

# REAPING THE REWARDS

CRISIS TO OPPORTUNITY

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# ABOUT THE COVER

This year's annual report completes the story began during the pandemic, one of the most challenging times for the company, which the company weathered by investing in innovation and implementing changes geared towards a better future.

The cover, loosely based on a game where one matches shapes to win prizes, represents reaping rewards and plentitude, showcasing a mix of products immediately recognizable to customers who relied on 7-Eleven during the time of crisis. This shows how the company was able to pivot and continue growing, investing in innovation and creating opportunities to provide more options and opportunities for its stakeholders.



Reaping the Rewards:  
Crisis to Opportunity

# VISION

Our vision is to be the best retailer of convenience for emerging markets.

# MISSION

To make daily life easier by providing modern convenience.

# CORE VALUES

Teamwork. Reliability. Customer focus. Data-driven. Integrity.

# FINANCIAL HIGHLIGHTS

## Comparative Financial Highlights

FOR THE YEAR	2023	2022	2021	2020	2019
System-wide Sales	82,149,959	65,966,516	47,216,091	46,368,988	56,333,266
Revenues	78,043,346	62,682,837	45,144,606	43,645,923	52,950,903
EBITDA	9,085,635	7,549,306	4,530,048	4,727,594	6,773,890
Operating Income	5,033,309	3,513,732	448,153	445,002	2,940,860
Net Income	3,483,306	2,056,963	(461,005)	(419,718)	1,444,573
Return on Average Equity (%)	32.07%	25.52%	-6.44%	-5.45%	19.12%

AT YEAR-END	2023	2022	2021	2020	2019
Stores in Operation	3,768	3,393	3,073	2,978	2,864
Total Assets	39,534,885	32,178,918	28,418,465	29,749,007	29,673,664
Total Liabilities	26,959,254	23,032,811	21,447,049	22,395,140	21,636,075
Stockholders' Equity	12,575,631	9,146,107	6,971,416	7,353,868	8,037,589
Current Ratio (x)	1.29	1.18	1.10	1.00	0.93
Debt-to-Equity Ratio	2.14	2.52	3.08	3.05	2.69

PER SHARE DATA	2023	2022	2021	2020	2019
Earnings Per Share (PHP)	4.60	2.72	-0.61	-0.55	1.91
Book Value Per Share (PHP)	16.63	12.09	9.22	9.72	10.63

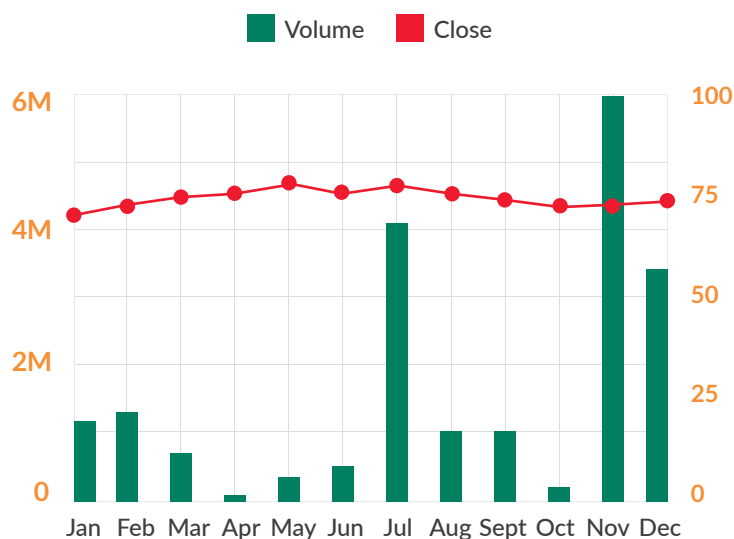
\*in PHP Thousands except data on store, ratio, and per share information

## Financial Ratios

	2023	2022	2021	2020	2019
Current Ratio (x)	1.29	1.18	1.10	1.00	0.93
Quick Ratio (x)	0.84	0.66	0.61	0.64	0.59
Debt-to-Equity Ratio	2.14	2.52	3.08	3.05	2.69
EBITDA Margin (%)	11.64%	12.04%	10.03%	10.83%	12.79%
EBIT Margin (%)	6.45%	5.61%	0.99%	1.02%	5.55%
Net Margin (%)	4.46%	3.28%	-1.02%	-0.96%	2.73%
Return on Ave. Equity	32.07%	25.52%	-6.44%	-5.45%	19.12%
EPS (Php)	4.60	2.72	-0.61	-0.55	1.91
Book Value Per Share	16.63	12.09	9.22	9.72	10.63

## Stock Price

	Close	Volume
January	74.50	1,068,830
February	78.00	1,127,110
March	80.00	782,010
April	81.50	131,380
May	86.50	435,070
June	82.90	721,370
July	85.50	4,105,800
August	84.00	1,080,750
September	79.00	1,087,380
October	76.00	416,280
November	75.00	5,954,230
December	76.20	3,263,660



## Balance Sheet Highlights

	2023	2022	2021	2020	2019
Current Assets	23,397,904	17,472,933	14,222,718	13,896,794	12,703,448
Noncurrent Assets	16,136,981	14,705,985	14,195,747	15,852,213	16,970,216
<b>TOTAL ASSETS</b>	<b>39,534,885</b>	<b>32,178,918</b>	<b>28,418,465</b>	<b>29,749,007</b>	<b>29,673,664</b>
Current Liabilities	18,196,344	14,763,294	12,968,183	13,864,318	13,706,760
<b>TOTAL LIABILITIES</b>	<b>26,959,254</b>	<b>23,032,811</b>	<b>21,447,049</b>	<b>22,395,140</b>	<b>21,636,075</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>12,575,631</b>	<b>9,146,107</b>	<b>6,971,416</b>	<b>7,353,868</b>	<b>8,037,589</b>
Book Value Per Share	16.63	12.09	9.22	9.72	10.63

	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019
Current Assets	33.9%	22.9%	2.3%	9.4%
Noncurrent Assets	9.7%	3.6%	-10.4%	-6.6%
<b>TOTAL ASSETS</b>	<b>22.9%</b>	<b>13.2%</b>	<b>-4.5%</b>	<b>0.3%</b>
Current Liabilities	23.3%	13.8%	-6.5%	1.1%
<b>TOTAL LIABILITIES</b>	<b>17.0%</b>	<b>7.4%</b>	<b>-4.2%</b>	<b>3.5%</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>37.5%</b>	<b>31.2%</b>	<b>-5.2%</b>	<b>-8.5%</b>
Book Value Per Share	37.5%	31.2%	-5.2%	-8.5%

\*in PHP Thousands except data on store, ratio and per share information

## Income Statement Highlights

	2023	2022	2021	2020	2019
Stores in Operation	3,768	3,393	3,073	2,978	2,864
System-Wide Sales	82,149,959	65,966,516	47,216,091	46,368,988	56,333,266
Revenue from Merchandise Sales	78,043,346	62,682,837	45,144,606	43,645,923	52,950,903
Cost of Sales	51,122,295	41,144,668	29,656,633	28,783,351	34,368,461
Gross Profit	26,921,051	21,538,169	15,487,973	14,862,572	18,582,442
Operating Expense	21,930,229	18,337,230	15,087,045	14,674,176	15,794,863
Operating Income	5,033,309	3,513,732	448,153	445,002	2,940,860
Net Income	3,483,306	2,056,963	(461,005)	(419,718)	1,444,573
Earnings Per Share (PHP)	4.60	2.72	-0.61	-0.55	1.91

	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019
Stores in Operation	11.1%	10.4%	3.2%	4.0%
System-Wide Sales	24.5%	39.7%	1.8%	-17.7%
Revenue from Merchandise Sales	24.5%	38.8%	3.4%	-17.6%
Cost of Sales	24.3%	38.7%	3.0%	-16.3%
Gross Profit	25.0%	39.1%	4.2%	-20.0%
Operating Expense	19.6%	21.5%	2.8%	-7.1%
Operating Income	43.2%	684.0%	0.7%	-84.9%
Net Income	69.3%	546.2%	9.8%	-129.1%
Earnings Per Share (PHP)	69.3%	546.2%	9.8%	-129.1%

\*in PHP Thousands except data on store, ratio and per share information

# LETTER TO SHAREHOLDERS



**JOSE T. PARDO**  
Chairman of the Board



## To My Fellow Shareholders,

It is with great pride that I report to you the remarkable performance of Philippine Seven Corporation for the year 2023. This year has been a testament to our relentless pursuit of excellence and our unwavering commitment to our mission of making daily lives easier by providing modern convenience.

As we reflect on the past year, I am pleased to share with you the results of your company's efforts and emphasis to growth and improvement. We have brought greater convenience to our customers and instilled confidence in our shareholders. Every year, our organization continues to achieve milestones and exceed targets, even with the challenging external environment.

Through the exceptional efforts of our management team, our revenue and profitability have reached new heights, reflecting the strength of our strategies and the dedication of our entire organization. We have expanded our footprint, introduced innovative products and services, and enhanced the overall customer experience across our 7-Eleven stores.

Your company generated a record net profit of 3.48 billion pesos for the year 2023. This represents an impressive net income growth of 69.3 percent and translated into an earnings-per-share of P4.60. System-wide sales, which accounts for the retail sales and service income of all corporate and franchise-operated 7-Eleven stores, rose by 24.5 percent to 82.2 billion pesos.

The solid financial performance can be attributed to the 13.0 percent growth in same-store sales. This was mainly driven by the 11.4 percent increase in average customer count of stores operating for more than twelve months. In addition, our store count increased by 375 or by 11.1 percent to end the year with 3,768 stores in our system.

As a result, our financial position grew stronger and shall support the execution of our product and market development plans, as we continue our push towards the 5,000th store milestone. Our cash generating capability remained resilient as our cash level reached an all-time high of 12.0 billion pesos. This allowed our company to distribute cash dividends in 2024 and deliver value to our shareholders.

