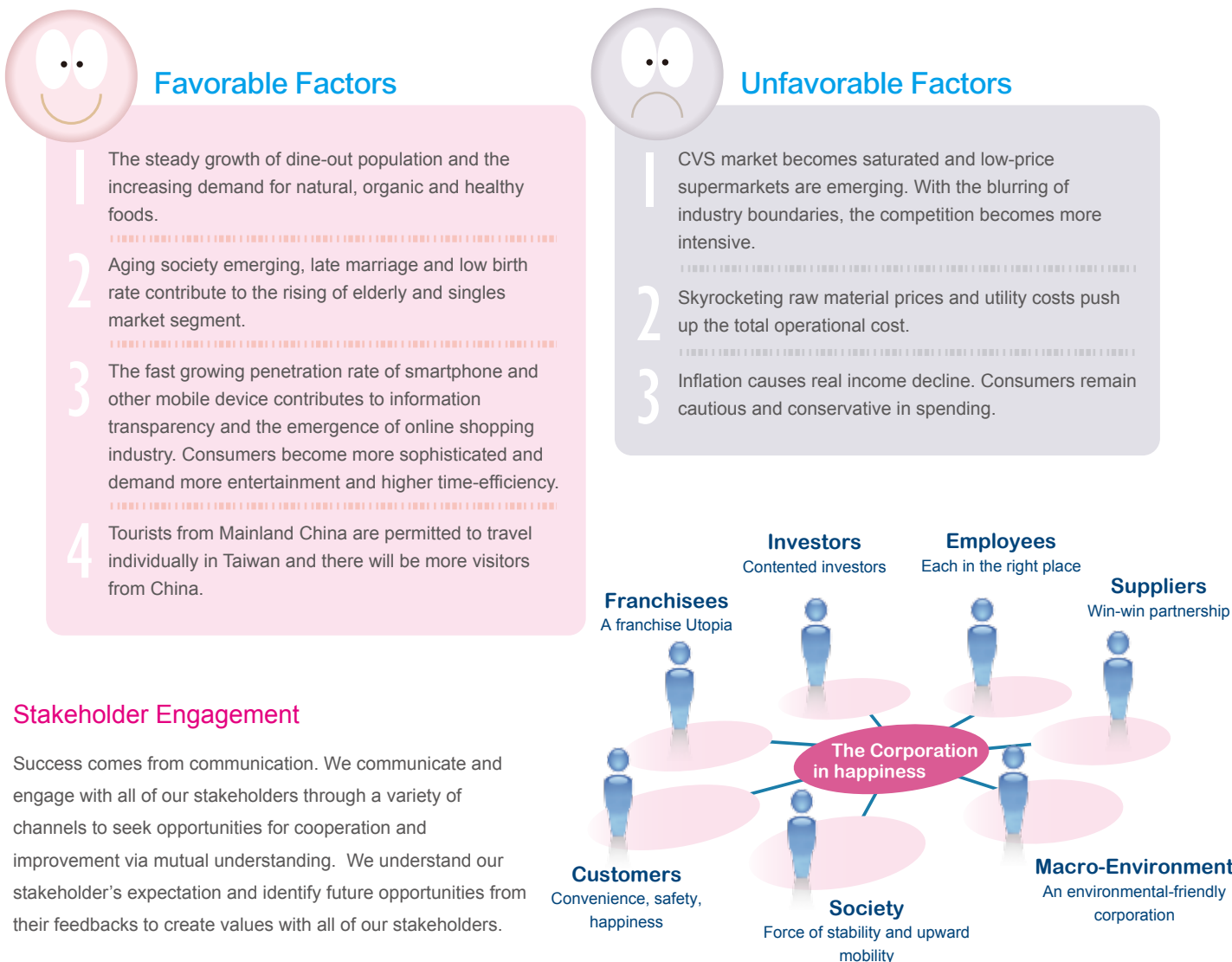
1.10% Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds

3.2 Our Future

The global economy was hit by the European debt crisis and the slowing economic growth of the United States and China in 2012. The domestic economic was also on a reversing trend due to the external impacts. Meanwhile, due to global climate change, the shortage of commodity supply, and the rising of global oil price, both the gross and core consumer price indexes had gone up during the past year. Civilian economy is still booming with the absence of real income increase. PCSC continues to highlight the low-price concept by promoting value combo-meal, offering low-price consumer stable products and developing private brands. Meanwhile, we also try to bring more added-values and differentiation to our product portfolio to bring to the consumers a great shopping experience.

Risks and Opportunities

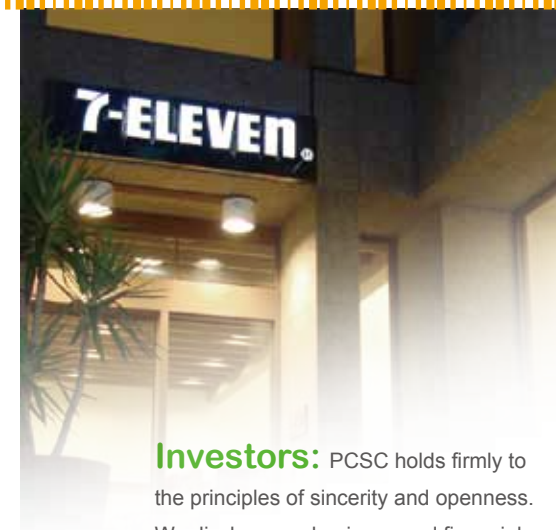
PCSC identifies the characteristics and impacts of specific risk categories including strategic risk, financial risk, liquidity risk, credit risk, and market risk for further analysis, measurement, monitoring, response, reporting and improvement. With regard to macro economy and industry trend, PCSC also conducts analysis on the front of economy, environment, society, consumer and localization to identify the opportunities and threats as followed:



Stakeholder Engagement

Success comes from communication. We communicate and engage with all of our stakeholders through a variety of channels to seek opportunities for cooperation and improvement via mutual understanding. We understand our stakeholder's expectation and identify future opportunities from their feedbacks to create values with all of our stakeholders.

Facing the ever-changing consumer market and the emerging trends, PCSC will aim at offering the ultimate convenience to the consumers and include CSR issues in its core strategic thinking. We will constantly innovate to launch products and services that differentiate from the competitors to let the consumers enjoy products that are safe, reliable and delicious. We will keep up with the consumer's preferences and trends and continue to offer products with superior value and quality to satisfy customer needs and extend the competitive edge. Based on the business philosophy of "diversified merchandise, premium quality, product sanitation and cordial service", PCSC effectively controls product quality, offers superior customer service, and continue to pursue excellence and growth to maintain its leadership as the best CVS brand in the country.



Investors: PCSC holds firmly to the principles of sincerity and openness. We disclose our business and financial information through company's public website and carry on full communication with investors via institutional investors' meetings and domestic and foreign investors' conferences organized by brokers and the stock exchanges.

Employees: PCSC encourages direct communication between employees and the management. In addition to the headquarters' Customer Service Center and internet mailbox to answer employees' problems, we also maintain an internal suggestion system and employee complaint procedure so that employees can fully express their opinions about the company's operations. Meanwhile, we also work with Teacher Chang Foundation to provide employees with mental consultation and establish a "Happy Cooperative" to actively provide timely and effective consultations to the employees.

Suppliers: Our Joint Service Center provides a channel for communication with suppliers, employees, and consumers. We also host vendor meetings and supplier seminars on a regular basis to facilitate communication and deliver our policies.

Macro Environment: Joining with EPA and ITRI to keep up with latest trends and support environmental policies and innovative technology development, we also have developed a cloud surveillance system to monitor store power efficiency in real time.



Society: A charity section is set up at 7-ELEVEN website to announce the donation mechanism and results of ibon and coin donation for charity organizations and the general public to audit. Charity organizations will be invited to make proposals at the end of every year for us to learn the needs of the underprivileged and select charity partners for the next year. To clarify the spending on donations, PCSC formed a cross-department auditing team with representatives from the departments of auditing, accounting, legal and public affairs to track the spending and service results. The auditing report will be published on the website for public review.

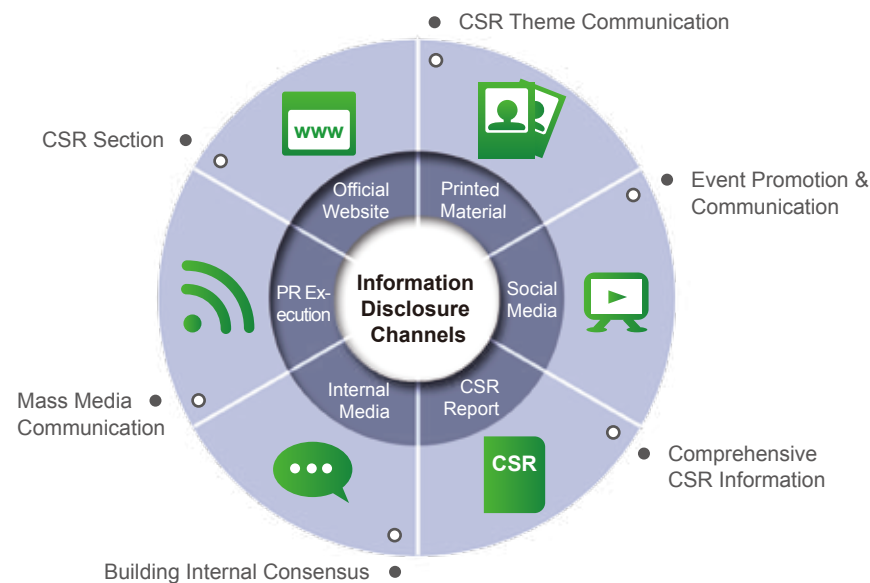
Customers: PCSC has set up a Customer Service Center as a single window with designated personnel to assure that incidents are handled properly and customers' needs are responded immediately. Therefore, a comprehensive mechanism for the Center's process flow has been instituted. The Center has handled a total of 147 issues in 2011 and 2012.

Franchisees: To facilitate real-time communication with franchisees, an online communication platform is

established to share information to all stores managers/franchisees and allow them to leave messages so that the concerned departments could response to the issue immediately. Operation Field Consultants(OFC) will visit the stores every week to deliver latest information and respond to franchisee's questions immediately. In addition, a monthly newsletter is published for the franchisees. The company will also host a variety of networking events for the franchisees, during which they could also communicate with executives face to face.



We also leverage our flexible marketing experience and disclose information via a variety of channels, such as Good Neighbor Foundation website, 7-ELEVEN Love the World Facebook Fan Page and CSR Report, to share our achievements with more stakeholders and sincerely accept the suggestions and feedbacks to further improve our works.



CSR is another core element of business philosophy. We understand that the promotion of CSR concept is a huge and long-term commitment, which is different from promoting physical products or services. Therefore, starting from the establishment of CSR Committee in 2010, PCSC has been thinking about how to incorporate the CSR concept into the routine management activities of each department and division. In addition to review the progress in the categories of "business ethics", "fair trade", "environmental management", and "community participation" on a regular basis, we also try to communicate the idea from the headquarter to the executives in districts and store associates via a comprehensive program of internal training and education.



We also think about how to fulfill our corporate social responsibility at the store level. Starting from the logistic headquarters, we promote CSR education step by step from the executives and employees at the logistic headquarter to the colleagues at regional section and stores.

We have started to implement the educational program from 2011 by leveraging the business structure of the company: We start by conducting a cross-division meeting at the home office, the educational seminars for the supervisors at regional section around the island (including division directors, Zone Managers and OFC), and the regional workshops to listen to the feedbacks of franchisees and share best practices. A CSR best practice booth will be set up at the new product training and exhibition

during spring and fall every year to provide training for the first-line staffs at the stores. An interactive mechanism is established to help the store staff understand the core CSR concept and practices of the company.

After two years of efforts, the CSR Committee concluded its mission in a satisfactory way by instill the CSR concept in the corporate governance system. In order to strengthen each department's capability of CSR management, they are required to include CSR in their respective annual plan and become part of their operational performance because business transformation can only be initiated with the internalization of CSR. Including CSR in our corporate governance activities is the first step for us to promote business transformation. In the future, PCSC will continue to build an internal consensus on



CSR to make it part of our corporate culture for business strategy reform.

7-ELEVEN "Love the World" Facebook Fan Page



PCSC have started to run the 7-ELEVEN "Love the World" Facebook fan page from 2009 and accumulated 1.26 million likes from the fans. We share the latest news of 7-ELEVEN stores with the fans that follow our fan page every day and post the latest CSR events on the page to invite participation. 7-ELEVEN "Love the World" fan page has become one of the most direct communication tool with the general public. We can feel the support from the interaction online, which provides us with the confidence to continue to do the right thing because the more we give, the more we shall receive.

3.3 Our Strategy and Approach

Facing a future full of uncertainties, not only have to adhere to the business philosophy of integrity, but also have to modulate our action plans and development strategies according to different trends and challenges. We have to develop the short, medium and long term business vision for the next 5, 10 and 20 years to respond to consumer's needs, promote social

sustainability, and grow into a world-class enterprise to become the best neighbor for consumers home and abroad.

We will start from the heart to reemphasize the business culture of PCSC at every aspect, be it the innovative products that meet customer's needs or the management approach for store operation. We promote

the product management methodology of TK thinking as the standard operational procedure for every employee to improve the seven fundamental elements of people, store, merchandise, system, logistics, management and culture. The structural change of thinking will contribute to sustainable business growth.

4

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 phenomenons 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 an 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.

Objectives	Quality Assurance Food Safety for Customers	Objectives	Corporate Responsibility Enhance the Industry Standard
Execution	Establish a reliable, transparent supply chain with good food traceability.	Execution	Adopt local produces to assist in industry transformation. Protect farmer's income through contracted farming or cultivation.
Objectives	Product Differentiation Increase Product Value	Objectives	Steady Supply Stabilize Price and Supply
Execution	Change from pure procurement to end-to-end process development. Control the core competitiveness of products.	Execution	Control the product core value and leverage the advantage of scale economy. Equip ourselves with the expertise that matches professional suppliers.

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

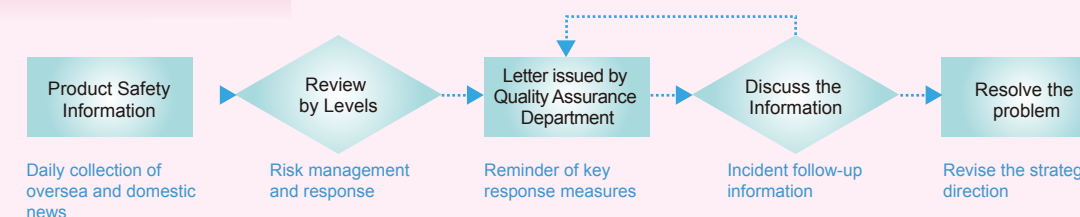
residue, pesticide residue, food additives and bio-toxins within our own products and their ingredients. The food safety inspect capability by leveraging food safety expertise and techniques to meet the consumer's expectation and monitor emerging risk factors by deploying a more thorough food safety 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

Raw Material	Manufacturing	Products	Distribution	Store	Consumer
<ul style="list-style-type: none"> Raw material spot check Contracted farmer visits 	<ul style="list-style-type: none"> Plant grading and management Augmented inspection for key suppliers 	<ul style="list-style-type: none"> Product quality inspection standard New product testing before launch Regular spot check for existing products 	<ul style="list-style-type: none"> Handle abnormality identified during inspection DC quality assurance verification Warehouse/vehicle temperature spot check 	<ul style="list-style-type: none"> Quality assurance system review Operation verification Test the functions of new equipment before introduction 	<ul style="list-style-type: none"> Customer complaint management Take analysis measure on products with quality issues

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!