Moreover, the consistent rise in the market share of our ready-to-eat products is a promising trend. Our

focus on this category extends beyond meeting consumer demand; it serves as a distinguishing factor from competition. We have embraced collaboration by forming alliances with casual dining restaurants. These partnerships allow us to leverage the expertise of established brands, enriching our food service offerings, and provide customers with more reasons to choose us for their ready-to-eat needs.

We have seen the continued reliance on digital payments as we have established ourselves as a trusted payments acceptance provider. We are the preferred choice in payment needs because of availability and consistent transaction fulfillment. Our partnership with the local subsidiary of Seven Bank of Japan strengthened further through their 3,028 ATMs now available in our stores.

Throughout these advancements, we remain committed to preserving the long-standing brand reputation associated with our 7-Eleven name. Our brand has been synonymous with convenience and reliability, and we are dedicated to upholding and enhancing these qualities. By remaining faithful to our 7-Eleven brand heritage, we maintain the trust and loyalty of our customers.

Looking ahead, we are excited about the future and the opportunities it holds. We remain focused in continuing our growth trajectory by exploring new markets, leveraging cutting-edge technologies, and further improving our service offerings. Our goal will remain on delivering unparalleled convenience to our customers and creating value for our shareholders.

As we move forward, we remain steadfast in our mission and are confident in our ability to navigate the challenges ahead. Our leadership team is more committed than ever to lead the company toward even greater achievements.

In closing, I am truly grateful to our Board of Directors for their insights and guidance, and I would like to thank our management and employees for their dedication and hard work. I also express my sincerest gratitude to our franchisees for consistently serving our customers.

Thank you for your continued trust and unwavering support. Together, we will continue to build on our success and create a brighter future for our company.

# REVIEW OF OPERATIONS



A handwritten signature in black ink that reads "Victor Paterno".

**JOSE VICTOR P. PATERNO**  
President and CEO

## Dear Fellow Shareholders,

2023 can be considered the first full post-pandemic year for the Philippines, and after spending two years preparing for it, and watching which trends would continue in the 2022 transition year, we believe that we have responded well in 2023, but are preparing to do even more in the coming years to adapt to (and capitalize on) to what has been a seismic shift in our industry.

### 2023 Highlights:

- 69% increase in net income driven by a 24% growth in revenue, resulting in an EBIT margin of 6.5%, vs 5.6% in 2022 and 5.55% in 2019.
- Operating leverage from new stores (11% increase), but more so from 13% sssg, driven by an 11% increase in customer visits.
- Increase of 11% in store base with 415 new stores (vs 320 in '22) and 40 closures. New store sales also hit a record high, and the trend continues into 24 - which means we haven't been growing fast enough to meet demand despite opening more stores than ever.
- 25% inc in per store profitability vs '19 (pre IFRS) and 49% vs '22.

Most importantly, an ROE of 32% vs 26% '22 19% '19 our highest ever.

- Record dividend of 8.4B, driven both by profitability and accumulated earnings from 2020-22, where SEC regulations on retained earnings (affected greatly by the pandemic) prevented us from returning cash to shareholders. Going forward, our philosophy is to return excess cash to shareholders, after considering capex needs for the succeeding year. In 2023, we generated 10B in cash and spent 3.5B in capex.

**“Fight is about battle testing our evolving post-pandemic value proposition in the most competitive areas of Mega Manila...”**

Though we benefited from inflationary tailwinds in 2023 (average basket increased despite the increase in visits), we note that we have outperformed our licensee peers in the 7E system with regards to increase in per store sales vs. both 2022 and 2019, despite having the highest % store growth. We would like to think it because we had prepared for the shifts in post pandemic behavior more than they did, perhaps because we were by far the most affected by it.

**“...by sticking to core values of teamwork and shared prosperity with franchisees and suppliers through good times and bad.”**

We are proud of what we have achieved thus far, and the manner in which we achieved it – by sticking to core values of teamwork and shared prosperity with franchisees and suppliers through good times and bad. But we believe that we are only beginning to see the results of our strategy, which we refer to as **Flight and Fight**.

**Flight is about expanding quickly outside of Mega Manila**, where profits are plentiful and competition scarce (ie blue ocean). **Fight is about battle testing our evolving post-pandemic value proposition in the most competitive areas** of Mega Manila (i.e. red ocean), against both other CVS chains and minimarts. Flight comes first because competition for the best locations will heat up – from competition or even say, QSRs, which are also experiencing higher sales growth in VisMin. Fight is more deliberate – we need to prove it wins us profits and market share before rolling it out to more logistically complex territory where it is harder to iterate – we have some time before serious competition arrives.

### Flight: Going where we're most needed

- Outperformance of ex-Mega Manila continues in 2023, even as we build more stores - and would be even greater had Metro Manila, with 1100 stores, not outperformed in sssg, finally bringing it in

line with pre-pandemic levels in per store sales. It however remains the poorest performer.

- In line with this, we have continued opening even more stores – over 70% - outside Greater Manila, and they have led in terms of new store sales performance.
- We'd have preferred to open faster, but there is inherent lag since we saw the trend solidify in mid'22. Lead time for new store acquisition takes nearly a year including negotiations and permits (presuming that you have already built up a location database the year before), and increasing staffing and accrediting more building contractors takes time as well. This year, half of new stores will be in VisMin from well over a third in '23.
- We do have time before serious competition arrives, due to logistics moats, especially in the major islands in the Visayas, where we first opened in 2012. Distribution infrastructure in the CVS industry globally is considered sub-optimal when they serve less than a thousand stores, and only our Metro Manila DC exceeds that number, with most of the 24 DCs outside Greater Manila a fraction of that. This represents not just a moat, but one that deepens as logistics operating leverage grows the closer we get to optimal levels. DC floor area is a function of SKUs carried, with additional stores only requiring more space for staging and loading of more trucks.
- Assuming growth continues, potential runs deep. Per Nielsen, CVS accounts for only 2% of FMCG sales in VisMin, vs 9% in Metro Manila. They make up half the population, but only a quarter of our stores, and those of other CVS tracked by Nielsen (most of them small chains and independents).

### **Fight: Meeting more needs with CVS+**

- The trend of consumers shopping closer to home strengthened further in 2022. Supermarkets have gone from 48% share in 2019 to 38% in 2023, slipping a further 200 basis points from 2022,

reinforcing our belief that this is a longer term trend rather than a mere pandemic hangover. Perhaps consumers have learned to live with the fewer SKUs they got by with during the pandemic.

- The biggest gainers are sari-sari stores, and more notably grocery stores, which have grown in number from ~5000 in 2019 to ~8000 in 2023 vs CVS ~4500 to ~6000 according to Nielsen.
- We have long believed more competitive pricing and assortment on essential/deferred consumption categories the key to continued dominance in emerging markets, as seen in Thailand and Mexico. That our noncore categories (nonfood, grocery food, health and beauty) have significantly outperformed in 2023 vs. 2019 only strengthens these beliefs further, as has the growth of the minimart format in the peripheries of Metro Manila.
- We rushed headlong in this direction in Metro Manila in late 2020 in the hope that the pandemic presented a unique opportunity to pivot our offering, but such speed came at great cost – our supply chains and store execution resulted in messy stores, and we did not have the time or tools to properly optimize pricing and assortment.
- We spent much of the pandemic working on supply chain and execution matters, and those stores have significantly outperformed since April 2022, when we corrected all related issues.
- Truly optimizing pricing and assortment has however been more difficult, requiring larger and more complex data models, as well as restructuring our value proposition to supplier partners who do not have the fat margins inherent to the snack and beverage categories. Work on this continues into 2024, as does our determination to get it as right as possible even in the face of uncertainties on data, knowing now how difficult an assortment reset is. That no other convenience chain in the world has been successful in such a pivot (those who operate on a CVS+ model started that way) informs our caution.

## “The pandemic demonstrated the need for this rebuild, and its aftermath has confirmed that we are very much in the right direction.”

- We hope to get a successful pilot underway later this year however, making space (though we have been building larger stores, most struggle with the space needed for a new offering) for a very deliberately curated price and assortment on noncore categories with variable planograms, which now work smoothly, and are the major reason for the outperformance since April '22.
- Variable planograms use AI to manage assortment per SKU per store, as against the fixed planograms (same SKUs for all stores devoting a given number of shelves per category) we have been using since 2005. We are currently the only CVS that uses them, though our technology partner has since been successful pushing them to larger format operators in developed markets.
- We believe that done right, a pivot to CVS+ has limited downside (we don't sell very much of those categories anyway) and very consequential upside – the opportunity to increase both sales and gross profit Pesos in those categories, as well as drive traffic and basket size that benefit our core high margin categories, whose value proposition will remain unchanged.
- Most importantly, we believe it is key to containing competition from other formats, as well as a means to grow our addressable market: by increasing share of household spend, we can decrease the population we need to support a store – currently 8,000 in Greater Manila (vs 4,000 for a minimart).

CVS+, and the considerable systems it involves, is a big part of what we have referred to in past letters as the 'new machine' that we hope will unlock even steeper growth curves than we have seen since the first 'machine's' iteration in 2005. We like the term because it suggests effortless, clockwork-like growth with minimal adjustment, but after a painstaking build. The pandemic demonstrated the need for this rebuild, and its aftermath has confirmed that we are very much in the right direction.

**Digitization** is the other part of CVS+, and while our payments business continues to be stable, we know that the business of digitizing cash will not be around forever. While ATM traffic from our 3,200 recycler ATMs has continued to grow, we are developing new service revenue sources that utilize our digital assets which we hope will show enough promise to merit discussion next year.

Until then, know that we have our feet planted on ground as stable as can be had in these times of great change, excited to finish what we started.

With many thanks for your continued support, I remain

Yours Sincerely,

**Jose Victor P. Paterno**

# 2023 MILESTONES



## 2,000<sup>th</sup> Crunch Time Store

In July, our fried product line Crunch Time - an enduring crowd-pleaser, since its inception in 2018 - opened its 2,000<sup>th</sup> Crunch Time store in San Fernando, Pampanga.