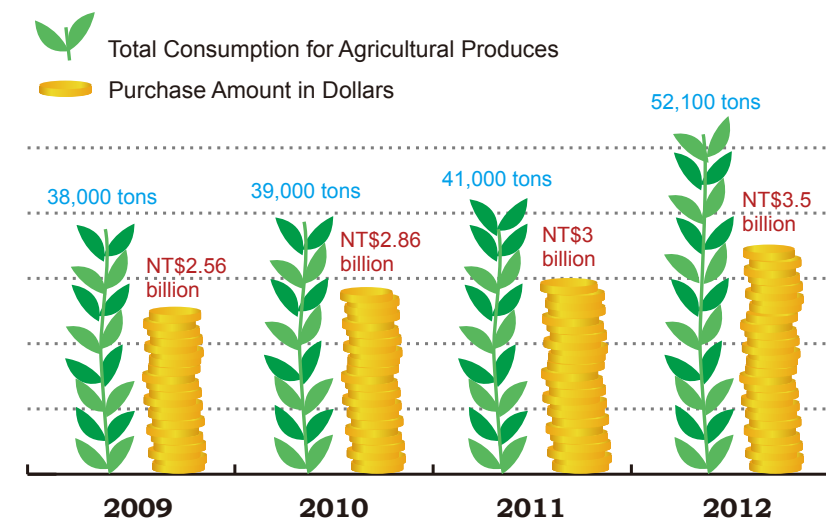
Item	Application	Consumption	Total Consumption
Rice	Rice balls, lunchboxes,	19,000 tons(1.9% of total yield in Taiwan)	The total consumption reached 52,100 tons (NT\$3.5 billion) by the end of the year.
Domestic Chicken & Pork	Lunchboxes, rice balls, pastas, sandwiches, oden	9,000 tons	
Egg	Oden, sandwiches,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



5

Greater Benefit for All Stakeholders

We move towards the goal of becoming the best happy enterprise every day. It is our objective to bring happiness to everyone 24 hours a day, therefore maximizing the benefit for all of our stakeholders is the purpose of PCSC's operation. We based on our core operational values to fulfill our corporate social responsibility at every store. From the products and services to the staff members and campaigns, everything we have at the 7-ELEVEN stores represents our mission to bring a better lifestyle to the people in Taiwan. We lead our consumers in saving energy, reduce carbon emission, garbage recycling, green product promotion, protecting the farmer's income and find back the human touch in local community. Meanwhile, we also work with our stakeholders to minimize the environmental impact caused by our operation through a series of actions. We work together with our

employees, suppliers and the government to take aggressive actions in CSR related issues to promote the development for the company as well as the society in general.



5.1 Store is the CSR Proving Ground



Store managers and employees at 7-ELEVEN know the local residents better than anybody else. We hope to leverage the influence of our stores to encourage people in the community to adopt a sustainable lifestyle, involve in charity activities and promote the

prosperity of the community. Starting from 2011, we started to recruit store managers with the enthusiasm to identify in local CSR issues. They are able to utilize the core capabilities and services to design CSR campaigns that cater to local needs and get the local community to engage in these campaigns.

In order to motive the store employees to incorporate the concept of CSR into their daily works, PCSC introduced the CSR Happy Ambassador Training Program in 2011 to train the store managers on how to leverage the store's core competency and combine the store's services, products and floor spaces with CSR campaigns. A total of 60 store managers have completed the program in two years. They have implemented community-specific CSR projects

within the store. These projects not only earned the support among local community, customers and store employees, but also helped to increase the sales and the number of customers. In the future, we will share the CSR best practices with all stores to further expand the program. Through the daily services, merchandise on shelf, the shopping environment and the self-fulfillment of employees, we can make every 7-ELEVEN a CSR proving ground.



Campaign Title One Day Store Manager Experience for Environmentalism
Performance Influenced a total of 30 people including the participating teachers, students and their parents.



Campaign Title Used Battery Recycling Campaign
Performance Collected 478kg of used batteries. 1600 people had joined the campaign. Donated 200 sets of breakfast.



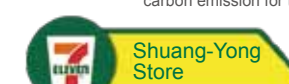
Campaign Title Promotion of Green Bottled Water
Performance Statistics show that the percentage of green products increased from 34% to more than 60% of total sales, which demonstrated the rise of consumer awareness.



Campaign Title Golden Bucket -Turning Garbage into Gold
Performance The store's monthly expenditure on garbage bags decreased from NT\$2880 to NT\$892. The campaign had encouraged students in the neighborhood to put the concept of environmentalism into practice.



Campaign Title Tree Plantation for Carbon Reduction
Performance 280 local residents had joined the campaign to plant 5 Madagascar Almond trees and 80 Golden Dewdrops to reduce carbon emission for the earth.



Campaign Title Magical Community Theater-Recycle and Reuse Classroom
Performance The campaign accumulated 100 participants and increased the number of customers by 20%.



Campaign Title Environmental Story-Telling Contest
Performance 100 elementary school students have joined the contest and more than 90 learning sheets have been collected.



Campaign Title Eco-Section Green Life Proposition
Performance Sales of eco-friendly cleaning products grow by 442%.



Campaign Title Your Health Examination Center-Waistline Measurement Campaign
Performance 10 sessions of health checks have been held with more than 1500 measurements.



Campaign Title Flea Market-Turning Garbage into Gold
Performance The community set up 11 stands at the flea market for used items exchange. More than 200 local residents had visited the flea market.



Campaign Title Exercise Ambassador Election and Customer Exercise Promotion
Performance 8 store employees fight for the title of exercise ambassador. They won hundreds of votes from local residents and led the customers in joining walking events.



Campaign Title "Environmentalism for Charity" Campaign
Performance Partnered with Min-Fu Elementary School and nearby stores to recycle a total of 831kg used products, which can redeem NT\$19,854 worth of products at 7-ELEVEN. More than 2300 students and teachers of the school had participated in the campaign.

P.S. CSR Happy Ambassador is a diversity project. Here we use health and environment as examples.

5.1.1 Satisfied Consumers

It has always been our biggest challenge and goal to provide a better, faster, and a more diversified service to our broad customer base. In order to offer a more diversified product portfolio, PCSC launches new products every two weeks and introduces the most popular and trendy products to catch the consumer's eyeballs.

ibon kiosk

The installation of ibon kiosk brings more real-time services and conveniences to the consumers. Currently the services available at ibon kiosk include mobile office (printing, file downloading and scanning), motor vehicle compulsory insurance fee collection, traffic ticket penalty collection, utility bill collection, travel tickets, hotel reservation, exhibition and concert ticketing, credit card bonus redemption, ringtone/wallpaper downloading and fortune-telling. ibon has become the most comprehensive ticketing platform that provides real-time information on art and culture activities.



icash

ibon

代收

二代事務機

Designated Driver Service of drunk driving

In order to minimize the risk of drunk driving, 7-ELEVEN works with the Ministry of Transportation and Communication and Taiwan Taxi to launch the designated driver service in June, 2012. Designated driver from Taiwan Taxi will show up at 7-ELEVEN in ten minutes to help the drinker to drive home the car. Taiwan Taxi will be responsible for the safety for both the driver and the vehicle and help the consumer to arrive at home safe and sound.



In addition to the physical stores around Taiwan, we also proposed the concept of CVS on the Cloud by launching the 7net online shopping platform. Many of the products available on the platform are sold in "multiple sets" or "value packs" to fulfil the demand of regular grocery shopping. 7net online shopping platform also offers next-day delivery service that allows consumers to pick up the products at the 7-ELEVEN nearby without additional transportation fee. The online platform acts as the "virtual second floor" that allows consumers to enjoy a premium shopping environment without leaving their homes or worrying about online shopping fraud.

Mobile APP Application

With the growing popularity of Smartphone, PCSC introduces a variety of mobile apps, including 7-ELEVEN APP, OPEN APP and Calorie Diary APP to further integrate our physical and virtual

services. Consumers are able to download the apps and customize the service based on their own needs. For example, by integrating 7net APP and the in-store QR code system and barcode scanning, consumers can order the product with their smartphones by scanning the products barcode. The convenient application allows consumers to complete the transaction in a few seconds, which not only saves time but also enhances shopping efficiency.

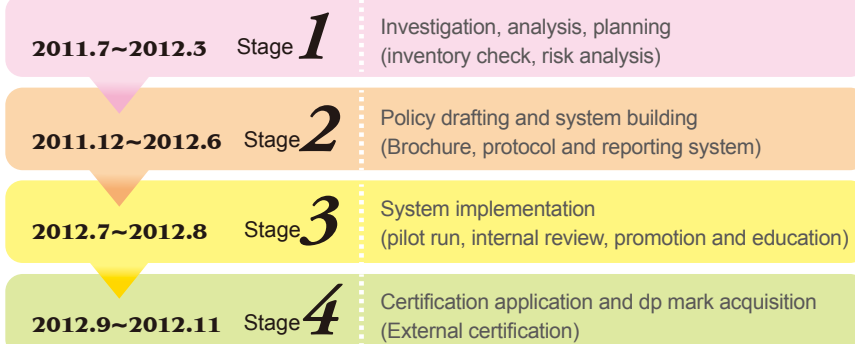
We also introduced an mobile app for ibon. Starting from 2012, the app allows consumers to check the balance and make deposit at their ETC or eTag. The commodity card/gift-card balance inquiry feature also allows consumers to check their card balance with the app immediately. In the future, we will continue to upgrade the app to include more convenient services.

Customer Privacy

With the introduction of a variety of convenient services, we understand the importance of strengthening personal data protection to win consumer's trust. In response to the revision of Personal Data Protection Act and Taiwan Personal Information Protection and Administration System (TPIPAS) promoted by the Department of Commerce, we established a cross-functional personal data protection task force in 2011 and drafted 22 documents as the foundation for personal data protection and management activity to put the concept of personal data protection

into effect. In terms of implementing personal data protection and management system, PCSC was awarded the Data Privacy Mark (DP Mark) by the Department of Commerce, MOEA, making us the first enterprise in Taiwan to win the certification that signifies our emphasis on consumer privacy.

Introduction of TPIPAS System



Promote a Sustainable Lifestyle

PCSC connects the human resources and services of 4852 7-ELEVEN stores in Taiwan and off-shore islands to build an environmental platform with the general public. Three years ago, we built the country's largest resource recycle network by introducing the "recycle for cash" mechanism. The store also continues to introduce merchandises with Green Mark certification and low carbon-footprint. PCSC also launched the private brand, 7-SELECT, that uses recycled and decomposable packaging material. The brand also uses local food ingredients that help to reduce food mileage and support local agricultural industry. PCSC practices the concept of environmental protection in our daily lives and focuses on creating a better future for our future generations.

We have transformed the shopping habits of Taiwanese consumers. Realizing the necessity of transforming into an environmental-friendly and low-carbon society, PCSC is willing to act as the pioneer to guide the general public towards a sustainable future. The simplest and the most direct way to demonstrate our commitment is to provide premium green products for the consumers. Through the marketing efforts and the promotion of certification, we are able to communicate the concept of sustainability or environmentalism to the consumers. We hope the general public can recognize our efforts and join us in transforming the future.



Green Products

PCSC incorporates the concept of environmental-friendliness with our products. We have introduced a variety of Green Mark products and offered pre-order service. The stores also offer products with carbon footprint certification that help raise the consumer awareness on climate change. PCSC also won the national certification of green store.

We started to sell the energy-efficient Everlight LED lightbulb in 2012. In order to

raise the consumer's awareness for energy saving, we especially placed the product in eye-catching location on the shelf and offered a limited special discount to catch the consumer's attention. A total of 100,000 LED light bulbs were sold out in merely three months, creating a total revenue of NT\$29.9 million and an average store revenue of NT\$6,200. We learned from the experience about the growing demand of energy-saving products. We therefore further introduced a

series of energy saving products, such as private-brand LED light, 2.5 X concentrated anti-bacteria detergent, thermal apparel made with recycled coffee powder, smart cool clothes and 7-SELECT bottled water. We hope these energy-saving products can help the society to reduce energy consumption while saving money for he consumers. Let's all contribute our own efforts for the nation as well as the environment.



We launched 7-SELECT H2O Water lightweight bottle that is estimated the product will reduce a total of more than 444 tons of CO2 emission in 2012.



CSR Happy Ambassador :
Liu Hai-Long, Store Manager, Li-Shin Store, Kaohsiung

Li-Shin Store is located in the Riverside Community. The store manager believes that buying green bottles of mineral waters is a practical way to contribute to environmental protection for each bottle can reduce 33% of plastic material, 30g of CO2 emission, and reduce 70% of space required for disposal. If we can increase the consumption of green products, we will be able to gradually reduce the waste of resources and practice environmentalism via daily consumption.

Performance:

Through store merchandising, POP and employee recommendation to change the consumer behavior. Statistics showed that the percentage of green products has grown from 34% to more than 60% of total sales after successfully raising consumer's awareness for environmentalism.

7net Green Mark Products Online



Green Product

7-SELECT 2.5 X Concentrated Anti-Bacteria Detergent

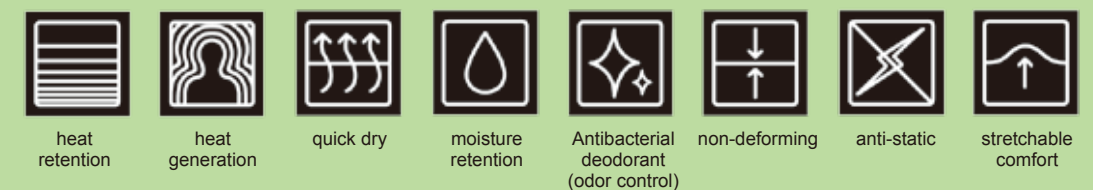
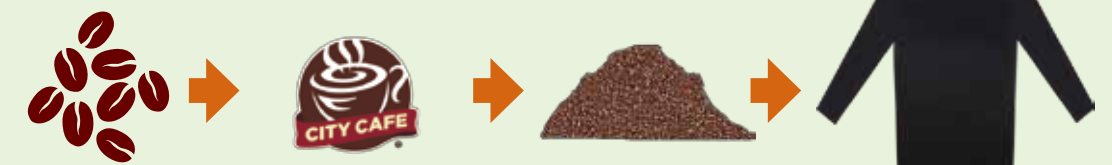
- 2.5X of Detergency** : With 2.5 times of effective ingredients, the 400g detergent is as effective as 1000g of normal detergent which is 2.5 times bulkier and heavier.
- Energy-Saving & Environmental Friendly** : The detergent can be rinsed out easily thanks to its low forming quality; therefore it helps to save water, electricity and time.
- No Back-Staining** : The unique ingredient that prevents back-staining can fully cover the dirt dissolved during the laundry to avoid staining the clothes surface again.
- Anti-Bacteria and Mold** : The anti-bacteria ingredient helps to keep the clothes white and bacteria/mold free. It can also prevent the mold growing in the washing machine.
- Neutral without additive** : the detergent adopts a neutral formula that is phosphorus and florescent bleaching agent free. The formula will not irritate the skin and can reduce burden of the environment.



Green Product

7-SELECT Extra Heat Thermal Wear and Socks

2161.3kg of coffee grounds, which equals to the amount used to make 300,000 cups of tall latte, have been recycled to produce Extra Heat thermal wear. Each kilogram of fabric contains 10g carbonized coffee particle, turning the waste into reusable raw material.

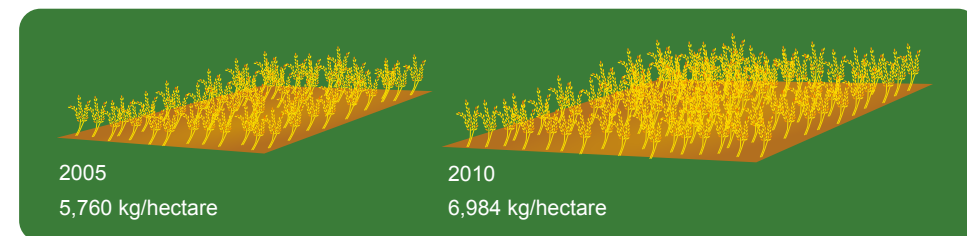


Seasonal Fresh Foods & Local Delicacies

We believe that fresh foods made with local and seasonal ingredients are the freshest and most sustainable choice for the consumers. These products not only provide support to local agricultural industry, but also meet the concept of low food mileage and carbon footprint thanks for the local ingredients. PCSC chooses to work with local

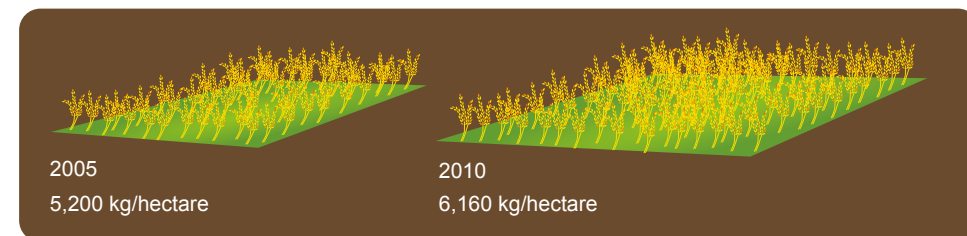
farmers and helps them save the cost of fertilizers with scientific analysis. PCSC also coaches the farmers on site to grow the plants in an environmental friendly way and helps them increase the yield. The procurement contract also provides protection for farmer's income, which allows them to keep their minds on the plantation.

Tainan No.11



Net Growth :
1,224kg/hectare
↑ 21%

Taiwan No.9



Net Growth :
960 kg/hectare
↑ 18%



Quality food ingredients are not just to be consumed, but also have to be shown to the consumers to provide them with peace of mind. That's why we have established a comprehensive food traceability system to ensure the quality of the food manufacturing process. We also provide QR Code on the label of our fresh food products so consumers can learn the production and manufacturing process by scanning the QR code with their smartphones. PCSC also fully disclose the information with regard to the rice, egg, vegetables and fruits on the "Secret of Food Safety" section on our official website to bring peace of mind to the consumers.

7-ELEVEN Fresh Food Proposition

- 1 Explore the source of origin to enhance food traceability and provide the customers with more reliable products
- 2 Develop differentiated products via supply chain integration to maintain channel leadership
- 3 Actively adopt quality local products to facilitate industry upgrade and fulfill our corporate social responsibility



Healthy Eggs, Quality Rice and Safe Vegetables

PCSC partners with Shih An Farm, which is famous for its stringent regulation on its production processes, as 7-ELEVEN's provider for fresh and healthy eggs. The farm chooses eggs only from hens aged between 25 and 80 weeks. The farm feeds the hens with grains and natural extracted nutrients without antibodies or animal protein. It will also take blood samples every two months to check for antibodies to make sure the hens are healthy so that all the precious nutrients can be transferred to the eggs. Shih An Farm's eggs have received ISO22000, HACCP and CAS certifications. The excellent food traceability and other food safety measures ensure consumers can enjoy quality eggs that are safe, reliable and delicious.



石安牧場溫泉蛋飯糰

PCSC partners with local agricultural production and marketing program to conduct scientific assessment on the water, soil and fertility at the place of production. Before the plantation begins, the rice seedlings will be sent for DNA testing to confirm the type. During the growing period, PCSC will visit the farmland randomly to make sure all processes have met the standard. PCSC also invested NT\$20 million in building the only rice lab in Taiwan to check on the quality of the rice used in our products.



石安牧場冷藏蛋

PCSC contracted with farms with quality infrastructure and stringent management team to grow fresh produces all year round. All the production

processes including soil preparation, seeding, fertilizer application, weeding, pesticide spraying and harvesting are properly documents to ensure information transparency. The farmlands are managed by the administration centre in a standardized way to ensure quality consistency, source reliability and food traceability.



We currently disclose food traceability data of 11 fresh vegetables on our official website, which include carrot, bok choy, water celery, Chinese cabbage, yam leaves, Japanese burnweed, romaine, sweet corn, broccoli, Indian lettuce and spinach. There are also food traceability data of seven vegetables used in salads, which are lettuce, beef tomato, carrot, cabbage, turnip and hothouse lettuce. All these vegetables come with farm information, production record and farmland management data that can provide consumers with a peace of mind.



5.1.2 Environmental & Sustainable Shopping Venue

Energy Saving & Carbon Reduction Measures Adopted at Stores

With the rising awareness on global climate change and the higher price for both fuel and electricity, we realize that energy-saving and carbon reduction is not only part of the corporate social responsibilities for world-class enterprises, but is also an important issue when it comes to the sustainable operation of businesses. The impact of climate change may increase the risk of our stores being damaged by natural disasters, and the expected hike of power rate will bring up the operational cost. We therefore invest in the seven areas of power management, lighting design, air con system planning, refrigerating equipment improvement, building material selection, improvement of construction method and water saving design at our stores, and work with the government, ITRI and the academia to enhance the energy efficiency while reducing the operational cost and promote sustainable operation of our stores.

In terms of equipment management, the Slurpee machine's operation time is set up differently by season. We use frequency convertor to reduce the power consumption of refrigerators. We improve and reduce the lighting in stores. The lighting tubes in the store and the open-shelf refrigerator have been switched from T8 to T5 while LED lighting is adopted for vaults and the overhead lighting for the dining area. PCSC also introduced natural lighting to reduce the operation time of lighting tubes and reduced the time of store sign lighting during the evening. With the introduction of energy-saving measures during 2011 and 2012, it is expected that PCSC can save more than 5.163 million kw-hr of power each year, which equals to the reduction of 30,621 tons of CO2 emission. The power bill saving for 2012 is expected to be around NT\$100 million.

Immediate Solution /Facilities (Existing Stores that Meets the Requirements)

Item	Requirement/Construction Method	Item	Requirement/Construction Method
Store window suspension lighting	Store window suspension lighting turn on with the store sign	Warehouse segmentation	Add PVC curtain to isolate the a/c area and adopting sensor-activated lighting
First line of tube by the window	Light up together with the store signboard if the depth of the corridor is less than 2 meter.	Sunshade installation	Add sunshade and plants to reduce sun exposure.
Reduce the corridor lighting	Reduce the corridor lighting with proper segmentation.	Iron-sheet roof ventilation	Install ventilation fan or air vents on top of the roof
Decorative indirect lighting	Control the switch independently.	Main engine room ventilation/convection	Install ventilation fans
Reduce the brightness of horizontal signboard	Maintain the illumination time in daytime/ reduce the illumination time in the evening	Reduce the power consumption of in-store air conditioning	Install circulation fan to eliminate air-conditioner operation.



Immediate Solution (New Store/Remodeled Store)

Ventilation and heat isolation techniques	Energy-saving techniques	Energy efficient equipment
<ul style="list-style-type: none"> Introduce heat isolation material for the building with iron-sheet roof Install ventilation fan for the iron-sheet roof building Plant trees along the east-west direction to reduce sun exposure Optimize the opening of shop window Install sunshade along the east-west direction Use double-layer doors at the entrance if necessary 	<ul style="list-style-type: none"> Reduce illumination by the show window Test lighting design of different illumination at different location in the store. Automatic door→DOWN SIZE→ Test pushing door 	<ul style="list-style-type: none"> Plug-in frequency converter for the refrigerator Accelerate the phase-out schedule for non-variable frequency air conditioners. Install energy-saving PVC curtain for island counter Adopt LED lighting for Island counter/horizontal counter Adopt DC variable-frequency fan for island counter Refrigerator and freezer sharing the plug-in frequency converter. Use nano-glass instead of fog-free heating cable for refrigerator doors.

Long Term Solutions (Management, Design and Equipment)

Management	Design	Equipment
<ul style="list-style-type: none"> Include energy saving measures as a category for store image rating Individual consultation for stores with high power bill. Summarize power bill data for long term management No subsidy for power bill payment delay Application of proper initial horsepower for new stores Dynamic management and control of contracted capacity Optimize A/C capacity to adjust the number of air conditioners. 	<ul style="list-style-type: none"> Reduce the height/length/number of light tubes for horizontal signboards Use heat-insulation material and design that can improve rooftop air convection for iron-sheet roof building Reasonable planning for building openings Introduce LED lighting and new lighting design Avoid the design of two doors to prevent cool air outflow due to convection. Heat cooling design at DIY area 	<ul style="list-style-type: none"> Install variable frequency air conditioning system Introduce LED equipment lighting Introduce variable-frequency fans/motors Hibernation management for all equipments



Due to the cost pressure induced by the power rate hike in 2012, we have implemented a lighting reduction project which started from improving the indoor lighting and outdoor signboard of our stores island-wide. A total of 3781 stores have improved the indoor lighting and 2734 stores have completed the signboard renovation. A total of 114,099 lighting tubes have been reduced, which saves around NT\$147,641 of power bill per day.

PCSC introduces electric moped fast charging service-Penghu Store

Green transportation (the adoption of electric moped) is a critical factor for Penghu to become a low-carbon island. Thanks to the promotion efforts from central/local government and the private sector, Penghu currently has nearly 1,700 registered electric mopeds and the highest penetration rate among all counties and cities in Taiwan. In 2012, PCSC introduced speed charging service at the 19 stores in Penghu with a comprehensive infrastructure of parking spaces, equipment installation and staff training, which significantly increase the adoption of electric mopeds among local residents and tourists. If the pilot project of green transportation succeed in Penghu, it would be easier to promote the installation of charging stations in Taiwan in the future.



24/7 Community Recycle Center – Infinite Recycling of Resources

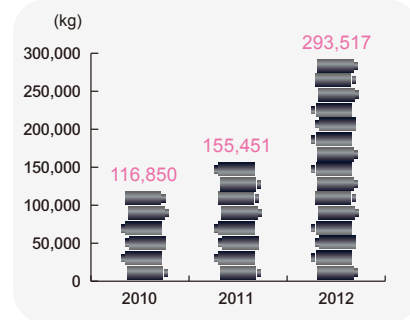


The world population is constantly growing in a resource-limited environment nowadays. As a member of the global village and a good neighbor who can greatly influence the daily life of people in Taiwan, PCSC demonstrates our commitment to environmentalism by leading the community to practice the principles of reuse, reduce and recycle. We effectively combine the concept of "convenience" with "recycling" because we believe that resource recycling can be as convenient as shopping at 7-ELEVEN. We incorporate the 7-ELEVEN stores with PLIC, our affiliate's truck fleet of PLIC, and use the logistic center of Retail Support International and Wisdom Distribution Service as the reverse logistic system. We also include recycling in our business policies to construct the biggest and the most convenient recycling platform in Taiwan.

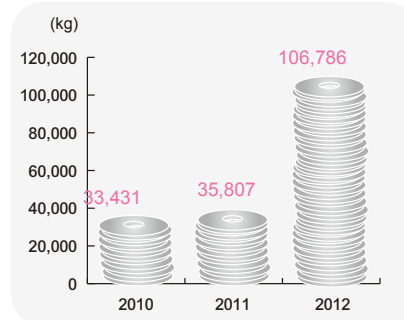
In addition to recycle the waste containers such as PET bottle and Tetra Packs, PCSC also recycle 3C products such as batteries, laptops, CD-ROMs, mobile handsets and chargers at 7-ELEVEN stores and redeem these products for discount coupons that can be used in stores. In 2012, we encouraged consumers to recycle these products at 7-ELEVENs through online advertisements and TV/radio commercials. PCSC doubled the redeemable amount for a week during the Chinese New Year, the Earth Day in April and the Clean Up the World weekend in September, which has attracted twice as many people come to the store for product recycle. What is worth noticing is that PCSC collected more recycled mobile handsets than other major mobile phone retailers. The success of the recycling program shows that PCSC succeeded in encouraging consumers to engage in resource recycling at our stores. More and more people are willing to practice environmentalism and reduce resource consumption by creating a win-win situation between the consumers and the earth.

In order to provide a more convenient and friendly dining environments for consumers visiting the store, stainless steel countertops will be used for garbage and recycled bins in the stores for the ease of maintenance and better hygiene. The recycle counter will also be lowered for easier access. PCSC will use slogans in stores to invite the consumers to maintain the cleanness of the dining area and separate the recyclable garbage.

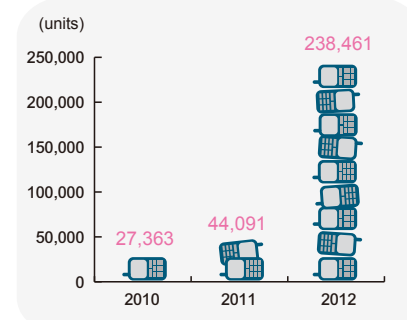
Used Battery



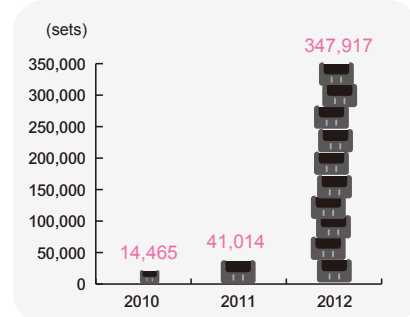
Used CD-ROM



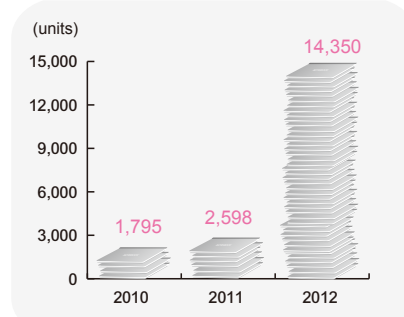
Used Handset



Used Mobile Phone (Portable) Charger



Used Laptops



1995 Used Battery Recycling
1997 PET Bottle Recycling
1999 Expand the Scope of Recycling to Other General Resources. Ex: iron or aluminum can
2009 Paid Recycling for Commercial-Use Containers
2010 IT Products Recycling

5.1.3 Considerate Service

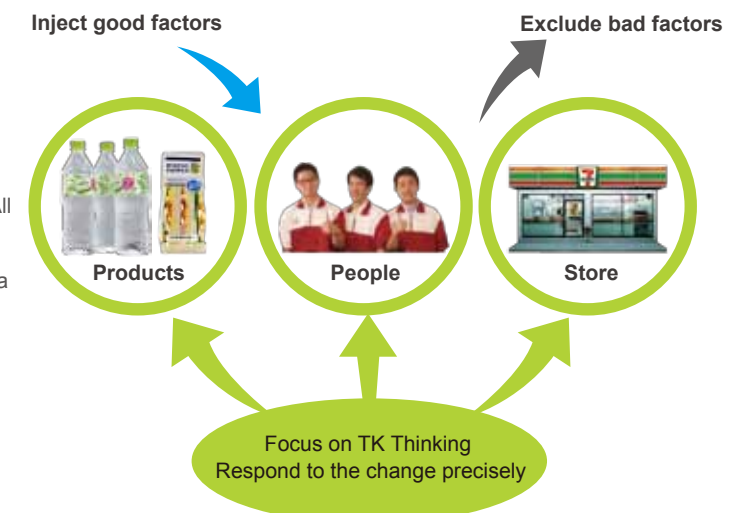


"Hello and Welcome!" is how we greet our customers every day. In addition to the most comprehensive product portfolio, PCSC has always been focusing on how we can provide the best services at the 4852 stores of 7-ELEVEN to touch our customer's hearts. Starting from the end of 2009, we have conducted a

series of store renovation to add a seating area to provide our customers with a clean and relaxing dining environment. The seating area in 7-ELEVEN provides children with a safe haven after school to wait for their parents and offer local residents a social venue to talk over a cup of coffee. The restroom in store also provides a great convenience for visitors and consumers. All these efforts have made 7-ELEVEN an urban oasis in the local community. Currently around 55% of our stores in Taiwan have a floor-area of 30 pings and higher. More than 60% of our stores have a seating area. The installation has increased the service diversity and offered the consumers with a brand new shopping experience.

With the diversification of our service portfolio, it has become a fundamental issue for us to maintain a consistent service quality

at all of our stores. In order to achieve better customer satisfaction, we start to train our first-line store employees with the three principles of Quality, Service and Cleanness. The Q.S.C. principles aim at improving in the areas of product quality, customer service and store cleanness. We believe that achieving excellence in quality, service and cleanness is the fundamental corporate social responsibility for a retail service provider such as PCSC.



CSR Happy Ambassador : Huang Chung-Shuan, Store Manager, Shiao-She Store, Yilan

In response to the pollution issue caused by the used batteries, store manager Huang Chung-Shuan combined the used battery recycling service with a battery recycle contest in local elementary schools and neighborhoods, which received excellent feedback and support. The campaign not only taught the school children about the importance of environmental protection, but also encouraged them to help their classmates in need. The campaign provided a great opportunity for environmental education and set a great example of store-school partnership.

Performance:

During the one-month campaign, 478 kg of used batteries have been recycled. The shopping coupon redeem were used to buying breakfast for underprivileged children.



CSR Happy Ambassador : Wu Ji-Hong, Store Manager, Ming-Chi Store, Linkou

Ming-Chi store is next to Ming-Chi Junior College of Technology. The store manager aimed at encouraging students and customers in the neighborhood to practice garbage sorting and recycling via communication and education. By doing so, the store not only can reduce the consumption of garbage bags, but also save the employee's time of resorting the garbage. Wu started by hosting employee meetings to explain the idea, and had the employees to explain the garbage sorting procedures to the customers. The store has succeeded in leading the community to put the idea of environmental protection into practice.

Performance:

After two month of campaign promotion, the cost for garbage bags in store had reduced from NT\$2880 to NT\$892.



We have updated the Quality Service SOP Brochure based on our experiences and helped the store employees to internalize the concept of premium service in their daily work. The store employees have to get the certification before they are entitled to greeting the customers at the counter. PCSC emphasizes on the five service steps of “putting things down→ listening→ responding →handling→ gratitude” and simplifies the store operation procedures to increase the employee’s time of actually serving the consumers. PCSC also produces training videos and performs on-shift store manager to strengthen the concept of Q.S.C. We

conduct store service quality control procedures by region and apply mystery shoppers to simulate different scenarios at stores to observe the response of store employees. We also encourage the sharing of Q.S.C. best practices and conduct store visits to promote the exchange of experiences. PCSC also recognize outstanding store employees on a regular basis and share their stories of customer service to encourage everyone to put the concept of Q.S.C. into practice to pursue best customer service and sustainable growth.