## 21 To Go Dine-in Store

We introduced the renowned Taiwanese chicken brand, 21 To Go, to the Philippines, opening our first 21 To Go Dine-in Store in Parañaque in April.



## The World's First 7-Eleven Store on a Ship

Continually striving to serve underpenetrated markets, we opened the world's first 7-Eleven store on a ship, bringing modern convenience to the MV Sta. Alberta in April.



## 7-Eleven EsCUPades

Through the cup-polling mechanics that we optimized in 2022's 7-Election, 7-Eleven EsCUPades sent winners to international destinations, boosting City Cafe and Gulp sales by 29% and 58%.



## Nationwide ATM Deployment

We launched our 2,500th ATM in Iloilo in June, and our 3,000th in Bohol in November, in partnership with Pito AxM Platform, Inc., local subsidiary of Japan's Seven Bank, Ltd.



## Frontier Distribution Centers

We opened six distribution centers and two consolidation centers, further strengthening our constantly-growing network of stores and opportunities across the country.

# REAPING THE REWARDS OF MARKET ADAPTATION

Fully overcoming the challenges wrought by the pandemic, Philippine Seven Corporation (PSC) successfully broadened both our geographical and digital footprint, and achieved significant milestones in product innovation and service enhancement.

## Store Expansion and New Store Concepts

We broke records by opening 415 stores in 2023, ending the year with a total of 3,768 stores across the nation, an 11% net increase from the year prior. Newly opened stores in Luzon accounted for 75% of this growth, followed by Visayas and Mindanao stores with 25% share. As programs continued to hinge on strategies to bring us closer to our customers, residential areas were the focal point of the expansion.

**“...with a total of 3,768 stores across the nation, an 11% net increase from the year prior.”**

To safeguard our unique market position, we emphasized creating a superior customer experience by leveraging on the enterprise of well established chicken brands, a Filipino favorite; and exploring new territories.

In collaboration with 21 Plus Chicken, the 25-year fast food chain in Taiwan behind the 21 To Go brand and known for fresh chicken dishes, we opened our first 21 To Go Dine-in Store on April 20 in Parañaque City. The 21 To Go Dine-in Store is a Convenience Quick Service Restaurant (CQSR) hybrid store, offering essential groceries, snacks, and beverages for our customers, while providing a comfortable and pleasant environment to enjoy a quick Taiwanese-style roast and



fried chicken meal. This CQSR hybrid store also features a second floor for more dining spaces and which can hold intimate social functions.

Additionally, July 11, 2023 also saw the opening of our landmark 2,000th Crunch Time store in San Fernando, Pampanga, furthering the widespread availability of our customers' perennial favorite. Aside from in-store dining, this Crunch Time store lets customers delight in an al fresco dining experience. As an added boost to chicken rice meals, customers can choose their preferred side dishes and desserts with two CQSRs, allowing them to select their preferred pairings right at the counter. Another highlight of these CQSRs is its own kitchen which serves other 7-Eleven stores within a reasonable delivery range.



Our two chicken brands now allow us to focus on different segments of the chicken meal market: a new market of roast chicken lovers, and our loyal fried chicken customers.

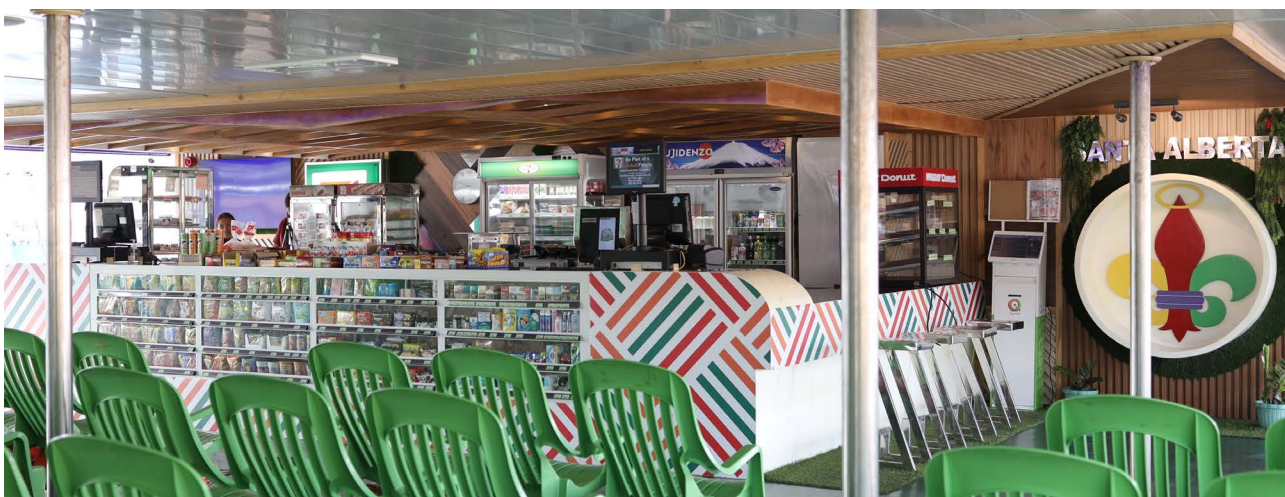
Last year marked another unique milestone for 7-Eleven worldwide, as the world's first-ever 7-Eleven on a shipping vessel launched aboard the MV Sta. Alberta in April. Conquering not only land but Philippine seas as well, our partnership with Montenegro Shipping Lines proved successful in tapping an underserved market. Following the launch success, we implemented this on a second vessel, the MB Binibining Coron by year end, allowing us to find new routes to reach our customers, even at sea. These vessel stores offer everything to meet the customers' appetite as ready-to-eat rice meals, Big Bite hotdog, 7-Fresh Siopao, City Cafe hot drinks, and other snacks are available.

Meeting dynamic customer expectations remains a cornerstone of our strategy, propelling us to deliver new store formats and strategically position the 7-Eleven brand ahead of the competition.

## CDI Expansion

Keeping pace with expansion and ensuring the reliability of our inventory and delivery, we established six Distribution Centers (DCs) and two Consolidation Centers (CCs) last year. This bolstered our operational efficiency in supplying goods to provincial stores.

In May, our DC in Pagadian, Zamboanga Del Sur began serving 22 stores, while, in October, three (3) DCs were opened for 196 stores in Taytay, Tacloban, and Tagbilaran. Additional DCs were opened in November for Tarlac and Pangasinan, and in December for Cebu and Lapu-Lapu City.



# REAPING REWARDS FROM ADAPTABLE ENDEAVOR

## ATM Expansion

In response to the impact of the pandemic that reshaped customer habits in terms of convenient and accessible bank transactions, we became more aggressive in installing in-store ATMs. We rapidly grew our in-store ATM network, going from 2,300 stores in 2022 to over 3,000 in 2023. Visayas and Mindanao regions are now part of the roster of stores with available ATMs.

Our 2,500th ATM welcomed customer transactions in June in Iloilo, while our 3,000th ATM opened in November in Bohol. Partnered with Pito AxM Platform, Inc. - local subsidiary of Japan's Seven Bank, Ltd. - we continue to support our customers' well-being, through the safety, convenience, and advantageous fees provided by our cash-recycling machines. The ATMs also serve another purpose – allowing our store staff to conveniently deposit the store POS cash sales without going to an outside bank to deposit the cash collections. This further boosts staff efficiency, productivity, and ensures their safety as well.

## CLiQQ

As usage of digital wallets gained popularity, we launched promotions that would let customers maximize every CLiQQ wallet transaction. In June 2023, we experienced the highest number of monthly

users for the CLiQQ app, marking a remarkable increase of 245% compared to the previous year. This growth was primarily attributed to the 'CLiQQ EveryDay' and 'Points to Peso' promotions, which allowed customers to convert points into wallet credits at a one-to-one rate. As a result, there was a 29% surge in CLiQQ Wallet transactions.

**“As a result, there was a 29% surge in CLiQQ Wallet transactions.”**

## CLiQQ to 7-Eleven Color Fun Run

We extended the CLiQQ experience in person, on the streets through fitness, well-being, and camaraderie. The first-ever CLiQQ to 7-Eleven Color Fun Run attracted nearly 5,000 participants. Runners raced through clouds of vibrantly colored powder, turning themselves into living canvases that celebrated health and the joy of coming together as a community. Onlookers and participants in the 2km, 7km, and 11km races enjoyed interactive booths, games, giveaways, and the opportunity to win exciting prizes. They also had access to exclusive discounts and perks through the CLiQQ app. The event brought CLiQQ and 7-Eleven closer to our customers in Central Luzon.



## Digital Payments

Our strategy to incentivize user engagement with freebies and CLiQQ point rewards for loan and utility bill transactions led to a 149% increase in app downloads in the first quarter. The 'CLiQQ2gether' promo rewarded first-time downloaders and encouraged loan payments through the app, resulting in 11% of kiosk users switching to the app and a 53% repeat loan payer rate.

**“...149% increase in app downloads in the first quarter.”**

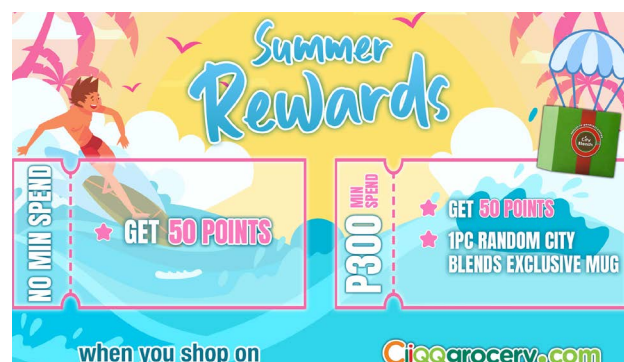
In synergy, the 'Loans 100' promo also awarded 100 CLiQQ points to customers who switched from using our kiosks to the CLiQQ app, in order to pay loans. This resulted in 11% of kiosk users switching to the app, along with 53% repeat loan payers via our app.