CSR Happy Ambassador : Lin Ya-Ting, Store Manager, New Kuo-Lian Store, Taipei

Lin Ya-Ting believes that a smile is what it takes to connect people in the hustles and bustles of modern life. In order to give all customers visiting the store the best service, Lin joined with the store employees in hosting the “Vote for Your Smiling Angel !” campaign. Store employees will greet every customer with a big smile and take photos with them so that customers can vote for the smiling angel in their minds. The employees on the other hand have become closer friends thanks to the campaign.

Performance:

During the 4-week period, the smiling campaign had successfully shortened the distance between the customers and employees. It has also been a great ice breaker to start the dialogue with the customers and improve customer loyalty.



“The end of ordinary people’s work day is the beginning of a logistics worker’s day.” Logistics workers work from dusk to dawn and are battered by the wind and the rain just to deliver the goods to every store. They are the people who work for the store’s sales performance the next day when everybody else is sleeping in bed. Among all the logistics affiliates of PSCS, more than 1,000 logistics workers and 1,300 logistics trucks are delivering products along more than 1,500 routes to stores not just in Taiwan, but also on the off-shore islands. When it comes to off-shore islands like Penghu, Kinmen and Matsu, the products will have to be transported by trucks, ships or airplanes according to their sizes and temperature requirement with the help of logistics boxes, pallets or cranes. The logistics workers deliver the products to the store with the highest elevation (Alishan store in Chiayi), the store at the south tip of Taiwan (Chuangfan Rock Store in Kenting), the store at the north tip of Taiwan (Shitman Store of New Taipei City). The logistics workers serve the last mile of our supply chain and play a key role in fulfilling our promise to deliver convenience service to all consumers 24 hours a day.



5.1.4 Happy Community

Modern life has become so overloaded and busy for people living in the urban area of Taiwan. The cold and detached interaction between people truly brings a lot of uncertainties for the future. A society should give people hope and the community should provide a sense of family. We pride ourselves for being the good neighbor to the consumers and we are emotionally attached to the local community. In addition to serving the consumers’ daily needs with valued products and diversified services, we also hope to demonstrate our love to the community via the PCSC platform because only happy people can create happy community, happy society and in turn help us become a happy enterprise.

In order to achieve the goal, we leverage the core competitiveness of PCSC and exert the corporate resources in every corner of the society. PCSC founded the Good Neighbor Foundation in 1999. For the past 14 years, we joined with Good Neighbor Foundation in contributing to the society via the stores of 7-ELEVEN. We targeted at community residents and focus on

the three areas of “healthy life”, “community environmentalism” and “charity works.” We also have spared no efforts in improving the living quality for the community and developing local culture. We encourage PCSC employees to devote themselves to building a good relationship with the community and serve the local residents by improving their quality of life both spiritually and physically. It is our mission to become a community service center to create a better life for the local residents and recover the human touch of Taiwan.

7-ELEVEN's Core Capabilities



- A** PCSC has more than 4852 stores of 7-ELEVEN in every corner of Taiwan and attracts nearly 7 million customer visits on average per day.
- B** PCSC provides a diversified portfolio of products and services that meet customer's daily demands, and we truly understand the needs of residents in the neighborhood.
- C** We lead the consumers to contribute to the society by offering simple and diversified charity fund-raising choices, such as coin donation and ibon donation to support the population in need.
- D** PCSC partners with charity and community organizations such as Good Neighbor Foundation to create synergy in our charity efforts.
- E** We enjoy the support of professional logistics know-hows and provide solid training for our store employees.

Over the years we have witnessed the enthusiasm and dynamics of our store employees. In addition to the role of store employees, they are also being recognized as a family member by the residents in the neighborhood. Through internal survey, we have learned that more than 94% of our store employees consider hosting community activities an effective way to improve the store’s relation with the community. Through hosting community activities, many store managers formed a tighter bond with their employees, which in turn improved the employee turnover rate. The consumers and their families in the neighborhood

have built personal relationships with the store employees, creating the human touch that is only been seen in those grocery stores in the old times. We conducted a survey at the end of 2012 and found that 95.8% of participants developed favorable impression for the store that hosted the campaign and are willing to choose products and services of PCSC over other competitors. We have also established a name list of frequent customers to help increase daily sales revenue. PCSC also learned the customer’s feedbacks and needs, which can be used as the foundation to develop future products and services. By winning the trust of the customers and creating a win-win situation with the local community, 7-ELEVEN has become the irreplaceable good neighbor in the community.



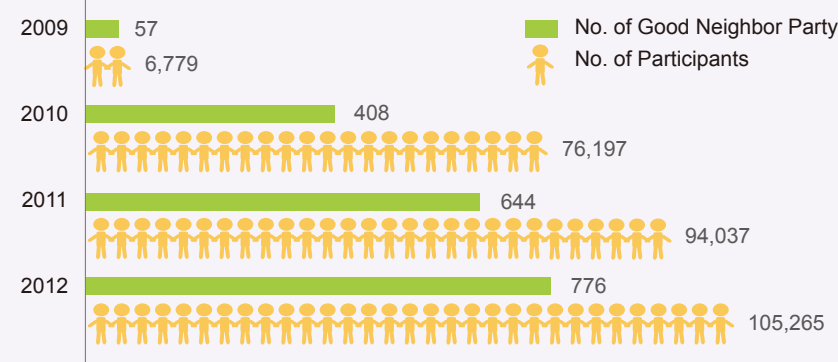
Good Neighbor Party – Bring Back the Human Touch in the Neighborhood

There are 365 townships and villages in Taiwan, and each has its own unique cultural background and interesting stories. In order to blend in with local community and be identified by the local residents, Good Neighbor Foundation launched the Good Neighbor Party campaign in 2009, hoping to bring back the simple yet lovable human touch through a variety of community events and activities. It is hoped that the campaign can help improve the society and shorten the distance between people.

In order to promote the campaign, we drafted the SOP brochure for a variety of community events and case studies to pass on the concept and experience to all stores via community activity workshops. Operation field consultants are responsible for helping the stores to identify suitable types of campaigns and to host these events to interact with local residents.

By the end of 2012, we have leveraged the community resources and joined with more than 10,000 store employees to host more than 1800 Good Neighbor Parties in the forms of festive celebration, community

cleaning and charity events for children. We would like to extend our gratitude to all of our good neighbors for giving us the opportunity to interact with more than 280,000 people in the local communities. All these events are posted on 7-ELEVEN's Love the World Facebook fan page and followed by more than a million fans. Each post has accumulated more than 700 likes on average. It is our privilege to have the opportunity to bring laughter and warmth to every corner of Taiwan. In the future, we will continue to promote community relations to make every one our good neighbor in the community.



A Healthy Life

Hosting events on topics of health promotion, food safety and physical exercise to add spice to daily life.

B Community Care

Awakening people's affection for their local community, supporting local minority groups and forming a community consensus.

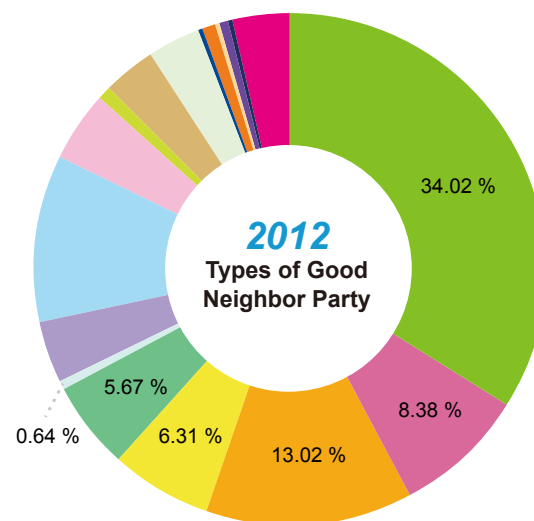


C Community Environmentalism

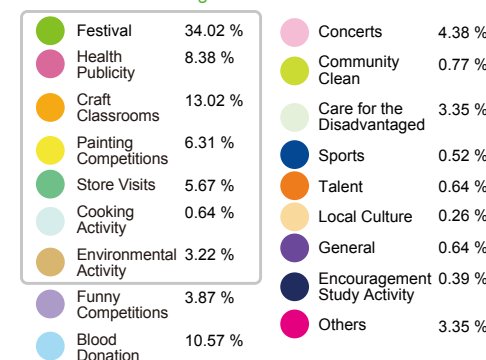
Raising the store and customer's environmental awareness and develop environmental habits in daily life.

D Festival & Holidays

Inviting local residents to celebrate the holidays at the store to demonstrate the holiday spirits and increase the human touch of 7-ELEVEN.



The relevancy with store's core business is as high as 72%



CSR Happy Ambassador :

Lin De-He, Store Manager, New Jia-Shian Store, Kaohsiung



PCSC Headquarters and 7-ELEVEN New Jia-Shian Store joined with local junior high schools and elementary schools in hosting a student reading and exercising program. Jia-Shian area was severely damaged during Typhoon Morakot, and children living in the remote village lacked educational resources and did not have the opportunity to go to the city.

Through the reading and exercising activity, the program not only helped the children to develop good reading and exercising habits, but also gave them the courage to pursue their dreams with full confidence.

Performance:

300 school children have accumulated 1,647 reading-times and ran a total of 602,400 meters. PCSC granted these children the trip to the Dream Mall in Kaohsiung City and take the ferris wheel.



Clean Up the World – Be Your Green Neighbor

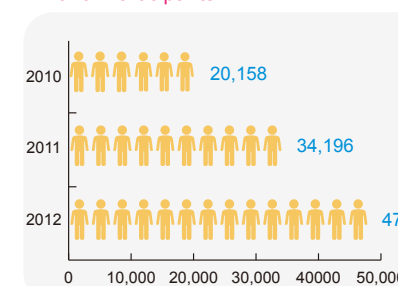
Starting from 2001, Good Neighbor Foundation has been joining with the other 40 million people from more than 120 countries around the world in hosting the "Clean Up the World" campaign.

The event invites environmental volunteers to help clean the environment and incorporates the concept of resource recycling and garbage reduction. It is expected that everyone can change from their attitudes and habits and in turn help improve the natural environment. During the past 13 years, a total of 400,000 volunteers in Taiwan have joined the campaign to help clean up the world. The theme for Clean UP the World was "Clean Up for Tourism" and "Clean is Cool" in 2011 and 2012 respectively. Around 82,000 enthusiastic volunteers responded to the coolest campaign in the world by cleaning up 1316 designated areas including community, streets, school campus, area around 7-ELEVEN stores, coast, mountains and

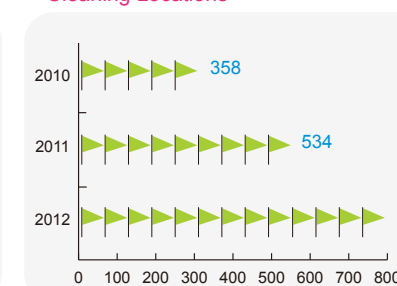
train stations. These efforts not only helped the store employees to internalize the concept in their daily activities, but also raised the public awareness for environmental protection.



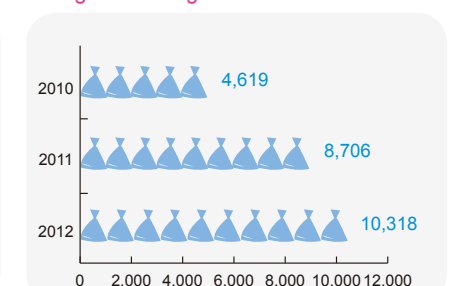
No. of Participants



Cleaning Locations



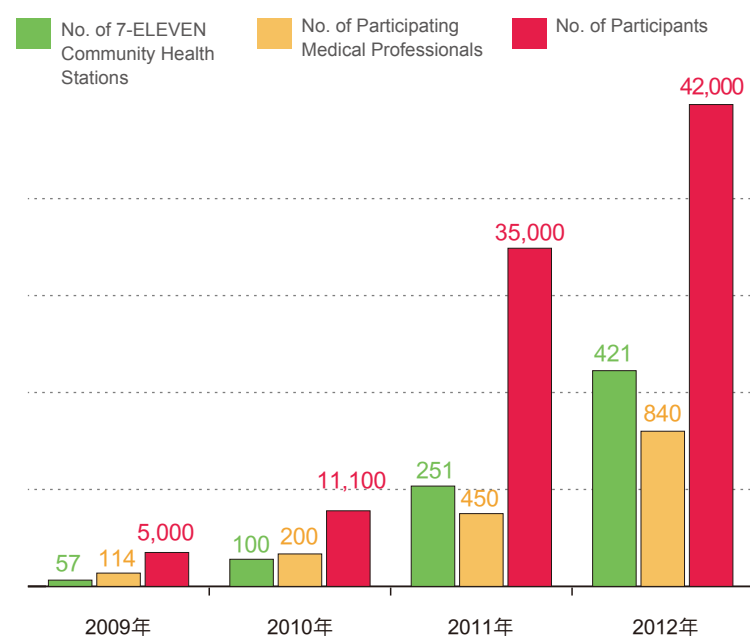
Bags of Garbage Collected



Community Health Station – Take Care of Our Neighbor's Health

Good Neighbor Foundation joined with Taiwan Millennium Health Foundation in establishing Community Health Station in 2008 to provide manometer, measuring tape and health information pamphlets at specific 7-ELEVEN stores for local residents to measure their waistline and blood pressure anytime. ibon kiosk also features the service of metabolic syndrome risk calculation to help the local residents identify potential health risk 24/7. Currently there are 421 7-ELEVEN stores in Taiwan, Penghu, Kinmen and Matsu featuring the Community Health Station. Some stores even go further by providing the measurements of blood sugar level, body mass index (BMI) and body fat. PCSC hopes to build good community relations by taking the initiative to care for the residents' health and tie the stores with the neighborhood closer.

In addition to the DIY service for blood pressure and waistline measurement, we also join with Taiwan Millennium Health Foundation in hosting the "National Health Month" campaign by inviting medical professionals to perform waistline and blood pressure measurement and provide health consultation on metabolic syndrome at the Community Health Stations around the country. We encourage the general public to practice a "3D Lifestyle"-Do Control, Do Health Diet and Do Exercise-to eliminate the risk of chronic diseases. PCSC also hosts community health examination even with medical institutions and government health authorities to promote public health. In 2012, we responded to the campaign of "Waistline Measuring Day" hosted by Taiwan Millennium Health Foundation by giving away free measuring tape at Community Health Stations around the country to help them take care of the health of their families and friends.



Better Charity Efforts

Coin Donation at Stores

City or country, midnight or day time, the charity efforts at 7-ELEVEN never sleeps thanks to the small coin donation box in store. We set the coin donation box 25 years ago with the campaign of "Find Back the Love" to practice the concept of "charity work without extra efforts." We established the charity platform to raise the consumer's awareness on minority groups and to encourage the consumers to donate the changes at the register. We join with people who share the same idea in every corner of the society to lend a helping hand to those in need. As the slogan of 7-ELEVEN, our love is "Always Open"! PCSC has accumulated a total charity donation of 1,647,640,000 (by February 28th, 2013) during the past 25 years and has contributed the donation to more than 100 charity organizations and minority groups.

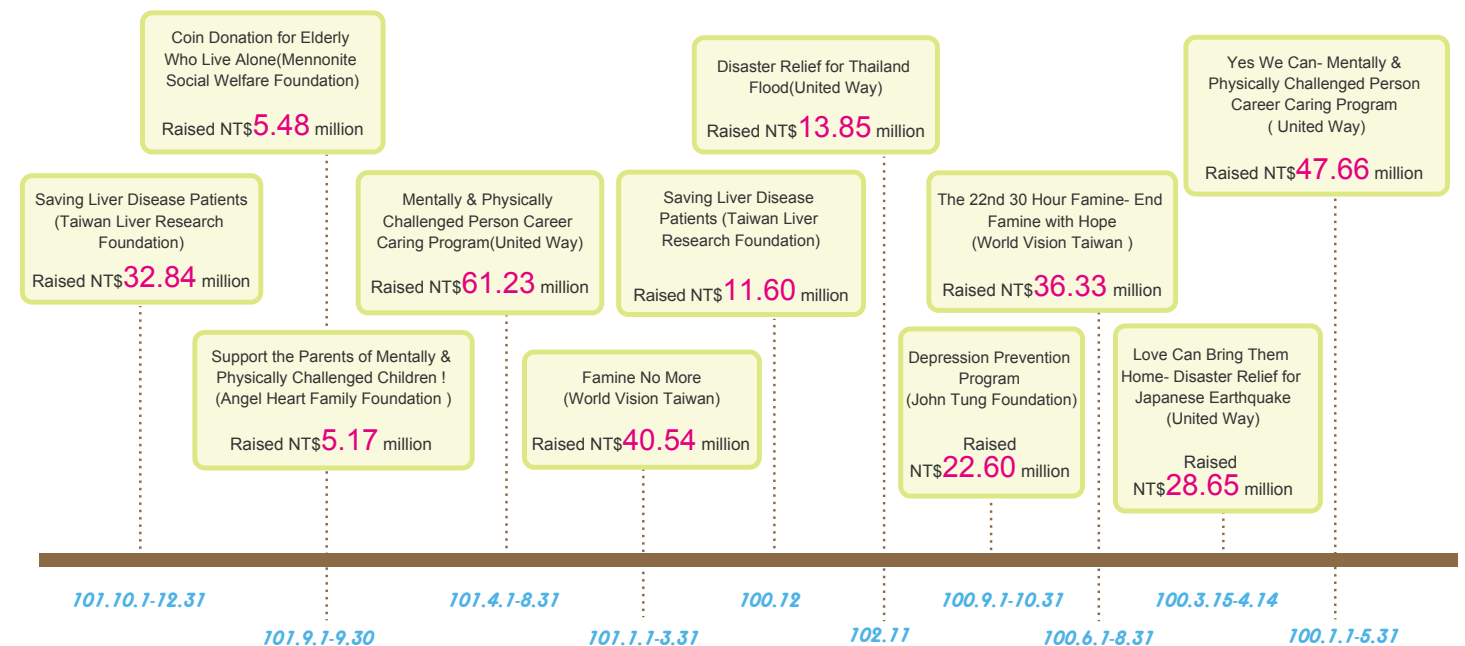
Starting from 2007, we have been working with the charity organization, United Way, to focus our charity efforts on supporting the career for physically and mentally challenged people. The coin donation we collected at our stores is used to helping the physically and mentally challenged population to find a suitable job so they can be independent. We also provide a systematic supporting program for the minority group to truly take care of the physically and mentally challenged population and their families. We have raised more than NT\$ 32 millions and helped more than 125,000 physically and mentally challenged people and their families. A total of 1.59 millions person-times have been benefited by the program.

International disaster relief is another focus of PCSC. In 2011, we joined with United Way to raise funds for the reconstruction after the March 11th earthquake in Japan and the emergency relief for the flood in Thailand.

ibon Charity Donation

Starting from 2008, PCSC has been using the ibon kiosk as a charity platform to collect donations. Donors can choose the charity organizations they want to support from ibon. During the past five years, we have accumulated 293,364 entries of donations with a total amount of NT\$ 186,290,688 (by December 31st, 2012) and the average amount of NT\$635 per donation. The service has helped to bring love and hope to a total of 36 charity organizations and minority groups.

In order to maintain the credibility of the donation service, PCSC will calculate the donation amount on a daily basis and post the result at the store every each fund-raising campaign. The audit team constituted of staff members from our finance, auditing and legal departments will host an annual charity donation auditing meeting to track the donation and publish the auditing data on our official website for the purpose of information transparency. Meanwhile, we will also conduct annual review on the charity organizations that we intend to work with to check the health of their organizational structure and their credibility to make sure that all of the donations are going to the right places.



Emergency Relief – Love is Always Open

Domestic Emergency Family Relief Program - Charity Close-Door Sale



The situation for underprivileged families has always become even more difficult during holiday seasons for it is already hard enough for them to sustain a basic living, let alone celebrating the New Year or other holidays. In order to help the families with emergency needs to enjoy a happy holiday season, PCSC has been hosting “charity close-door sale” campaign since 2010 to provide the children from underprivileged families the opportunity to pick free products as gifts in our stores. In 2011, we invited seven stores around the island to celebrate Christmas for 21 underprivileged families before the holiday. The store associates provided considerate service and helped the children to pick the products for themselves as well as for the whole family. In addition to the splendid smiles on their faces, we also feel the children’s love and care for their families.



Domestic Emergency Family Relief Program - OPEN Your Heart for Charity



Meanwhile, we also hosted the “OPEN Your Heart for Charity” Lucky Box campaign in 2011 and 2012 with World Vision Taiwan to raise charity funds for underprivileged families before the Chinese New Year. PCSC gave away a lucky box, which contains a variety of grocery products from our affiliates for every NT\$10,000 donated. 7-ELEVEN employees and franchisees also donated items such as rice, cooking oil, packaged meal, cleaning products and stationeries worth more than NT\$2,500 for each lucky box. These lucky boxes were filled and packed by volunteers from PCSC and our affiliates and delivered to the underprivileged families in the remote area by



President Transnet Corp to bring to them the love and care of the general public and the Uni-President Group.

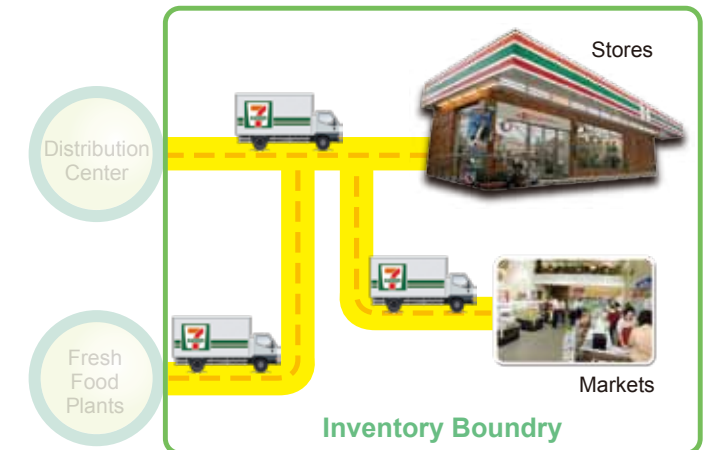


5.2 You & Me - Together for Sustainability

5.2.1 PCSC and Environment

Greenhouse Gas Inventory

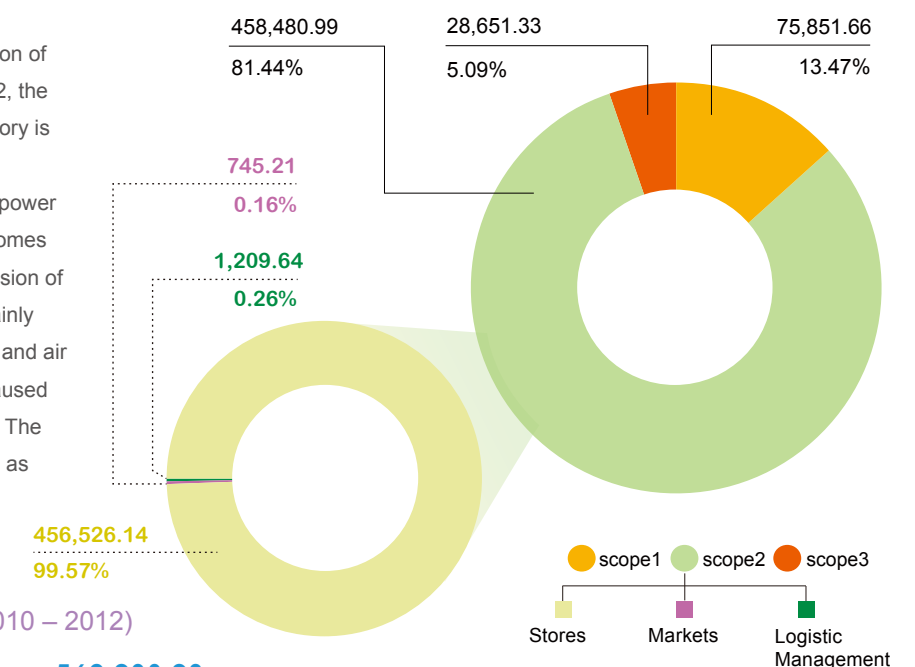
7-ELEVEN owns more than 4852 stores around Taiwan and operates 24/7 all year round. The merchandises are transported and supplied by truck fleets on a daily basis. Fuel consumption therefore is the main source of direct energy consumption while power consumption constitutes the majority of indirect energy consumption. PCSC has been using Greenhouse Gas Protocol (GHG Protocol) as the standard for greenhouse gas inventory check to monitor greenhouse gas emission within the boundary every year.



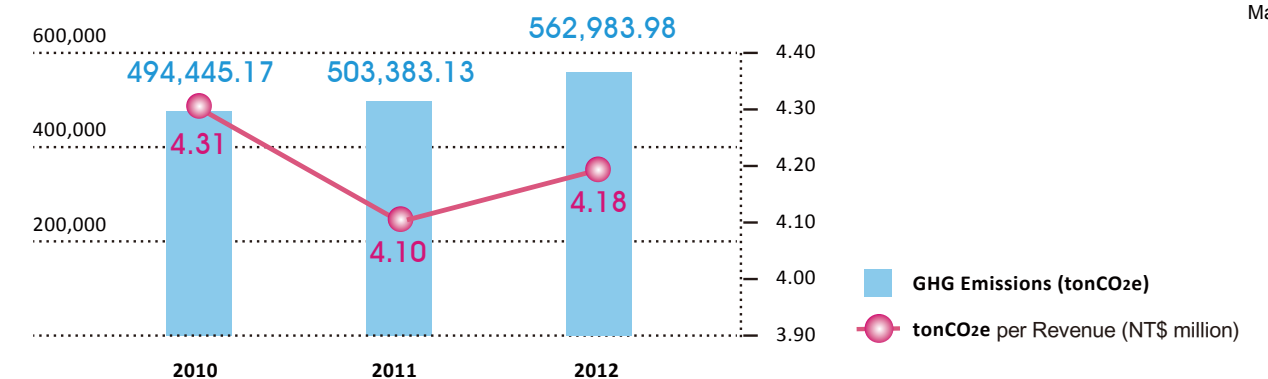
During the inventory check in 2011 and 2012, we have been improving on the accuracy of data collected. Except for a few stores where the actual number of kilowatts consumed is not available, we have achieved a data accuracy of more than 90%. Meanwhile, we also plan to expand the inventory boundary based on our greenhouse gas inventory checking experience and have started to coach our logistic affiliates to conduct their own greenhouse gas inventory check within their own inventory boundaries and determine their own performance indicators for greenhouse gas reduction. These efforts have helped us to build a consensus on energy saving and carbon reduction, set up guidelines for actions, and work together to improve the environment and prepare for our future goals of expanding greenhouse gas inventory boundary and developing a collective strategy for carbon reduction.

PCSC updates the CO₂e coefficient according to government policy in terms of greenhouse gas inventory, therefore the greenhouse gas emission of the past years have also been updated. In 2012, the total amount of PCSC’s greenhouse gas inventory is 562,983.98 tonCO₂e, of which the majority is contributed by Scope 2 emission (82%) due to power consumption while 99% of Scope 2 emission comes from store power consumption. The direct emission of Scope 1 takes approximately 13%, which is mainly from the coolant dissipation of the refrigerators and air conditioners in the stores. Scope 3 emission caused by store-related logistic activities is around 5%. The emission amounts of different scopes are listed as followed:

2012 PCSC Greenhouse Gas Emission by Scope & Percentage



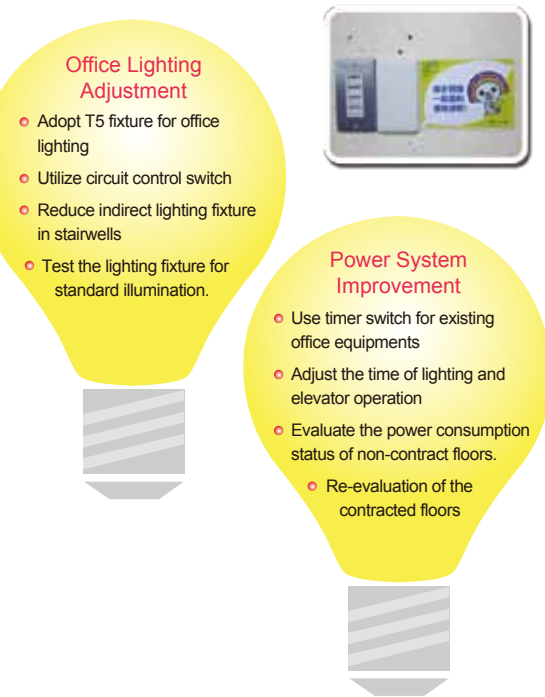
PCSC Greenhouse Gas Emission (2010 – 2012)



Corporate Headquarters-Implement Energy-Saving & Carbon Reduction Program

We implement the energy-saving and carbon reduction program at the headquarters by focusing on hardware efficiency improvement and employee awareness to achieve our energy saving objective. We started from the inspection and evaluation of existing equipments. PCSC invited third-party energy-saving volunteer group –Energy Saving Patrol—to inspect the corporate building and provide suggestions for management and improvement. We

focused on power system improvement and office lighting adjustment. PCSC also put posters of energy-saving slogans at various locations within the building and adopted Cool Biz summer energy-saving policy to effectively improve the power efficiency of office equipments. In the future, we will further evaluate the improvement efficiency of our air-conditioning system.



In 2011, in response to the Taiwan Business Council for Sustainable Development's One People On Tree · Yes, I can do – Corporate Plant Campaign. PCSC along with other firms commit to plant tree for environmental and carbon reduction together. This activity align with Forest for People which is UN Forest year's campaign.



In terms of enhancing employee awareness, we launched an 8-week campaign of "LOHAS, Green & Energy Saving, Let's Go" during June and July of 2012 to invite colleagues at the headquarters and other affiliates in the same building to join a group point-collecting contest. Departments or affiliates that joined the contest can upload their photos to the campaign website or Facebook to boost team spirit. PCSC also provided a special incentive prize every Friday during the campaign period to promote the campaign and further encourage participation to maximize the campaign benefit. We utilized a variety of promotional channels, including PCSC Online, employee e-newsletter, campaign website, the scrolling text on PCPC homepage, department morning meeting, executive meeting and posters to highlight the double benefit of being healthy and energy saving of the campaign.



Logistics Affiliates-Implementing Energy-Saving and Carbon Reduction Program

PCSC has been improving the transportation efficiency by reducing the frequency of logistic transportation, establishing a maintenance mechanism, adopting collective transportation and upgrading logistic equipments. We have also promoted the diesel vehicle self-management passport and the combination of maintenance and inspection. We believe the emission standard for diesel vehicles shall be met during regular maintenance to ensure normal functioning of the exhaust system. The principle of supplementing regular maintenance with specific inspection can effectively reduce the level of air pollution made by diesel vehicles and achieve the goal of creating a low carbon-emission and sustainable living environment.

Meanwhile, PCSC has also spared no efforts in maximizing the equipment efficiency of logistics trucks and upgrading the equipments to reduce their

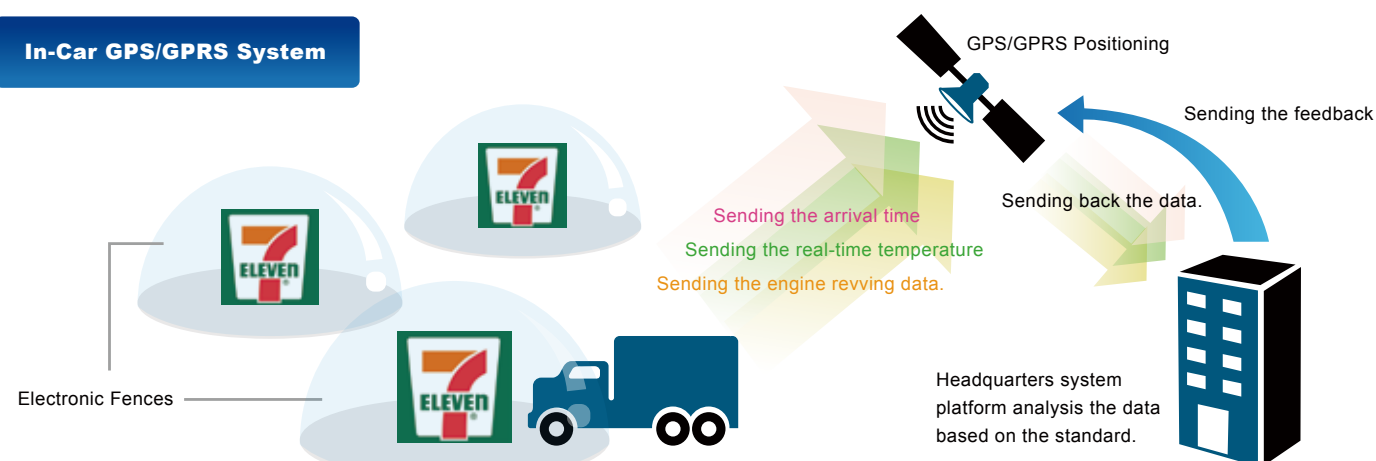
environmental impact. We have also increased the percentage of biodiesel consumption. PCSC introduced biodiesel B2 in response to government policy in 2010. In order to ensure the vehicle reliability in response to the increase of bio-diesel consumption, our logistics affiliate, President Logistics International Corp., joined with Automotive Research and Testing Center (ARTC) in conducting the test of biodiesel B5 in 2012. A testing program of biodiesel B8 is scheduled to be initiated in 2013. In response to environmental regulations, we will also introduce vehicles that meet the Stage 5 Pollutant Emission Standards from 2013. Uni-President Group will establish a vehicle joint-procurement committee to be responsible for the vehicle procurement activities. These efforts are expected to further reduce the environmental impact of logistics trucks in the future.