The 'Pay Bills, Get Thrills!' promo encouraged customers to pay at least three different utility bills in one month via the CLiQQ app to earn a freebie. This promoted more transactions, facilitated in-store trials for new products, and increased the frequency of utility bills payment transactions through the app by 2%, with a 21% average monthly claim rate for freebies.

## E-Commerce

Numerous promos were conducted to improve sales and boost our CLiQQgrocery website engagement, primarily with tiering and rebates that let customers earn points with every purchase. Our 'Summer CLiQQ and Collect' promo accumulated 55% of sales in a single month, while our 'CLiQQ G Challenge' nearly quadrupled our amount of successful orders, going from 576 orders in May to 2,088 in June. We also achieved a substantial 34% increase in total sales of alcoholic beverages, due to the Lemon-Dou sampling promo conducted via CLiQQgrocery. These CLiQQgrocery programs helped to enhance the online grocery shopping experience.



# BREAKING FREE FROM CRISIS MODE

In 2023, PSC diligently worked to create value for customers by introducing new products, engaging in tactical partnerships, broadening the availability of premier offerings, and conducting events and promotions that united millions of Filipinos as part of the 7-Eleven community.

## Product Innovations

By partnering with some of the Philippines' most renowned brands, we invited new customer bases into our stores and more importantly, created an impactful customer experience with the following co-branded rice meal, snack, and drink offerings:

### Chef Creations X Romantic Baboy Korean Meals

- Cheesy Samgyupsal Set
- Japchae
- Bibimbap



### 7-Fresh X Milo Chocolate Energy Snacks

- Chocolate Toast
- Chocolate-coated Bun
- Chocolatey Champorado



### 7-Fresh X Quaker Overnight Oats With Chia & Yogurt

- Dreamy Blueberry
- Yo Mango!



### Prima Tsokolate Made With Auro Cacao Powder



### Rice Meal Express X unMEAT Plant-Based Rice Meals On The Go

- Arroz a la Cubana
- Swedish Meatballs



Soft Bites X Fuwa Fuwa Cheezy Pizza Bread



Tapping into Filipino consumers' avid interest in Korean and Japanese culture, we developed K-pop- and J-pop-inspired snacks, namely: 7-Fresh Japanese x Korean snacks – Bacon and Cheese Egg Drop Sandwich and Beef Bulgogi Onigirazu, a Japanese rice sandwich, along with several variants of 7-Fresh's K-style Garlic Cream Cheese Buns.



Among our most popular product lines, we delivered new formats to attain and sustain customer engagement, such as: City Cafe Iced Coffee and Crunch Time Chicken Sandwich.



We also relaunched our Hot Pot "Fun in a Bowl", a pork bone soup which can be served with noodles and toppings such as lobster and fish tofu balls, designing it with an enhanced customer experience in mind.



# BREAKING FREE FROM CRISIS MODE

## 7-Eleven EsCUPades

Capitalizing on the post-pandemic revenge-travel trend - as well as the success of our '7-Election' cup polls - we launched the '7-Eleven EsCUPades' promo.



City Cafe or Gulp purchasers got the chance to win a trip for four to renowned international destinations such as Paris, Tokyo, Bangkok, Seoul, or Singapore, with one lucky winner per destination. The promo increased Gulp and City Cafe sales by 58% and 29%, respectively, selling 2.1 million cups during the campaign period.

This promo was supplemented with an omni-channel marketing effort, which resulted in 20 million reach and 18 million impressions for the launch and display campaigns and multiple combined social media posts and press releases.

## City Cafe

City Cafe grew to 3,271 stores nationwide, with City Cafe and Prima combo stores offering a choice of either affordable coffee blends or a premium coffee experience.

Making flavorful bean-to-cup coffee breaks, we introduced a new comforting blend of sweetness and creaminess, City Cafe Spanish Latte, in October last

year and offered year-round promotions for customers to get the most bang for their buck such as discount promos and snack pairings.

Seasonal celebrations such as Christmas were made even more special with the 'Wish Upon A Cup' e-raffle promo where customers had the chance to win gadgets, motorbikes, and a trip for four to Barcelona. With the growing competition for coffee, PSC remains focused on establishing City Cafe as a cornerstone of our offerings - delivering quality blends made from freshly ground beans at an affordable price, widely available anytime.

## Crunch Time

By year-end 2023, we made Crunch Time favorites available at 2,032 stores, from 1,923 in 2022.

**“...Crunch Time favorites available at 2,032 stores...”**

Crunch Time is now at 55% of all 7-Eleven stores. This includes two new Crunch-Time-focused concept stores, one in Binangonan, Rizal and our milestone 2,000th store in San Fernando, Pampanga.



Localized and nationwide promos heralded new products in the Crunch Time category, such as:

- Pizza Melt Crunchy Pan
- Cheesy Chicken Nuggets

- Chicken Empanada
- Crunchy Curls

The roll-out of existing offerings - Chicken Fillet, Chicken Sandwich and Chicken Ala King, Choco, and Ham & Cheese Crunchy Pan - further contributed to the category's continuous growth.

### 7-Eleven Day

On July 11, we celebrated 7-Eleven Day for the fifth time, treating our loyal customers with discounts of up to 50% on over 300 items. Continuing to be our highest-selling day of the year, 7-Eleven Day 2023 attracted more than 3.7 million customers across the country. With the tremendous support from our key suppliers, 7-Eleven stores turned into irresistible shopping havens as the customers were eager to fill their baskets with the best deals as early as 12 midnight.



Alongside the altruistic initiatives of PhilSeven Foundation, 7-Eleven Day is our way of expressing our appreciation for customers and giving back to the communities.

### 7-Eleven Run



Continuing to promote health, wellness, and friendly, yet empowering competition, we held our annual 7-Eleven Run simultaneously in Manila, Cebu, and Davao, on February 5. Over 39,000 people participated, with the top runners from various categories winning all-expense-paid trip to Thailand, enabling them to join the Pattaya Marathon in July.

### 7-Eleven Trail



Bringing back the thrill of the trails, we conducted our first 7-Eleven Trail mountain-biking event after a three-year hiatus, due to the pandemic. Still the nation's largest gathering of mountain bike enthusiasts - from rookies to veterans to professionals - the event drew 1,625 cyclists to Timberland Heights' newly-opened Mountain Bike Park in San Mateo, Rizal, on February 26.

# CORPORATE SOCIAL RESPONSIBILITY

Following the need to concentrate on the urgent needs of the present during the pandemic, PhilSeven Foundation, Inc. (PFI) - PSC's corporate social responsibility arm - was able to refocus on equally pressing socio-economic needs post pandemic. This 2023, we reinvigorated our advocacies for children's education and recreation, family well-being, and environmental responsibility.

## Gulong ng Karunungan (GNK)

With GNK, in partnership with the local government of Cebu, Baguio, and Tagum, we were able to help children on the streets and day-care children from indigent communities have access to alternative learning.

On March 28, we relaunched and turned over a refurbished, replenished GNK vehicle to Cebu City's local government unit (LGU), enabling education for out-of-school-youth and children from indigent communities, while helping to decongest overcrowded Cebu day-care centers.

In July, alongside Baguio's City social welfare and development office, we modified the GNK to target the city's anti-mendicancy needs and enhance their parent effectiveness services.

On August 25, we turned over a GNK project to Tagum City's LGU, for children on the streets - including out-of-school youth, and day-care children from far-flung indigenous communities, such as the Mandayas, Mansakas, and Badjaos.



## Relief Operations

Throughout the year, we donated hundreds of thousands of family food for those in need, and in anticipation to future aid.

**First quarter:** 600,000 family food packs, for pre-positioning in case of disaster.

**June 21-30:** 200,000 food packs, for families affected by the Mount Mayon eruption.

**August 14-25:** 200,000 food packs, for Typhoon Egay victims.

**October 2-20:** 220,000 food packs - prepared and donated with the help of over 3,000 volunteers - to replenish pre-positioned goods intended for the last quarter of 2023.

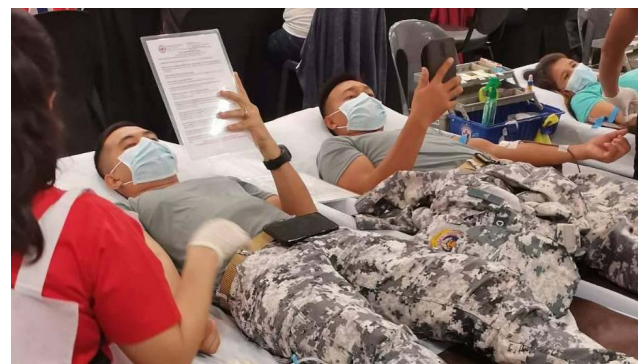
## Catch and Match 2.0

Our 'Catch and Match' campaign collected 2,098 kilos of recyclables nationwide. Employees were urged to turn in their recyclables, which we then matched with one raffle entry per kilo. This was implemented on July 7, in partnership with the 'Trash to Cashback' program encouraging employee participation and promoting environmental responsibility.



## Sanduguan at Kapitbahayan

Building on the prior year's success, we partnered with PSC's Human Resources and Administration Division for a blood-donation drive across 8 sites throughout the country. In a single day - July 14 - we were able to collect a total of 1,196 potentially life-saving blood bags from 2,046 participants.



# BOARD OF DIRECTORS AND CORPORATE OFFICERS



## Chairman of the Board and Independent Director

### Jose T. Pardo

Filipino, 84, Chairman of the Board and Independent Director since 2015. He chairs PSC's Executive Committee and Corporate Governance Committee. Additionally, he holds prominent roles as the Chairman and Independent Director of the Philippine Stock Exchange and the Securities Clearing Corporation of the Philippines. His extensive directorship includes serving as an Independent Director for JG Summit Holdings, Inc., Del Monte Philippines, Inc., Araneta Hotels, Inc., and League One Finance and Leasing Corporation. Furthermore, he is a Non-Executive Director at the National Grid Corporation of the Philippines. Beyond these roles, he is the Chairman of the ECOP Council of Business Leaders, the PCCI Council of Business Leaders, and the Philippine Stock Exchange Foundation. He also serves as a Director of ZNN Radio Veritas Foundation and a Trustee of the Bayaning Pulis Foundation. His numerous awards include the Global Excellence Award from the International Chamber of Commerce of the Philippines (ICCP), the Gat Andres Bonifacio Award, the Bicentenary Legacy Award, the CEO Excel Award, The Outstanding Filipino (TOFIL) Award, and the Lifetime Achievement Award as Founding Chairman of the Philippine Franchise Association. He has also been recognized as a Distinguished La Sallian by De La Salle University, Manila and was named Man of the Year in 2000. Additionally, he received a citation as a Monetary Board Member from the Central Bank of the Philippines, the Outstanding Alumnus Award from De La Salle University's Graduate School of Business, and the title of Papal Knight of St. Sylvester. He is an Honorary Fellow at the Asian Productivity Organization in Tokyo, Japan, and has been honored with The Outstanding Young Men (TOYM) Award and the President Roxas Memorial Award. Mr. Pardo earned a Bachelor of Science in Commerce from De La Salle University where he later became the first graduate under the Harvard-DLSU Advisory Program, completing his Master's Degree in Business Administration. Further, he received a Doctor of Science in Finance, Honoris Causa, from De La Salle University and a Doctor of Humanities, Honoris Causa, from the Gregorio Araneta University Foundation. He was also awarded an Honorary Doctorate from the Academy of Multi-Skills in the United Kingdom. He also completed the Basic Course on Corporate Governance at the Asian Institute of Management. Additionally, Mr. Pardo was awarded a Fellowship Grant to the United States focused on the development of small and medium-scale industries and received an Observation Grant to France centered on the promotion and financing of small and medium-scale enterprises.



## Vice-Chairman and Director Jui-Tien Huang

R.O.C., 60, Director of PSC since 2017. He was elected as Vice-Chairman on July 28, 2022. He serves as the Chairman, President, and Director of Ren-Hui Investment Corporation. He is also the Chairman of Beauty Wonder (Zhejiang) Trading Co., Ltd., President (Shanghai) Health Product Trading Company, Ltd., Wisdom Distribution Service Corporation, Retail Support International Corporation, President Chain Store Tokyo Marketing Corporation, Uni-President Superior Commissary Corporation, President Information Corporation, Tait Marketing & Distribution Co., Ltd., Uni-Capital Marketing Consultant Corporation, and Uni-Sogood Marketing Consultant Philippines Corporation. Furthermore, Mr. Huang is the President and Director of President Chain Store Corporation, President Being Corporation, President Pharmaceutical (Hong Kong) Holdings Ltd., and Books.com Co., Ltd. His directorship extends to Uni-President Enterprises Corporation, President Chain Store (Shanghai) Ltd., Shan Dong President Yinzuo Commercial, Ltd., President Chain Store (Zhejiang,) Ltd, President Drugstore Business Corporation, President Pharmaceutical Corporation, President Transnet Corporation, President Collect Service Corporation, Uni-President Department Store Corporation, Uni-Wonder Corporation, Uni-President Cold-Chain Corporation, President Fair Development Corporation, Uni-President Development Corporation, President International Development Corporation, President Chain Store (Labuan) Holdings, Ltd., President Chain Store (Hong Kong) Holdings, Ltd., Uni-President Logistics (BVI) Holdings Ltd., RenHui Holding Co., Ltd., President Chain Store (BVI) Holdings, Ltd., PCSC (China) Drugstore, Ltd., Uni-Capital Marketing Consultant Holding Co., Ltd., President Nisshin Corp., Zhangjiagang President Nisshin Food Co., Ltd., Shanghai Songjiang President Enterprises Co., Uni-President Express Corporation, Uni-President Foodstuff (BVI) Holdings, Ltd., and Nanlien International.

Mr. Jui-Tien Huang earned his Bachelor's Degree in Economics at Soochow University followed by Master's Degree in Marketing from National Kaohsiung First University of Science and Technology.



## President / CEO and Director Jose Victor P. Paterno

Filipino, 56, Director of PSC since 2005. He served as Vice-President for Operations prior to being appointed as Director and CEO of PSC. He is a member of the Executive, Audit and Risk, Compensation, and Corporate Governance Committees of PSC. He is also the Chairman and President of Convenience Distribution, Inc. (CDI) and Store Sites Holding, Inc. (SSHI), and Chairman and Trustee of PhilSeven Foundation, Inc. (PFI), which are all subsidiaries/affiliates of PSC. He is the Chairman of the National Association of Convenience Stores (NACS) in the U.S.A., as well as the Chief Executive Officer of First Macro Finance Lending Network. He is also a Director at The Straits Wine Company, Inc., and the Philippine Franchise Association. His affiliations extend to being a Trustee of the Philippine Business for Social Progress and the Makati Business Club. Furthermore, he is an active member of the Management Association of the Philippines and the Young Presidents' Organization. He was recognized in 2013 with the CEO Excel Award from the International Association of Business Communicators (IABC) at the CEO Excel Awards, and in 2012, he was honored with the Master Entrepreneur Award at the Ernst & Young Entrepreneur of the Year Awards. Mr. Paterno earned his BS in Mechanical Engineering, graduating Magna Cum Laude from Lehigh University in Bethlehem, Pennsylvania, USA.

**Director**

**Jorge L. Araneta**



Filipino, 87, Director of PSC since 1988. He serves as the Chairman and CEO of the Araneta Group, ACI, Inc., Progressive Development Corporation, Uniprom, Inc., PPI Holdings, Inc., and Araneta Hotels, Inc. Among his notable awards are People Asia Magazine's 2016 People of the Year Award, the President's Award as Pioneer of Retail Entertainment from the Philippine Retailers Association, and the UP College of Business Administration's 2005 Distinguished Alumni Award. He has also been recognized as the Franchisee of the Year by Philippine Pizza, Inc. in both 2002 and 2003, and was named one of the Top 5 Best Employers in Asia/Philippines in 2003 by Hewitt Associates, the Wall Street Journal, and the Management Association of the Philippines (MAP). Additionally, he received the David Novak YUM Award in 2000, a Plaque of Merit from the Quezon City Chamber of Commerce and Industry as a Recognized Business Leader of Quezon City, and a Plaque of Appreciation for Outstanding Contribution from the Consular Corps and Diplomatic Corps of the Philippines. He was also honored with a Plaque of Appreciation on the establishment of the Don J. Amado Araneta Distinguished Chair of Financial Management. He holds a Bachelor of Science in Business Administration from the University of the Philippines.

**Director**

**Maria Cristina P. Paterno**



Filipino, 53, Director of PSC since 2015. She served as Marketing Assistant of Advertising and Promotions in Philippine Seven Corporation prior to her election as Director. She is the President of the Philippine National Committee, International Council on Monuments and Sites (2017-present), and previously led T. Paterno Conservation, Inc. as President from 2011 to 2019. She also served as the Executive Director of the San Sebastian Basilica Conservation and Development Foundation, Inc. from 2011 to 2016. Additionally, she worked as a Senior Conservator at Integrated Conservation Resources, Inc. in New York City, USA, from 2000 to 2010. Her accomplishments have been acknowledged with the Outstanding Manilan award in 2012. She earned a Master of Science in Historic Preservation from the University of Pennsylvania, USA, and a Bachelor of Arts in Humanities from Ateneo de Manila University, Philippines. She also completed an intensive Spanish language program at Universidad Complutense in Madrid.



**Independent Director**

**Raymond Anthony N. Alimurung**

Filipino, 50, Independent Director of PSC since July 20, 2023. He also serves as an Independent Director for both STI Education Systems Holdings, Inc. and Paymongo Phils., Inc. Additionally, he is a General Partner at Kaya Founders. Mr. Alimurung holds a Master of Business Administration (MBA) from the Stanford Graduate School of Business, a Doctor of Medicine degree from UP College of Medicine, and a Bachelor of Science in Biology, graduating Cum Laude from Ateneo De Manila University.



**Independent Director**

**Ron Hose**

American, 45, Independent Director of PSC since July 20, 2023. He is a Member of the Executive, Audit and Risk, Compensation, and the Corporate Governance Committees of PSC. He serves as a Director of PCX Singapore Pte. Ltd. He holds both a Master's and Bachelor's Degree in Computer Science from Cornell University.



**Director**

**Wen-Chi Wu**

R.O.C., 54, Director of PSC since 2008. She is the Director and the Chief Financial Officer of PCSC. She is also a Director of Uni-President Asset Management Corporation and Uni-President (Singapore) Pte. Ltd. She serves as a Supervisor of President Chain Store (Shanghai,) Ltd., President Chain Store (Zhejiang), Ltd., President Transnet Corporation, President Collect Service Corporation, Books.com Co., Ltd., Uni-Wonder Corporation, President Information Corporation, Connection Labs Ltd., and Presicarre Corporation. She holds a Bachelor's Degree in Accountancy from the School of Accountancy at the University of Missouri in Columbia, Missouri, USA.



**Director**

## **Ching-Feng Kuo**

R.O.C., 53, elected as Director of PSC on July 15, 2021. He is the Chairman of Uni-President Oven Bakery Corporation. He also serves as a Director of Duskin Serve Taiwan Co., Ltd.; 21 Century Co. Ltd.; Uni-Wonder Corporation; Uni-President Cold Chain Corporation; Capital Marketing Consultant Corporation; Uni-President Superior Commissary Corporation; Mister Donut Taiwan Co., Ltd.; President Chain Store (Hong Kong) Holdings Ltd.; Koasa Yamako Corporation; Kai Ya Food Co., Ltd. He holds a Bachelor's Degree in the Department of Management Science from National Yang Ming Chiao Tung University.



**Director**

## **Tsung-Hsien Lee**

R.O.C., 50, elected as Director of PSC on July 15, 2021. He is the Chairman of Capital Marketing Consultant Corporation. He also serves as a Director of Shan Dong President Yinzuo Commercial Ltd., Duskin Serve Taiwan Co., Ltd., Uni-President Cold-Chain Corporation, and Uni-Capital Marketing Consultant Corporation. He holds a Bachelor's Degree in Business Administration from Soochow University.