In addition to equipment upgrade, we put even greater emphasis on the right driving concept and techniques. President Logistics International Corp sent 83 seed instructors to attend the energy-saving driver training program hosted by ARTC. Through classroom lectures and hands-on training sessions, they have learned the relations between different driving scenarios such as idling, acceleration or gear-switching and fuel consumption. The training shall effectively help to improve the driving habits of logistics truck drivers in the future.



Meanwhile, we are currently establishing a digital traffic control center with President Logistics International Corp and Chunghwa Telecom to develop a proprietary vehicle GPS/GPRS system receiving real-time data of the vehicle, traffic and shipment. The dynamic management of logistics vehicles can guide the drivers to develop safe and correct driving habits to achieve the three objectives of real-time vehicle monitoring, safety & energy-saving control, and operation quality management. The in-car system can help drivers to adopt energy-saving driving techniques. Based on the results of the pilot run period, approximately NT\$3 million of fuel cost can be reduced for every 1,000 vehicles after the system is introduced. Each vehicle on average can reduce 4.6 hours of idle time and reduce CO2 emission of 21.5 kg every month. The system can also monitor the vehicle temperature real-time to ensure product quality and reliability.

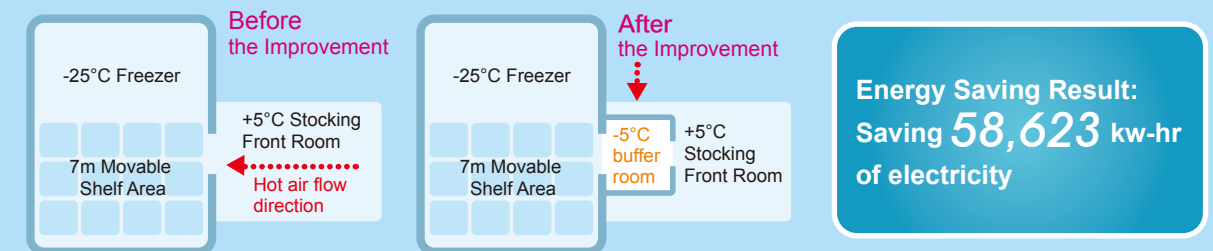
In-Car GPS/GPRS System



In addition to reducing the environmental impact of the logistics truck, our logistic affiliates have also spared no efforts in reducing the environmental impact before the shipment is made. They have made specific improvements in the areas of operational management, equipment upgrade and employee training.

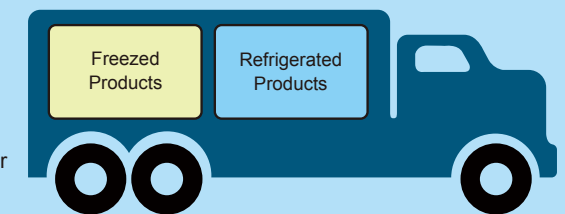
UPCC

Design a -5°C buffer room to reduce the heat of cooler from entering the freezer to minimize frosting of the evaporator, improve the operational efficiency of the freezer to achieve the goal of energy-saving.

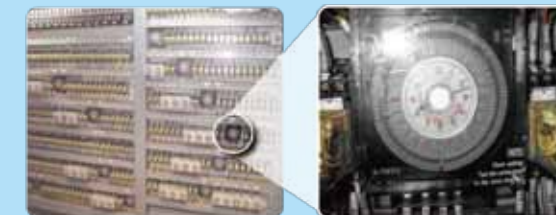


Energy Saving Result:
Saving **58,623** kw-hr of electricity

It introduces new vehicles that adopts mechanical refrigerating machines and replace the galvanized steel body with aluminum body. The new truck is therefore 1,045kg lighter and has an additional 16% of loading space. It is estimated that each truck is able to save 4,600 liters of diesel fuel every year. Meanwhile, the transportation route has been optimized so that each logistic center is able to handle the activities within their respective region. The transportation model optimization allows the company to deliver the goods in a more energy-efficient format.



Combi Vehicle with both PCSC's freezing and refrigerating products



Optimizing the defrosting time and frequency of the refrigerating machine according to the on-site operation of the refrigerator and freezer for better energy management. The improvement has helped to reduce power consumption by 25% and save a total of 15,000 kw-hr of power annually.

Energy Saving Result: Saving 15,000 kw-hr of electricity and reducing power consumption by 25%

Wisdom Distribution Service

1. Lighting control at the product distribution area

Part of the light switches has been changed to two-stage control. It is estimated that the number of lamps can be reduced by 35%. 3,300 kw-hr of power can be saved monthly, equaling a monthly cost reduction of NT\$11,000.

Energy Saving Result: Saving 3,300 kw-hr of electricity and reducing number of lamps by 35%

2. Auto control of A/C system

Automatically control the air conditioner to reduce the operation time by two hours during the off-peak hour midnight. It is estimated that 18,000 kw-hr can be saved per month, which equals to a saving of NT\$26,000.

Energy Saving Result: Saving 18,000 kw-hr of electricity

3. Remove excessive tubes in the office

Measure the actual luminance of the office against the regulation and remove excessive light tubes. A total of 180 tubes have been removed, which should reduce the electricity bill by NT\$5,000 per month.

Retail Support International

Paper Saving :

1. Paperless office (e-document for procurement or business trip application), e-pay slip, office paper usage management, double-sided printing.
2. These measures save 13,960 pieces of paper, equaling to 558 kg of CO2 emission.

Annual CO2 emission is reduced by **558kg**

Water Saving :

1. Facility Improvement- Adopt water-saving faucets and toilets and natural dynamic water-flow pipeline.
2. Reduce total water consumption by 75%, or 78,000 liters, and 16kg of CO2 emission.

Annual CO2 emission is reduced by **16 kg**

Power Saving :

1. Facility Improvement- Adopt energy-saving lighting fixture (T5 tube and LED). Switch off the power or use sensor-activated lighting in non-critical lighting areas. Use heat insulation film and install jet fan/negative pressure fan to lower indoor temperature. Review the contracted power consumption capacity regularly.
2. 112,210 kw-hr of power are saved annually. Annual CO2 emission is reduced by 72 tons

Annual CO2 emission is reduced by **72 tons**

Fuel Saving :

1. Operation Improvement- Encourage suppliers and logistics trucks to pick up merchandises on returning trips. Small Chain BU will share the business vehicles (ex. Starbucks & Afternoon Tea); no idling for vehicles in the plant (<3min), adopt video conferencing for regular meetings, and encourage carpooling during business trips.
2. Annual saving of 232,061 liters of fuel, 627 tons of CO2 emission

Annual CO2 emission is reduced by **627 tons**

Green Management

PCSC insists to minimize the environmental burden caused by our operation via green procurement. In response to government policy, we became the first CVS chain in Taiwan to introduce electronic invoice system at the end of 2011. With the introduction of the system, we no longer have to print paper invoices in advance. A total of 7,800,000 physical invoices, or 4,401 kg of paper, could be saved every year. Take the 2012 for example, electronic invoice helped us to save more than NT\$16 million compared with 2011 because we no longer have to discard the blank printed invoices as scrap. Furthermore, in terms of the paper supply, we require vendors to provide the material that is BPA-free, and is durable against water, oil, heat,



light and moisture. We also developed a supply module with multiple vendors to ensure un-interrupted supply. By incorporating the electronic wallet function of iCash and EasyCard, we are able to reduce another 60% of paper consumption by advising the consumers not to print out the invoices. PCSC has introduced the new version of 57mm-wide electronic invoice printout, which is expected to reduce paper consumption by another 19.36%.



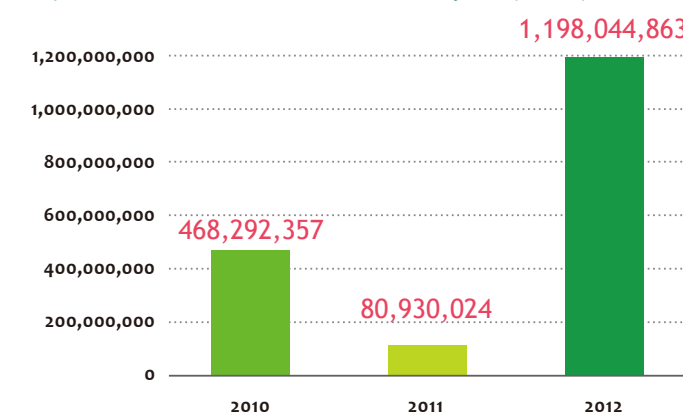
We introduced PLA bags that have the EU Compost and US BPI certification for CITY CAFE. We also use PLA material made of plant plastic for the cup of Slurpee. Decomposable stone paper has been gradually adopted for the freezer tag and the POS material. We also tried to use as much of Clear Lotus recycled copy paper as possible for our magazines via green procurement to reduce the environmental impact.

Also, in order to let all idle equipments serve their proper purpose, we had refurbished 160 units of Slurpee machine and exported them to the 7-ELEVEN in the Philippines. We also performed a comprehensive maintenance program on coffee machines that have been in service for more than 5 years to extend their service

lifetime for another two years, which has significantly improved the economic benefit and service life of the equipment and achieved the objective of reuse, reduce and recycle.

PCSC has received an Enterprise Green Procurement Award from the Environmental Protection Administration in 2012 with the total green procurement amount of NT\$1,198,044,863. We have been awarded by EPA as the No.1 Green Procurement Enterprise in the Retail Service category three years in a row. These achievements have encouraged us to continue to pursue excellence in the area of green procurement.

Expenditure of Green Procurement in recent years (in NT\$)



PCSC has upgraded to the 3rd generation of POS system in 2012. The computing speed of the new system is **3.7** times faster than the previous generation, which helps to improve the efficiency of operational management and bill processing. The new system's normal rated power and standby power are **25%** and **38%** lower than the previous generation respectively, which significantly reduce the power cost of the POS system. It is one of the green procurement items with higher investment but achieve the best efficiency in the past few years.

5.2.2 PCSC & Our Employees

In the PCSC family, our employees work hard not only for the company, but also to create their own future and learn to maximize their values in life. From the store associates and franchisees to colleagues at our headquarters and the affiliates, all of us have to work closely together to offer the most convenient services to our customers. Only by having happy employees can we fully present the values of PCSC to customers, and only by having satisfied employees can we achieve customer satisfaction via optimal services. We expect ourselves to become a happy enterprise by providing our employees with a comprehensive career planning, a healthy working environment, and the best employee benefit and incentive programs so that they can feel proud of being a member in the big PCSC family.

By the end of December 31st, 2012, we have 8736 full-time employees and more

than 30,000 franchisees and part-time workers working day and night at 7-ELEVEN to serve our customers. We hope to develop a business in which everyone can find his or her own role and has the opportunity to realize the dream.




We hope that all colleagues at PCSC can find joy in their daily work, regard the customer's smile as their biggest achievement, and be a good and helpful neighbor for them.



Currently PCSC has six operational regions around the country and each region has its own operational headquarters. In order to provide immediate response to the stores and the consumers, PCSC will establish the seventh operational region in the future. At present, 85% of our retail stores are run by franchisees, and in the counties of Penghu, Kinmen, Matzu, and Nantou all of our stores are operated by franchisees. In order to establish a comprehensive franchise mechanism to help the franchisees realize the dreams of having their own business, we also create a lot of job offerings to fulfill the demand of store operation. We welcome people who re-enter the job market and the new immigrants to join our labor force. We also launch cooperative programs with high schools and vocational schools to allow the students to earn school credits and part-time income simultaneously and accumulate working experience at an early age. By the end of 2012, the headquarter and the direct-owned stores hire a total of 318 mentally and physically challenged employees, which is approximately 4% of total employee headcount and is nearly four times higher than the legal requirement. These job openings provide opportunities for many mentally and physically challenged workers to enjoy stable income and live on their own. PCSC also offers a working environment that accommodates diversified cultures. We hire 104 aborigines employee, equaling 1% of total employee headcount.

The total number of franchisees had reached 3088 and 3172 in 2011 and 2012 respectively. We see our franchisees as our family members. In order to protect our franchisees from the external economic impact, we offer our franchisees with an environment of sustainable operation and a comprehensive benefit program to truly make our franchise business an enterprise. We have established franchisee mutual benefit association (provides subsidy in the case of franchisee and their direct relative's death), franchised store employee mutual benefit association (provides subsidy in the case of the store employee and their direct relative's death), and provided group insurance (24-hour casualty insurance) and employer liability insurance (occupational casualty for midnight shift). We provide subsidies for each of these programs to reduce the burden for franchisees. There were 143 pieces of application in 2012 with a total mutual benefit amount of NT\$15.64 million. Each franchisee member paid NT\$3,044 for the subsidy and PCSC paid the difference of NT\$3,139 for each member. Meanwhile, PCSC also leverages the resources of our group affiliates to provide our franchisees with preferred rate for hotels and resorts. For example, we provide

PCSC conducts franchisee satisfaction survey on 2011 to get their feedback on the services offered by the logistics supporting units of our headquarters as the means for improvement and communication. The effective response rate was 34.25%. The results show as below:

-  The respondents all agreed that the policy of choosing local ingredients for our fresh food products is a market differentiator that not only effectively helped the stores to improve the sales and customers, but also won the support of consumers.
-  The respondents also recognized the fact that PCSC is able to maintain its general competitive edge regardless of the economic volatility.
-  Through the survey, we also learned that the franchisees want the company to develop a talent pools. We are cautiously evaluating possible business model to resolve the talent shortage problem for the franchisees.

to provide a fair and reasonable compensation plan, the company offers the same starting salary for both male and female workers without any gender or age discrimination. PCSC also hosts quarterly meetings with our employees as required by the regulation. Both parties have five delegates each to negotiate on issues regarding employee benefits and company policies to create a harmonious and friendly working environment.



with their families and friends. We also conducted surveys to learn the logistics and store employees' hygiene requirement at work to improve our employee benefit program. In order to encourage our executives to pay attention to their mental and physical health, take vacation with their families and authorize to their subordinates, PCSC establishes a vacation and health management policy for the executives which stipulates every executive should take at least one five-day annual leave and schedule a health examination every year of diligence appraisal. Meanwhile, PCSC also invite experts to host lectures on the topics of relationship, investment, health, travel, dining and parenting. These lectures not only help our employees to gain more experiences and knowledge, but can also help them to achieve mental and physical balance and in turn contribute to our goal of creating a healthy and happy enterprise.

In order to create a fair working environment, PCSC published the labor rights and interest policy in 2012 to promote nine core items, implement strategic measures to prevent overwork and forced working, and demonstrate our commitment to employee rights and interests. In order to reduce the operational risk for our affiliates, PCSC also issued "Recommended Priorities for the Self Examination of Labor Affairs" to our affiliates in 2012 and demanded them to include the policy for labor rights and interests in their annual work plan. We also recruited 60 auditors within the group to conduct labor-related internal audit to help our affiliates identify operational risk and provide recommendations. Meanwhile, we also sampled 172 franchise stores for labor-related audit. In addition to the inspection of labor and health insurance status, the audit also included items such as child labor hiring, salaries & wages, working hours, and safety/hygiene training. The aim of the audit in 2012 was to counsel the stores on improving the areas that violated the regulation. A total of 83 stores had been identified with at least one violations against the operational standard. PCSC has demanded regional offices to communicate the regulation and monitor the corrective measures. We believe only healthy and happy



employees can maximize the economic benefit for the enterprise, therefore we will continue to promote policies regarding labor rights and interests and expand the scale of auditing activities. These efforts will also act as the foundation for the development of Supplier Conduct Guidelines. PCSC looks forward to become the force that contribute to social stability so that the employees of 7-ELEVEn and our suppliers can enjoy the rights and benefits they deserve as well as a safe working environment.