**Director**

## **Yung-Wei Lu**

R.O.C., 52, elected as Director of PSC on July 28, 2022. He is also the Director of Uni-Wonder Corporation, President Chain Store Tokyo Marketing Corporation, Mister Donut Taiwan Co., Ltd., PCSC (China) Drugstore Ltd., Shan Dong President Yinzuo Commercial Ltd., ICASH Corporation, and Nanlien International. He completed both a Bachelor's Degree and a Master's program in the Department of Animal Science and Technology at National Taiwan University.



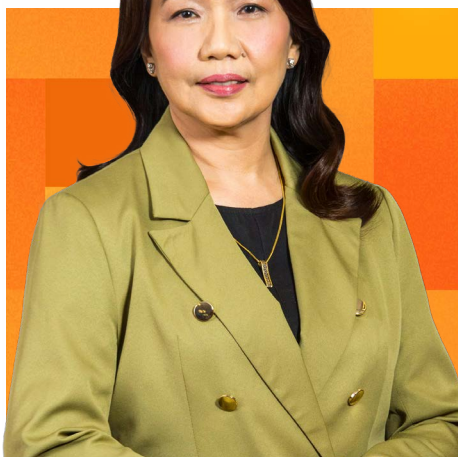
**Chief Operating Officer**  
**Ying-Jung Lee**

R.O.C., 49, Chief Operating Officer of PSC since May 8, 2019. He has been with PSC since 2010, and served as VP for Supply Chain from 2014 to 2019. He is a Non-voting Member of the Compensation Committee and a Member of the Executive Committee of PSC. He is a Director of Convenience Distribution, Inc., a subsidiary of PSC. He is also a Director of UNi-SOGOOD Marketing Consultant Corporation. He was the Leader of the E-Service Team of the Marketing Department of President Chain Store Corporation. He obtained his Bachelor's Degree in Cooperative Economics at Feng-Chia University, Taiwan.



**Treasurer and CFO**  
**Chia-Fang Lee**

R.O.C., 45, Treasurer & CFO of PSC since July 15, 2021. She was PCSC's Project Manager of Finance from 2019 to 2021, Head of Financial Planning from 2018 to 2019, and Head of Investor Relations from 2011 to 2018. She is a Director of Convenience Distribution, Inc. and Store Sites Holding, Inc., which are both subsidiaries of PSC. She holds a Bachelor's Degree in Economics from National Chung Cheng University, Taiwan and a Master's Degree in Industrial Economics from National Central University, Taiwan.



**Corporate Secretary**  
**Evelyn Sadsad Enriquez**

Filipino, 60, Corporate Secretary of PSC since 2005. She is a Non-voting Member of the Corporate Governance Committee. She is also the Compliance Officer, Head of Legal and Corporate Services Division, and Data Protection Officer of PSC. She is the Corporate Secretary of CDI and PFI, and a Director and Corporate Secretary of SSHI, which are all subsidiaries/affiliates of PSC. She is the President and Director of Columbia Owners' Association Inc. and DCSaguz, Inc. She also serves as Trustee and Treasurer of Good Governance Advocates and Practitioners of the Philippines (GGAPP). She is also the Corporate Secretary of Sterling Fluid Systems Enterprises, Inc. (SFSEI), Trustee and Corporate Secretary of Ferguson Park Tower Condominium Corporation (FPTCC), and a Trustee of UST Law Alumni Foundation, Inc. She completed the Professional Directors Program under the Institute of Corporate Directors (ICD), Certified Franchise Executive (CFE) by The Institute of Certified Franchise Executives, USA and Philippine Franchise Association and Certified DPO ACE Level 1 and 2 by National Privacy Commission. She holds a degree in BSC Major in Economics from the University of Santo Tomas and Bachelor of Laws (Cum Laude) from the University of Santo Tomas.

# EXECUTIVE OFFICERS AND MANAGEMENT TEAM



**Jose T. Pardo**  
Chairman of the Board



**Jui-Tien Huang**  
Vice-Chairman of the Board



**Chia-Fang Lee**  
Treasurer / CFO



**Atty. Evelyn Sadsad Enriquez**  
Legal & Corporate Services  
Division Head and Compliance Officer



**Jose Victor P. Paterno**  
President and CEO



**Ying-Jung Lee**  
Chief Operating Officer



**Lawrence M. De Leon**  
Finance and Accounting Services Division Head;  
Investor Relations Officer



**Chao-Shun Tseng**  
Corporate Planning Head



**Min-Chieh Lai**  
Marketing Director



**Francis S. Medina**  
Operations Director



**Francisco R. Gayanilo, Jr.**  
Regional Operations Head - Mindanao



**Andrew D. Bravo**  
OIC, Regional Operations Head - Visayas



**Violeta B. Apolinario**  
Human Resources and Administration  
Division Head



**Arvin S. Reyes**  
Information Technology Division Head



**Reyna S. Saycon**  
Operations Division Head



**Ulysses V. Borral**  
Business Development Division Head



**Jose C. Ang, Jr.**  
General Merchandise Division Head and  
Managing Director for E-Wallet & E-Commerce



**Armi A. Cagasan**  
Strategic Merchandise Division Head



**Vincent Angelo de la Cruz**  
Marketing Communications  
Division Head



**Maria Celina D. De Guzman**  
Internal Audit Unit Manager

# CORPORATE GOVERNANCE

PSC marked a significant milestone in 2023 with its 25th listing anniversary on the Philippine Stock Exchange (PSE). The anniversary was commemorated with a bell-ringing ceremony at the PSE trading floor, highlighting PSC's long-standing commitment to transparency and accountability to its shareholders. Since its listing on February 04, 1998, PSC delivered strong financial performance, becoming a leading player in the Philippine retail landscape. The ceremony was a poignant reminder of the remarkable achievements that have defined

PSC's journey over the past 25 years – From pioneering initiatives in convenience retailing to fostering a culture of service excellence – PSC has continuously pushed boundaries and set new standards of success in the industry.

As it continues to chart new horizons and embrace future challenges, PSC remains committed to delivering value to its stakeholders as the neighbor you can count on, enriching the lives of Filipino consumers through modern convenience, and shaping the future of retailing in the Philippines.



*PSC President and CEO, Mr. Jose Victor P. Paterno and PSE Chairman, Mr. Jose T. Pardo led the bell-ringing ceremony to commemorate PSC's 25th Listing Anniversary last February 07, 2023, at the PSE Tower, BGC, Taguig City.*

The Corporation adheres to the fundamental principles of sound corporate governance as contained in its Manual of Corporate Governance (CG Manual) and as embodied in the Philippine CG Code of 2016. Good governance is the observance of the principles of disclosure and transparency by balancing the needs of various stakeholders while generating shareholder value. The core values of teamwork, reliability, customer focus, and data-driven are PSC's guiding principles in its efforts to create not just corporate

governance awareness within the organization. PSC considers corporate governance as beyond simple compliance and fosters it as a strategic and holistic approach toward responsible business practices and values its contribution to the success and sustainability of the organization.

Keeping pace with the developments in corporate governance, PSC strives to improve its CG Practices by following industry standards. The Institute of



Also present during the ceremony are the following (L-R): Mr. Chao-Shun Tseng, PSC Corporate Planning Head; Mr. Jose C. Ang, Jr., PSC General Merchandise Division Head; Mr. Min-Chieh Lai, PSC Marketing Director; Mr. Lawrence M. De Leon, PSC FASD Head and Investor Relations Officer; Atty. Evelyn S. Enriquez, Corporate Secretary; Ms. Chia-Fang Lee, PSC Treasurer/CFO; Mr. Ying-Jung Lee, PSC Chief Operating Officer; Mr. Michael B. Zalamea, PSC Independent Director; Ms. Ma. Cristina P. Paterno, PSC Director; Atty. Roel A. Refran, PSE Chief Operating Officer; Mr. Jose Victor P. Paterno, PSC President and CEO; Mr. Jose T. Pardo, PSE Chairman; Ms. Diana Pardo Aguilar, PSC Board Consultant; Mr. Ramon S. Monzon, PSE President and CEO; Ms. Aissa V. Encarnacion, PSE Corporate Secretary; Mr. Robert Jose R. Jimenes, PSE AVP and Finance Division Head; Ms. Renee D. Rubio, SCCP COO; Mr. Mark Frederick V. Visda, PSE Capital Markets Development Division Head



Corporate Directors (ICD) recognized PSC as one of the Top Performing Publicly-Listed Companies (PLCs) in the Philippines based on the results of the peer review of its ASEAN Corporate Governance Scorecard (ACGS). PSC garnered a score of 90.74 points for the 2022 ACGS Assessment Results and received a 2 Golden Arrow Award recognition.