PCSC Labor Rights and Interest Policy - Nine Core Items

Labor Safety & Hygiene

In order to help our employees to work in a safe environment with good hygiene, we have enacted the Regulations for Crisis Management in the Workplace. We also established both an Occupational Health and Safety Committee and a Health and Safety Office in

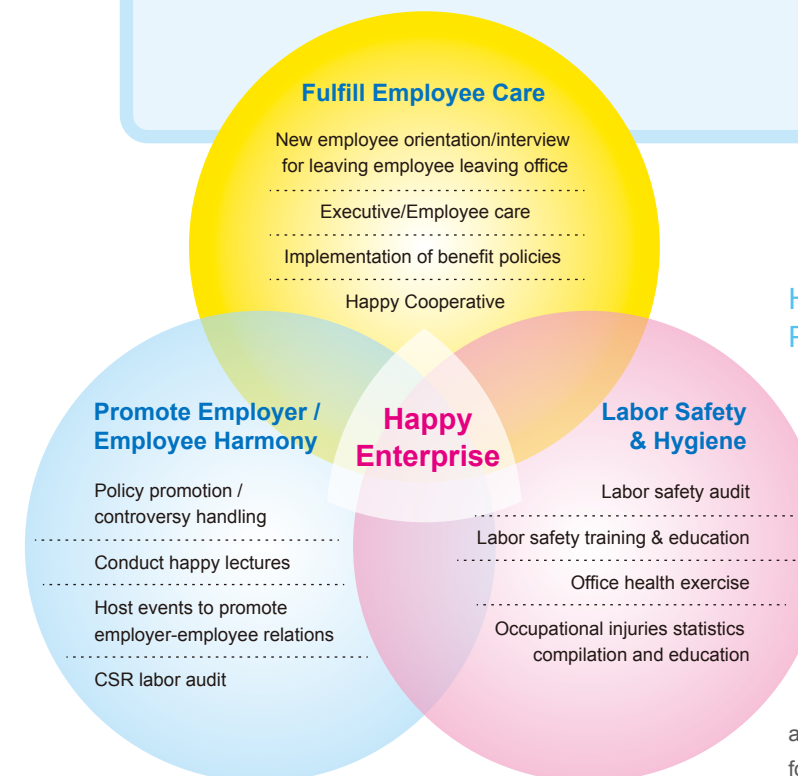
Category	Occupational					Non-occupational
Type						
Cases 2011	16	2	1	1	2	68
Cases 2012	5	5	0	1	2	37

accordance with Taiwan's Labor Safety and Health Act. PCSC also summarizes occupational injuries every month and analyze the data for improvement. The monthly occupational injuries rate in 2011 and 2012 are 0.25 and 0.23 respectively, which are both lower than the 0.4% threshold stipulated by the Labor Inspection

Office, but we will continue to improve the number. Health and Safety Office will produce occupational injuries case study every month, highlighting the prevention of different occupational injuries types and is aimed at achieving the goal of zero occupational injury working environments.

Healthy Exercise

Sedentary lifestyle is one of the main contributors of fatigue and obesity, therefore the Health and Safety Office has designed a set of exercise that is suitable for the office workers based on the "White-Collar Professional Exercise" designed by the Exercise and Health Science Research Center of Yang Ming University to help office workers extend their muscles and joints to improve their body flexibility. The employees are required to do a 10-minute session of the exercise every morning and afternoon to improve their physical strength and promote good health.

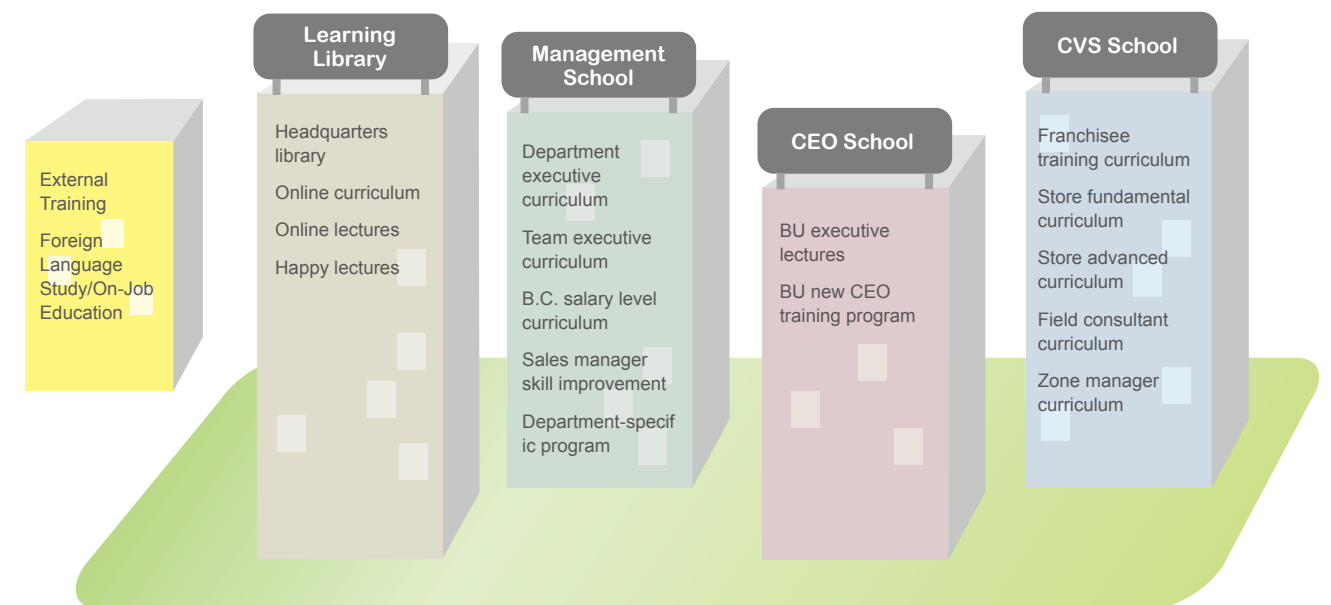


Human Resource Development and Incentive Program

Training/Education & Career Development

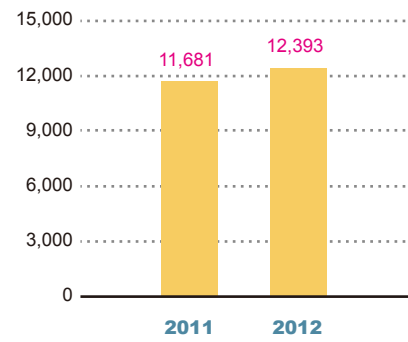
We always regard our employees as the most important asset of the company. The headquarters provide a comprehensive set of training program and promotion system so that our employees can plan for their career within the company. We offer a job rotation system to help the employee accumulate their working experience and advance to higher positions with the performance review and promotion system.

The human resource development system is developed around the concept of 7-11 University, which includes the following elements:

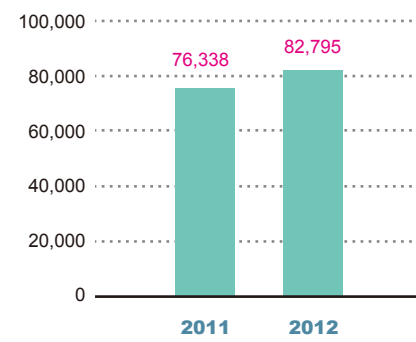


7-ELEVEN University

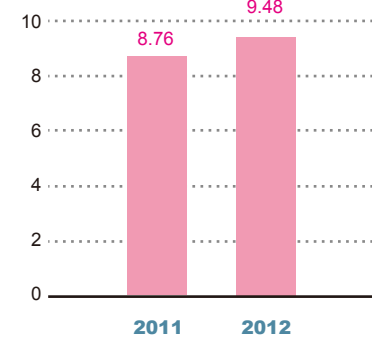
Number of Employees Trained



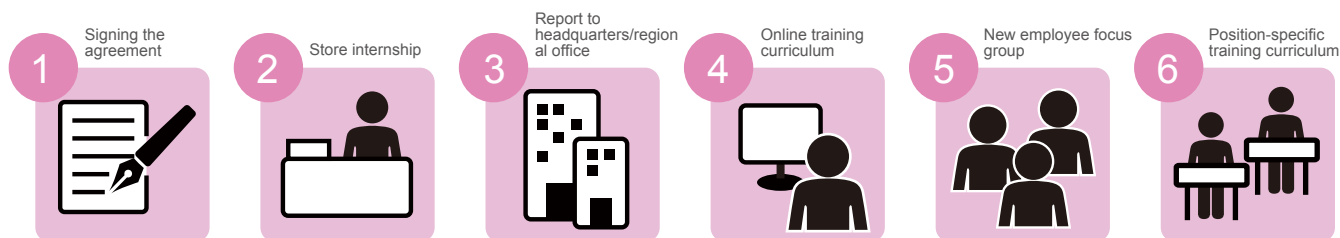
Total Training Hours



Average Training Hours (hr/person)



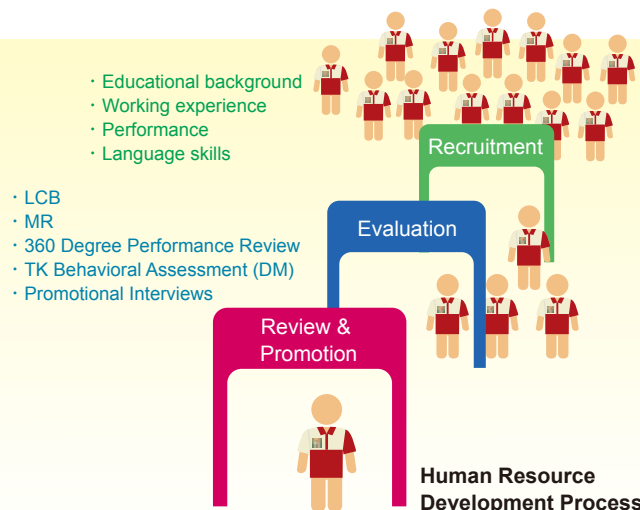
By the end of December 2012, a total of 306 people have applied for external training with a total training cost of NT\$1,060,298.



Development of PCSC's newcomers

Operation Field Consultant is an important role between the headquarters and the all stores around the island. Regional consultant provides consultation on the operational and managerial issues to our franchisees via weekly visit and is responsible for communicating with the franchises on company policies and make sure these policies are properly followed. He or she plays the role of detective (problem identification), doctor (problem solving), partner (support and encouragement) and customer (empathetic thinking). The field consultant needs to offer immediate solution and recommendation for the stores to help them deliver the best services to the consumers. Field consultant needs to have the work experience in both the stores and the back office; therefore we will let all of our management trainees to have hands-on working experience at the stores. These practical training experiences will serve as the foundation of their consultant work and help them prepare for the position of regional consultant.

Relationship with Field Consultant, Stores, and PCSC



PCSC has a comprehensive talent performance review mechanism. The establishment of talent pool and promotion of all levels need to go through the three stages of recruitment, training and promotion. During the first stage of recruitment, we are able to establish a talent pool. The assignment of the CEO of new BU and department heads will be made after confirming the executive's own intention of job transfer. During the second stage of training, PCSC will help the employee to develop job-related knowledge and experiences through training, job rotation and work assignment to allow the employee with enough time for adjustment. During the final stage of promotion, the most suitable candidate will be promoted after a thorough assessment process including interviews and report review.

Incentive Mechanism

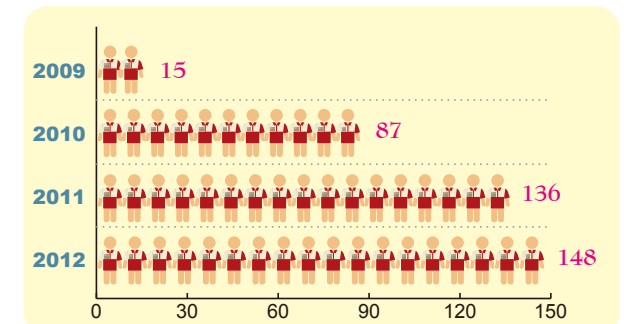
PCSC has developed a comprehensive incentive mechanism for its employees, which includes merit raise, year-end bonus, and a variety of other bonuses. In addition to recognizing the employees for their dedication, the incentive mechanism also intends to motivate the employees to work together with us to achieve our annual objectives.

In order to extend our appreciation to the franchisees for their dedication in years, PCSC has been hosting the 100 Best Performers Awards Ceremony since 1998 to recognize outstanding franchised stores. The winners are able to share the glory and honor with their families and store employees and work together towards a brighter future. Franchisees and store managers are the owners of their respective stores. In order to recognize the franchisees and store managers who dedicate themselves to the stores and help them become regional experts, PCSC developed the Outstanding Store Manager Training Scheme in 2009 to give the ambitious franchisees and store managers the chance to win the title of annual Excellent Store Manager and Outstanding Store Manager. This training scheme has become the

incubator for outstanding managers. A total of 386 people have received the training during 2009 and 2012. With the average training cost of NT\$40,000 per person, we have invested a total of NT\$15 million in the Outstanding Store Manager Training Scheme because we believe it is worth the cost to develop great talents. Excellent store managers will be selected in each region every year for recognition, and the top thirty store managers will be awarded as our annual PCSC Outstanding Store Managers who are entitled to work as trainers to pass on their experiences with other stores.

Starting from 2011, we have expanded the resources to our affiliates by inviting their store managers to join the training scheme. The practice of including different industries and even competitors in the training scheme truly allows us to learn from each other. Store managers are able to think out of the frame and come up with more creative ideas in terms of store management and operation thanks to the cross-learning experience.

In the future, we will summarize the know-hows derived from the Outstanding Store Manager Training Scheme in a database for each region to strengthen their training quality. We will also promote the concept of TK Thinking in the training scheme so that the concept can be utilized in the stores of these excellent and outstanding store managers. The teaching material and curriculum will be centered on the concept of "the best CSR is to improve the store's image and service and treat our customers and employees well." PCSC will facilitate two-way communication with the trainees to help them fully understand the company's business philosophies and develop loyalty towards the company.



A total of 386 people have received the training with a total of NT\$15 million in the Outstanding Store Manager Training Scheme. We believe it is worth the cost to develop great talents.



5.2.3 PCSC and Our Suppliers

The innovative services of PCSC have dramatically changed the daily lives of people in Taiwan during the past thirty years and we owe every success we have to our suppliers. We have always been working closely with our suppliers to develop innovative products and services that can perfectly fulfill the consumer's needs. Meanwhile, we also lead our suppliers to pay attention to CSR issues and improve their operation, management and product development process from the CSR perspective.

In addition to the basic requirements of product quality, delivery time and cost, we also pay a lot of attention to our supplier's performance in the environmental front when it comes to supplier management. PCSC will make sure our suppliers' legal compliance and help them improve their operational performance and competitiveness while ensuring our own operational efficiency to create a win-win situation between PCSC and our suppliers. Starting from 2008, before we enter contract with our construction,

IT and general affairs suppliers, we will offer the prospects with a CSR self-evaluation form to help them evaluate their own performance in the five major areas of workplace safety/hygiene, employee freedom, legal employment, fairness and environmental protection. We will also assign our procurement staff to the manufacturing facilities of our suppliers to conduct on-site audit.

We hope to promote the concept of corporate social responsibility to all of our suppliers. In the preliminary stage, we encourage our suppliers to comply with the two articles of (1) employment is a free choice and (2) offering equal employment opportunity and compensation. The two articles have been included in all annual contracts with the suppliers. Corporate Social Responsibility will become an integral part of our supplier annual review. Together with our suppliers, we look forward to creating a better social environment for the general public.

Meanwhile, PCSC will host regular meetings for suppliers of different categories every year to brief the suppliers of our group performance, future outlook, key strategies, and supplier management guidelines. We also take the opportunity to learn the feedbacks from our suppliers to further improve the partnership in the future. In 2012, 97 suppliers had attended the Fresh Food Supply Chain Meeting, during which we presented the market outlook and introduced the 7-ELEVEN Fresh Food Supply Chain Quality Assurance System. Meanwhile, 111 delegates from 45 suppliers had attended the supplier meeting held by the procurement department. The top three suppliers were presented

with awards for recognition. PCSC also shared with our suppliers the CSR policies that have been implemented during the past couple of years to remind them to pay special attention to the labor management within their own organization. Finally, we still put significant emphasis on the issues of green procurement and corporate social responsibility. We hope that our concept and attitude towards CSR can be communicated to our suppliers properly via these supplier meetings to help them incorporate the CSR concept in their operation and work towards the direction of green procurement to help save energy and reduce carbon emission.

We set CSR-related items in the supplier review process.

- ☐ The supplier is able to make substantial proposal to reduce environmental impact or operational cost (including the revision of raw material or product specification)
- ☐ The supplier is able to provide green products in accordance with the four categories of green procurement defined
- ☐ The supplier is able to complete the CSR self-evaluation form as requested
- ☐ The supplier has provided special assistance or support to PCSC, such as engaging in disaster relief activities by leveraging their core competency.

Suppliers' Proposition

In 2012, in order to solve the problem of insufficient air-tightness of the existing cooler, our supplier took the initiative by replacing the six-piece assembly type to integrated type, which not only extend the cooling time, but also reduce the number of cooling plates by one third. The issues of cooler rigidity and cover cleanness have also been resolved. 2 kw-hr of power is saved for each cooler during the storage process, which equals to the reduction of 1.072kg's CO2 emission.

NOTIFICATION LETTER

In order to promoting Corporate Social Responsibility, we encourage our suppliers to comply with the key aspect of corporate social responsibility. Achieving the successful in business by accord to business ethic, respect human, respect the community and respect the environment. We also include corporate social responsibility related standards into the contract and evaluation provisions, and maintain the quality, service, price at the same time.

5.2.4 PCSC & Government

PCSC has always been working with the government to promote social progress. From the "Clean the Homeland" project launched by EPA to the introduction of electronic invoice system, we take advantage of our social influence to help communicating government policies to the general public. As a local enterprise, we believe the cooperation between PCSC and the government can help improve the living standard for the general public in Taiwan. By cooperating with the government, we are able to leverage our core competency to help promote government policies and improve government efficiency. We treat the partnership with the government as our own products and services. In other words, we prioritize consumer needs by further extending our services to provide more daily conveniences for the general public.

PCSC is probably the local enterprise that is the most sensitive to the aggravating natural disasters in Taiwan. Real-time information is critical in times of unexpected natural disasters so that people can take emergency response measures properly. Starting from 2011, PCSC has been working with the Executive Yuan, Water Resource Agency and Directorate General of Highways to become the first private enterprise to be

included in the national disaster prevention and relief system to be responsible for flood reporting and communicating information from the three major alarming systems to the general public.

Through the cash register display of the 4,852 stores, we are able to communicate information regarding the provincial highway operation status during typhoons and torrents, flood warning, and update weather report to the consumers in real time to remind them of highway blockage or take timely evacuation. Our stores around the island have also act as flood reporting stations for Water Resources Agency. With the help of PCSC, Water Resources Agency is able to improve its flood reporting system from passive reporting to active reporting by calling the flood reporting station directly. During Typhoon Saola and Tembin in 2012, PCSC helped the government to acquire accurate disaster information in order to make more efficient allocation of water pumps during the flood. The data collected can also be used to analyze flood tendency in the future.

It is everyone's responsibility to prevent the damage from natural disasters. By becoming part of the government's disaster information reporting system, we not only reduce our own operational risk, but also help the government to access to damage status and maximize the efficiency of disaster prevention. We also trained our first-line store workers to remind the consumers to be aware of the disaster and ensure the safety of their lives and properties.

Definition of Green Product Procurement

<p>Green Product Type 1</p> <p>Authority concerned EPA</p> <p>Eco Label issued by EPA</p>	<p>Green Product Type 2</p> <p>Authority concerned EPA</p> <p>The vendor submit third-party verification report, which needs to be valued and approved by EPA</p>
<p>Green Product Type 3</p> <p>Authority concerned MOEA</p> <p>Water- saving and energy-saving label certified by Energy Bureau and Water Resource Agency of MOEA.</p>	<p>Green Product Type 4</p> <p>Authority concerned Independent Certification Agency</p> <p>- Label/Certification issued by international organization. - Test report by national laboratory. - Report by third-party independent agency.</p>



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Appendix

6.1 GRI Performance Indicators

Green Accounting

Table of environmental-related expenditures

	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment (NT\$1000)		Expense (NT\$1000)	
				2011	2012	2011	2012
Merchandise	Considering the safety and environmental impact of merchandise, we switched to more environmentally-friendly materials; Refrained from using preservatives or artificial flavorings in fresh foods	Began sourcing paper lunch boxes, conducted environmental and general product testing and testing of fresh foods.	Protecting consumers' health, while also taking into consideration safety and the environmental impact.	--	--	348,448	387,324
Stores	Energy saving measures	Purchase power savers -- used in 198 stores; freezing/refrigeration shared radiator --used in 1,310 stores; energy-saving lighting tubes --used in 880 stores; 2,172 cooling air circulation fans at hypermarkets; 1,513 frequency-conversion air conditioners	Energy savings	205,462	145,608	210	21,351
		Purchased energy saving equipment for 225 stores; Installed A/C circulation fans in 1,615 stores, 1,085 inverter A/C units, and T5 28W energy saving bulbs in 2,606 stores as part of our energy saving light bulb program in 2012					
	Cleaning, handling of waste, and recycling	Cleaning, greening, beautification, and waste (old uniforms) disposal in stores	Maintaining a clean environment and reusing resources	--	--	139,207	220,927
	Extending the life span of equipment and building materials.	Installed steel counters in 1432 stores	Reducing the need for lumber	73,600	76,800	89,271	75,482
		Other environment-friendly equipment (including refurbishing and reusing 9,593 pieces of used equipment)	Reduce waste by refurbishing existing equipment				
	Purchasing green products	Purchased energy saving equipment, utilized environmentally-friendly materials, and introduced the e-invoice in stores.	Received Energy Label Certification, reduced the need for lumber, and lowered carbon emissions	--	--	137,672	31,793
	Social Contributions	Community environmental awareness advocacy	Environmental advocacy and education	--	--	19,470	31,793
		Environmental protection and social charity events	Corporate Social Responsibility	--	--	23,786	12,881
Internal Environmental Education	Environmental education and office resource recycling	Promoted paperless operations, environmental cleaning and greening, and recycling of waste.	Promote the idea of environmental protection.			1,052	18,211
Delivery	Delivery efficiency increases and recycling	Invested manpower and equipment in reverse logistics recycling operations at stores	Reduce carbon emission, the environmentally friendly coolants are 20% more energy efficient than the traditional coolants.			20,637	3,818
Total				73,600	76,800	89,271	75,482

Environmental accounting costs in recent years

Year	2006	2007	2008	2009	2010	2011	2012
in NT\$1000	422,331	464,997	629,812	591,377	1,057,894	1,058,815	1,021,244

Personnel information

Year		2011	2012
No. of Employees (By type)	Store Employees	2061	2015
	Management	1816	1782
	Part-Time	4841	4939
	Total	8718	8736
No. of Employee (By area)	Northern Taiwan (Zone: North 1, North 2, and Taochu)	6387	6283
	Central Taiwan (Zone: Changchung)	841	871
	Southern Taiwan (Zone: Chianan, KaoPing)	1490	1582
No. of Employee (By age)	< 30	4894	4690
	30~50	3697	3877
	> 50	127	169
Labor Turnover Rate (%)	Labor Turnover Rate of full time	7.36	11.65
	Labor Turnover Rate of part time	99.08	94.79
No. of parental leave		31	46

Other GRI Performance Indicators

year	2011	2012
Numbers of discrimination(including head office and retail stores)	0	2

Interview survey had carried out immediately, if verified, related units will require to punishment.

year	2011	2012
Numbers of human right related appeal	32	30
Numbers of appeal cases resolved	32	30

Appeal channel: Joint service center, human resource department and auditing department.

year		2011	2012
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Numbers of non-compliance with laws and regulations	2	3
	Monetary value	56,000	40,000

- In year 2011, 7-11 ibon cooperate with UNI AIR to sale domestic flight ticket. However, the Statute for the Development of Tourism No.27 indicates that non-aviation travel industry cannot sale domestic flight ticket. Therefore, we are penalty of 90,000 from Tourism Bureau.
- In year 2011, Nov, the Fair Trade Commission, Executive Yuan announce that coffee from 7-Eleven, Family Mart, Hi-Life and Circle K Stores increase 5 NT dollars since 4/10/2011, against the joint behavior. 16 millions of penalty were cost. After the company filed a petition and administrative lawsuit, the high administrative court (first instance of the administrative lawsuit: High Administrative Court, second instance: Supreme Administrative Court) announced in December 2012 that the verdict is in favor of PCSC. The Fair Trade Commission has appealed to Supreme Administrative Court and PCSC will continue to defend the case in court.

6.2 GRI Index

GRI Index		Report Section(s)
1. Strategy and Analysis		
1.1	Statement from the most senior decision maker	1. Words from the Chairman
1.2	Key impacts, risks and opportunities	1. Words from the Chairman
2. Organizational Profile		
2.1	Name of the organization	About This Report
2.2	Primary brands, products, and/or services	3.1 Our Influence 5.1.1 Satisfied Consumers
2.3	Operational structure of the organization	3.1 Our Influence
2.4	Location of headquarters	About This Report
2.5	Countries of operation	3.1 Our Influence
2.6	Nature of ownership and legal form	About This Report
2.7	Markets served	3.1 Our Influence
2.8	Scale of organization	3.1 Our Influence
2.9	Significant changes	3.1 Our Influence
2.10	Awards received	3.1 Our Influence
3. Report Parameters		
3.1	Reporting period	About This Report
3.2	Date of most recent report	About This Report
3.3	Reporting cycle	About This Report
3.4	Contact point on the report	About This Report
3.5	Process for determining content	About This Report
3.6	Boundary of the report	About This Report
3.7	Limitations on scope or boundary of the report	About This Report
3.8	Reporting on other entities	About This Report
3.9	Data measurement techniques	5.2.1 PCSC and Environment
3.10	Explanation of re-statements	No Applicable
3.11	Significant changes from previous report	About This Report
3.12	Table on standard disclosures	6.2 GRI Index
3.13	External assurance	About This Report
4. Governance, Commitments, and Engagement		
4.1	Governance Structure	3.1 Our Influence
4.2	Indicate if Chair of highest governance body is also executive officer	Role of CEO and chairman is split
4.3	Independent and/or non-executive board members	3.1 Our Influence
4.4	Mechanisms for stakeholders and employees to provide recommendations or direction to highest governance body	3.2 Our Future
4.5	Linkage between compensation for members and organizational performance	3.1 Our Influence
4.6	Conflicts of interest	3.1 Our Influence
4.7	Determining qualifications and expertise of the highest governance body	Please see our Annual report
4.8	Mission and values statements, codes of conduct and policies	3.1 Our Influence
4.9	Procedures for overseeing identification and management of economic, social and environmental performance	3.1 Our Influence
4.10	Processes for evaluating the performance of the highest governance body	3.1 Our Influence
4.11	Explanation of whether and how precautionary approach is addressed	3.2 Our Future
4.12	Externally developed, economic, environmental and social charters or principles	5.2.1 PCSC and Environment
4.13	Significant memberships in associations and/or advocacy organizations	5.1.4 Happy Community 5.2.1 PCSC and Environment
4.14	List of stakeholders engaged by organization	3.2 Our Future
4.15	Basis for identification and selection of stakeholders to engage	3.2 Our Future
4.16	Stakeholder engagement approaches	3.2 Our Future
4.17	Key topics and concerns raised through stakeholder engagement and response	3.2 Our Future
Economic Performance Indicators		
EC1	Direct economic value generated and distributed	3.1 Our Influence
EC2	Financial implications and other risks and opportunities for activities due to climate change	4.1 Sustainable Lifestyle
EC3	Coverage of defined benefit plan obligations	--

GRI Index		Report Section(s)
EC4	Significant financial assistance received from government	PCSC operates on its own reserves without any government backing
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	5.2.2 PCSC & Our Employees
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	4.2 Healthy Food · Food Safety
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations	--
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	5.1.4 Happy Community
EC9	significant indirect economic impacts	2. Highlight Summary
Environmental Performance Indicators		
EN1	Materials used by weight or volume	4.2 Healthy Food · Food Safety 5.1.1 Satisfied Consumers
EN2	Percentage of materials used that are recycled input materials	5.1.1 Satisfied Consumers
EN3	Direct energy consumption by primary energy source	5.2.1 PCSC and Environment
EN4	Indirect energy consumption by primary source	5.2.1 PCSC and Environment
EN5	Energy saved due to conservation and efficiency improvements	5.2.1 PCSC and Environment
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	5.2.1 PCSC and Environment
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	5.2.1 PCSC and Environment
EN8	Total water withdrawal by source	--
EN9	Significant impact of withdrawal of water to water sources	--
EN10	Percentage and total volume of water recycled and reused	--
EN11	Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	--
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	--
EN13	Habitats protected or restored	--
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	--
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	--
EN16	Total direct and indirect greenhouse gas emissions by weight	5.2.1 PCSC and Environment
EN17	Other relevant indirect greenhouse gas emissions by weight	5.2.1 PCSC and Environment
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	5.2.1 PCSC and Environment
EN19	Emissions of ozone-depleting substances by weight	--
EN20	NOX, SOX and other significant air emissions by weight	--
EN21	Total water discharge by quality and destination	--
EN22	Total weight of waste by type and disposal method	--
EN23	Total number and volume of significant spills	There were no significant spills in 2001-2012
EN24	"Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally"	Not Applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	--
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	5.1 Store is the CSR Proving Ground 5.1.1 Satisfied Consumers
EN27	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	--
EN28	Monetary value of significant fines and total number non-monetary sanctions for non-compliance with environmental laws and regulations	--
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	5.2.1 PCSC and Environment
EN30	Total environmental protection expenditures and investments by type	6.1 GRI Performance Indicators

GRI Index		Report Section(s)
Labor Practices and Decent Work		
LA1	Total workforce by employment type, employment contract, gender, and region	6.1 GRI Performance Indicators
LA2	Total number and rate of employee turnover by age group, gender, and region	6.1 GRI Performance Indicators
LA3	Benefits provided to full-time employees	5.2.2 PCSC & Our Employees
LA4	Percentage of employees covered by collective bargaining agreements	5.2.2 PCSC & Our Employees
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	--
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	--
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	5.2.2 PCSC & Our Employees
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious disease	5.2.2 PCSC & Our Employees
LA9	Health and safety topics covered in formal agreements with trade unions	--
LA10	Average hours of training per year per employee by employee category and gender	5.2.2 PCSC & Our Employees
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	5.2.2 PCSC & Our Employees
LA12	Percentage of employees receiving regular performance and career development reviews	5.2.2 PCSC & Our Employees
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	6.1 GRI Performance Indicators
LA14	Ratio of basic salary of men to women by employee category	5.2.2 PCSC & Our Employees
LA15	Return to work and retention rates after parental leave	6.1 GRI Performance Indicators
Human Right		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	5.2.3 PCSC and Our Suppliers
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	5.2.3 PCSC and Our Suppliers
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	5.2.2 PCSC & Our Employees
HR4	Total number of incidents of discrimination and actions taken.	6.1 GRI Performance Indicators
HR5	Operations identified in which the right to exercise association and collective bargaining may be at significant risk, and actions taken to support these rights.	--
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	5.2.2 PCSC & Our Employees
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	5.2.2 PCSC & Our Employees
HR8	Security personnel training regarding human rights.	--
HR9	Total number of incidents of violations involving rights of local workforce and actions taken.	--
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	5.2.2 PCSC & Our Employees
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	6.1 GRI Performance Indicators
Society		
S01	Percentage of operations executing conference with local communities, risk assessment and development plans.	5.1.4 Happy Community
S02	Analysis the risk of corruption by business units.	3.1 Our Influence

GRI Index		Report Section(s)
S03	Training for anti-corruption.	3.1 Our Influence
S04	Actions taken in response to incidents of corruption	--
S05	Public policy positions and participation in public policy development and lobbying	5.2.4 PCSC & Government
S06	Financial Political Contributions.	PCSC has consistently remained politically neutral and not involve in the financial political contributions.
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.1 GRI Performance Indicators
S08	Punishment and monetary fine for incidents against regulations.	6.1 GRI Performance Indicators
S09	Operations with significant potential or actual negative impacts on local communities.	--
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	--
Product Responsibility		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	4.2 Healthy Food · Food Safety
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety.	--
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	5.1.1 Satisfied Consumers
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	There were no illegal case in 2001-2012.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	--
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	--
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	6.1 GRI Performance Indicators
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	There were no complaints about customer privacy in 2001-2012.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.1 GRI Performance Indicators