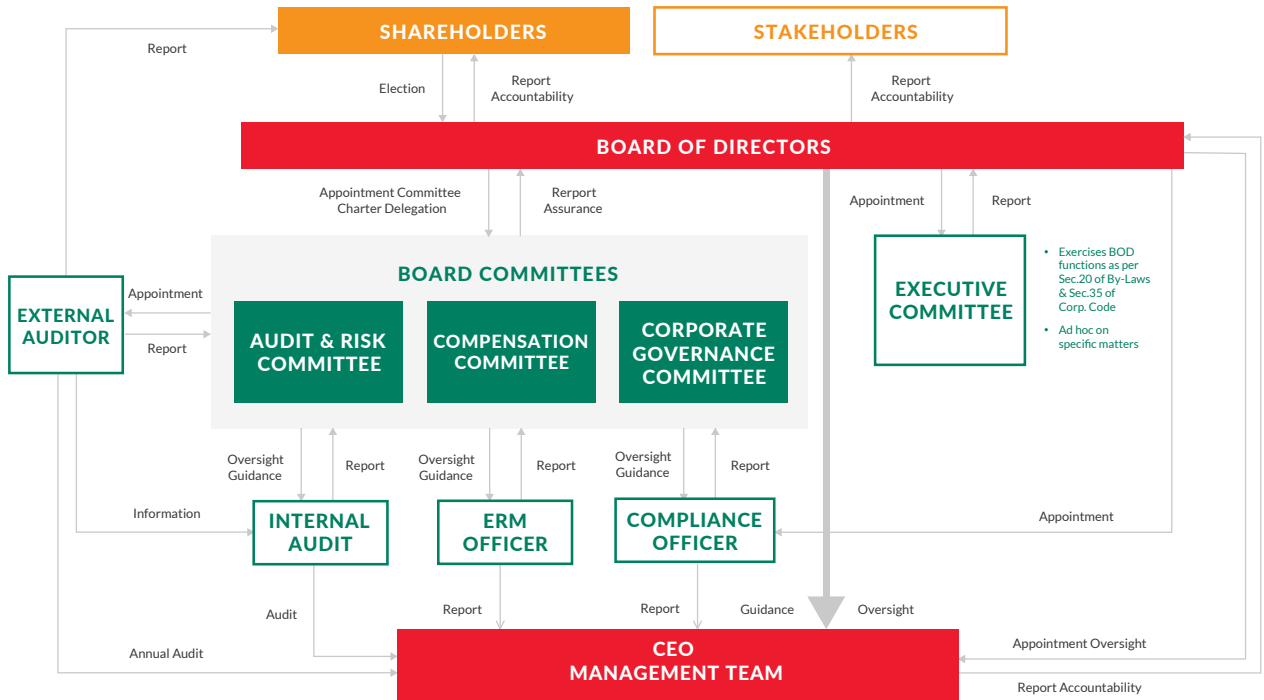
As the Corporation continues to shape the convenience retail landscape, its dedication to good governance will remain central to its success. PSC seeks to meet the needs of its customers and maintain a leadership position in the convenience store industry by taking advantage of economies of scale, technology, people, and a widely recognized brand. PSC remains focused on its vision to be the best retailer of convenience for emerging markets.

## I. The Board's Governance Responsibilities

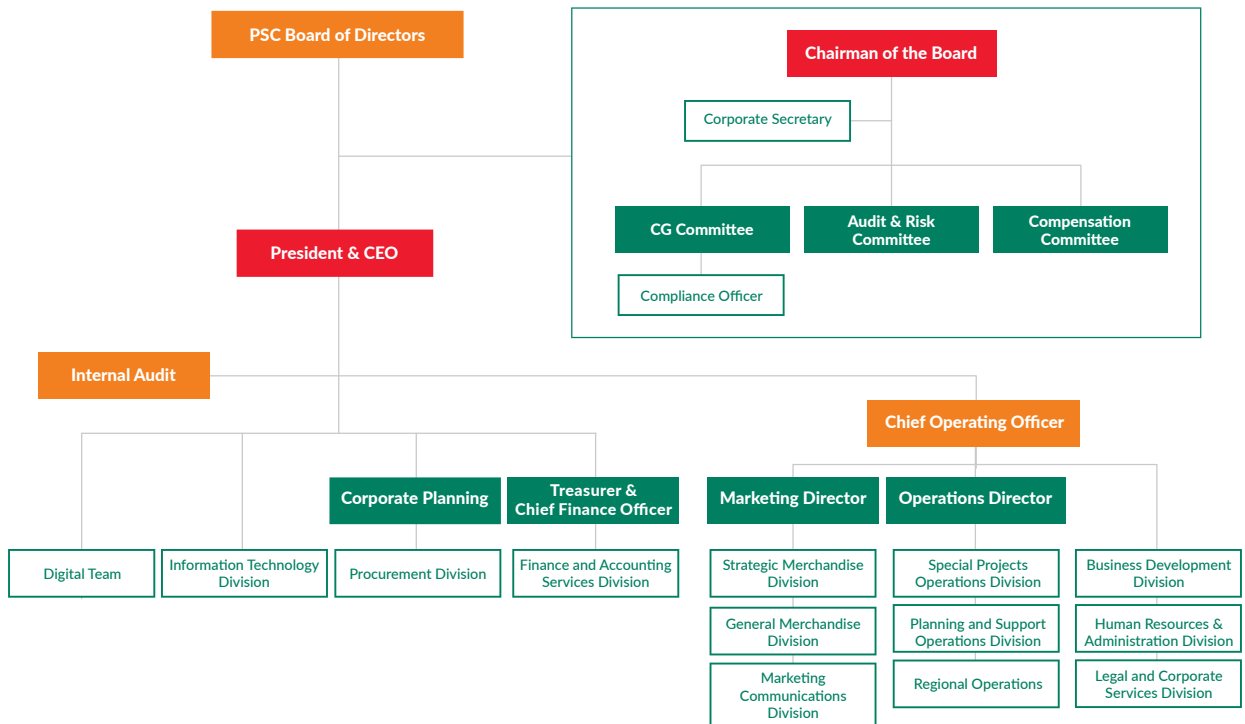
The Board of Directors is primarily responsible for the governance of the Corporation. The Corporation, corollary to setting the policies for the accomplishment of the corporate objectives, shall provide an independent check on Management.

As primary bearers of the responsibility to govern, the Corporation should be headed by a competent, working board to foster the Corporation’s long-term success and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders. The Board of Directors must conduct themselves in line with the principles of good corporate governance, ensuring that the Corporation’s vision, mission, and goals are attained and realized.

### PSC’s Corporate Governance Framework



### PSC’s Organizational Chart



## Board Composition and Qualification

For 2023, PSC's Board of Directors is composed of 11 directors, the majority of whom are non-executive directors, while 3 are independent directors in conformity with the Securities Regulation Code (SRC) provisions and Revised Corporation Code (RCC).



PSC set its qualification standards for the selection of its directors through its Corporate Governance Committee (CG Com) which reviews the qualifications of nominees as disclosed in PSC's CG Manual, CG Com Charter, and Definitive Information Statement (IS).

The Board of Directors has collective qualifications, work and professional experience, expertise, and relevant training in retail and consumer business,

finance, accounting, investment, information technology (IT), property development, marketing, and corporate management. The majority of the Board of Directors are NEDs who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

All directors were elected by the stockholders during the Annual Stockholders' Meeting (ASM) to serve for one year from the election and until their respective successors have been elected and qualified.

## Board Training

Integrated into PSC's CG Manual and Board Charter is its policy on training directors. It provides a training/orientation program for first-time directors and annual continuing training for all directors. It conducts a business overview and provides an exposure tour of 7-Eleven stores and a trade check of other retail business formats. It also provides recent trade analysis or industry benchmarking together with recent industry surveys.

PSC provides yearly training on Corporate Governance to its directors and key officers. For 2023, the directors and key officers participated in the PSC Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases and Board Responses and Embedding Sustainability as Core Capability with the Good Governance Advocates & Practitioners of the Philippines (GGAPP) last November 16, 2023.

## 2023 CG Training of Directors

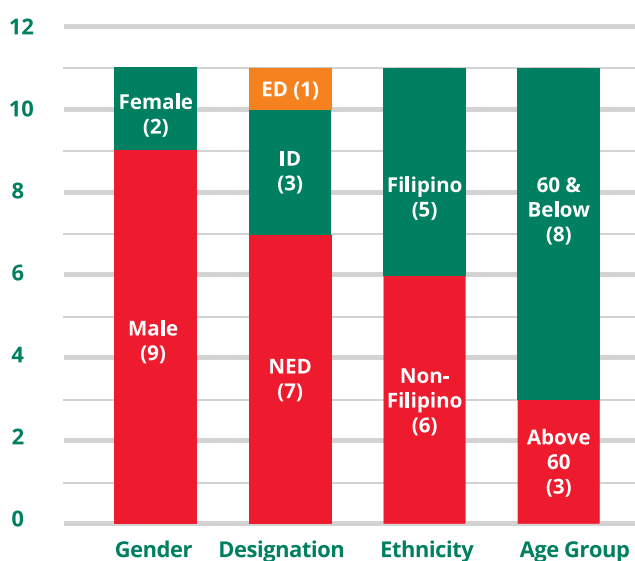
Name	Designation	Date	CG Training	Provider/Facilitator
1. Jui-Tien Huang	Vice Chairman & Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
2. Jose Victor P. Paterno	Director & President/CEO	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP

## Reaping the Rewards: Crisis to Opportunity

Name	Designation	Date	CG Training	Provider/ Facilitator
3. Wen-Chi Wu	Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
4. Ching-Feng Kuo	Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
5. Tsung-Hsien Lee	Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
6. Yung-Wei Lu	Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
7. Jorge L. Araneta	Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
8. Maria Cristina P. Paterno	Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
9. Jose T. Pardo	Chairman & Independent Director	N/A	Exempted	N/A
10. Ron Hose	Independent Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP
11. Raymond Anthony N. Alimurung	Independent Director	November 16, 2023	Corporate Governance training focused on: Recent Laws and Issuances; Corporate Governance Cases; and Board Responses and Embedding Sustainability as Core Capability	GGAPP

## Board Diversity Policy

PSC values the importance of board diversity that encourages its members to have an active role in providing optimal decision-making and formulation of corporate rules, regulations, and policies. It shall embrace board diversity, as much as practicable, which is not limited in terms of age, gender, culture, skills, competence, and knowledge. The directors of PSC also have diversified business experience in retail, finance, banking, property, IT, and communications. The Board's current composition is set out in the following chart:



## Board Secretary

The Board is assisted in its duties by a Corporate Secretary, who is not a member of the Board of Directors, and annually attends training on corporate governance. The Corporate Secretary is a Filipino citizen and a resident of the Philippines, is an officer of the Corporation, and has among others, the following responsibilities:

- Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of board and committee meetings and the annual board calendar, and assisting the Chair of the Board and its committees to set agendas for those meetings;
- Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;

- Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments, and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- Works fairly and objectively with the Board, Management, and stockholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its stakeholders, including shareholders.
- Advises on the establishment of board committees and their terms of reference;
- Notifies members of the Board, following the bylaws, of the agenda of their meetings at least five (5) working days in advance, and ensures that the members have accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attends all Board meetings, except when justifiable causes arise, such as illness, death in the immediate family, and serious accidents prevent him/her from doing so;
- Performs required administrative functions;
- Oversees the drafting of the bylaws and ensures that they conform with regulatory requirements;
- Performs such other duties and responsibilities as may be provided by laws and regulations.

## Compliance Officer

The Board is assisted in its duties by a Compliance Officer, with adequate stature and authority in the Corporation. The Board appointed a Compliance Officer, who is not a member of the Board and annually attends trainings on corporate governance and has, among others, the following duties and responsibilities:

- Ensures proper on-boarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation, and bylaws, among others);
- Monitors, reviews, evaluates, and ensures the compliance by the Corporation, its officers, and directors, with the relevant laws, the Manual, rules and regulations, and all governance issuances of regulatory agencies;

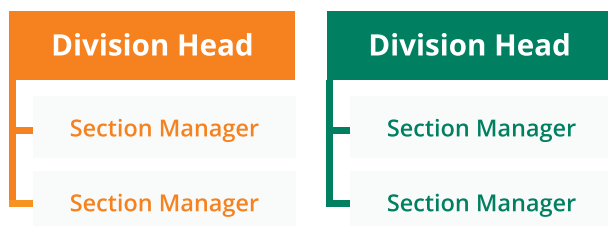
**Reaping the Rewards: Crisis to Opportunity**

- c. Reports the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Appears before the Securities and Exchange Commission (SEC) when summoned concerning compliance with the Manual;
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the laws and regulations.

**Succession Planning**

PSC’s CG Manual and Board Charter provide that the Board shall ensure the adoption of an effective succession planning program for directors, key officers, and management to ensure growth and promote dynamism in the Corporation and continued increase in the shareholders’ value.

PSC started a Leadership Academy and Mentor’s Leadership Training Program in 2012. It aims to train and develop management and officers in line with the Corporation’s succession planning program. Leadership and business management training are also provided each year to build the competency of the management team and officers in strategic decisions, business modeling, and effective execution. Succession planning principles provide for each Division to hone the skills of at least two section managers as potentially next-in-line successors and are provided with training/exposure.



The retirement policy for key officers and management team (PO-HRD-PAS-044), under Republic Act 7641 or The Retirement Pay is covered by a Retirement Plan duly registered with the Bureau of Internal Revenue (BIR) with the funds held and managed under a trust agreement with a reputable bank.

**Remuneration**

The levels of remuneration of the Corporation should be sufficient to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance. The Board shall look into the alignment of remuneration of key officers and board members with the long-term interests of the Corporation.

No director shall participate in the approval of his compensation. Directors shall not receive any compensation unless provided in the bylaws of the Corporation or approved by the stockholders as may be required in its bylaws. However, the Board may, from time to time, approve a reasonable per diem that a director may receive for attendance in Board and Board Committee meetings. With the passing of the RCC on February 20, 2019, the Corporation has aligned its CG Manual, policies, and bylaws to the requirements of the law.

The Corporation has certain standard arrangements for compensation and profit-sharing. Per diems of PHP 20,000.00 (Philippine Peso) or the equivalent of USD 380.00 (US Dollars) net of taxes (as may be fixed by the Compensation Committee from time to time) are given to each of the members of the board of directors, members of board committees, designated corporate/executive officers, members of the advisory committee or adviser/consultant for every regular or special meeting of the Board, Executive Committee, Board Committees, and other related corporate meetings attended, either physically or by teleconferencing/video conferencing.

The Corporation has a policy on the director’s fee and gratuity for the Office of the Chairman of the Board, as approved by the Compensation Committee. A monthly director’s fee shall be provided for the position of the Chairman of the Board as determined by the Compensation Committee, from time to time, as concurred by the Board and/or the Executive

Committee. An additional directors' fee (gratuity) shall be given upon the occurrence of any of the following: a) End of term of office and not accepting reappointment (except due to removal); b) Incapacity; c) Resignation due to any of the above; d) Death, which shall be equivalent to one month of the Chairman's prevailing monthly directors' fee for every year or term in office.

The Corporation updated its policy to provide guidelines for a director's fee to be provided to

independent directors. As a director and member of the Board, the independent director shall be entitled to an annual director's fee of PHP 200,000.00. If he is a Chairman of any Board Committee, the independent director shall be entitled to an annual director's fee of PHP 200,000.00, and if a member of any Board Committee, the independent director shall be entitled to an annual director's fee of PHP 100,000.00.

In compliance with Section 29 of the RCC, below are details of the annual remuneration paid to directors in 2023.

Directors	Remuneration for Board, Executive Committee and Board Committees Meetings Attended	Remuneration for Independent Directors (ID) as Head and/or Member of Board Committees and as Chairman of Board and ID
<b>Executive Director:</b>		
1. Jose Victor P. Paterno	PHP 280,000.00	
<b>Non-Executive Directors:</b>		
2. Jorge L. Araneta	100,000.00	
3. Maria Cristina P. Paterno	100,000.00	
4. Jui-Tien Huang	100,000.00	
5. Ching-Feng Kuo	100,000.00	
6. Tsung-Hsien Lee	100,000.00	
7. Wen-Chi Wu	120,000.00	
8. Yung-Wei Lu	100,000.00	
<b>Independent Directors:</b>		
9. Antonio Jose U. Periquet, Jr. <sup>1</sup>	180,000.00	PHP 300,000.00
10. Michael B. Zalamea <sup>1</sup>	180,000.00	300,000.00
11. Ron Hose <sup>2</sup>	100,000.00	300,000.00
12. Raymond Anthony N. Alimurung <sup>2</sup>	100,000.00	300,000.00
<b>Chairman of the Board and Independent Director:</b>		
13. Jose T. Pardo	280,000.00	1,120,872.00
<b>Total</b>	<b>1,840,000.00</b>	<b>2,320,872.00</b>

<sup>1</sup> Director until July 20, 2023

<sup>2</sup> Elected as Director on July 20, 2023

In addition to per diems, profit sharing is provided in the Code of Bylaws in an amount not exceeding 15% of the net profits of the Corporation (after tax), which shall be distributed to the members of the Board of Directors and Executive Committee members and officers of the Corporation in such amounts and manner as the Board may determine. Profit share not exceeding 15% of net profits after tax of the Corporation shall be submitted to stockholders for approval. The last profit-sharing in 1996 was set at 5% of net income after tax thereon. The directors and the executive officers did not receive any profit-sharing in the years after 1996. In 2009, target incentives and annual performance bonuses were granted to Management, officers, and support personnel based on the achievement of the target rate for pre-tax income for the year as set yearly in the Corporation's annual plan and budget. These are provided to regular employees and executive officers of the Corporation.

There are no existing options, warrants, or stock plan arrangements and none are held by the directors, executive, and corporate officers of the Corporation after the Employee Stock Purchase Plan (ESPP) was granted to employees as part of the Corporation's initial public offering in 1998.

### Nomination and Election of Directors

The election of directors is held annually during the stockholders' meeting and is conducted in a manner provided by the RCC. Each director will hold office until the next annual meeting held after his/her election and until his/her successor has been duly chosen and qualified, or until he/she has resigned.

PSC sets its qualification standards for selection according to applicable laws and its policies through its Corporate Governance Committee (CG Com), which reviews the qualifications of nominees. In addition to the qualifications for membership in the Board provided for in the RCC, SRC and other relevant laws, and the Bylaws of the Corporation, the Board may provide for additional qualifications which include, among others, the following:

- a. Shall be at least college education graduate or equivalent academic degree or have sufficient experience in managing the business to substitute for such formal education;

- b. Practical understanding of the business of the Corporation;
- c. Membership in good standing in relevant industry, business or professional organizations; and
- d. Previous business experience or shall be proven to possess the appropriate level of skill in line with the strategic plans and goals of the Corporation.

No person shall qualify or be eligible for nomination or election to the Board of Directors of the Corporation if he is engaged in a business that directly competes with or is antagonistic to that of the Corporation as provided in the PSC Code of Bylaws.

### Nomination Procedure

The CG Committee shall meet at least once a year to oversee the development and implementation of corporate governance principles, policies, and structures provided in the CG Manual and relevant laws. It adheres to the following nomination procedures:

- a. A stockholder may recommend the nomination of a director to the Corporate Governance Committee.
- b. The nominating stockholder shall submit his proposed nomination in writing to the Corporate Governance Committee, together with the acceptance and conformity of the would-be nominee.
- c. The Corporate Governance Committee shall screen the nominations of directors per existing laws and regulations and Corporation policies before the stockholders' meeting and come up with the Final List of Candidates.
- d. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director and independent director.

The Committee is composed of four directors as voting members, three of whom are independent directors. It also has one non-voting member. A Committee meeting shall convene upon notice in writing at least three days prior.

## Voting Procedure

All voting matters, except in cases where the bylaws provide otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Election of directors shall be by ballot unless otherwise agreed upon that a viva voce vote shall be made. A shareholder may vote such number of shares for as many persons as there are directors to be elected, or he/she may cumulate said shares and votes to one candidate as many votes as the number of directors to be elected, multiplied by the number of their shares, or they may distribute them on the same principle to as many candidates they deem fit.

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in their name or by their proxy, if there be such proxy, and shall state the number of shares voted. The counting thereof shall be supervised by an independent party and within five days from ASM, the minutes of which are uploaded on PSC's website.

Voting in absentia was allowed for the annual stockholders' meeting held last July 20, 2023, following the Requirements and Procedure for Participation via Remote Communication and Voting in Absentia as provided in the Corporation's Definitive Information Statement.

## The Executive Committee and the Board Committees

The Executive Committee, as created under Section 20 of the bylaws and Section 34 of RCC (previously Section 35 of the Corporation Code), shall exercise during intervals between Board meetings, all the powers and functions vested in the Board, as well as act on specific matters within the competence of the Board, as may be delegated to it in the bylaws or by a majority vote of the Board except with respect to the: 1) approval of any action for which shareholders' approval is also required; 2) the filling of vacancies in the Board; 3) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable, 4) amendment or repeal of bylaws or adoption of new bylaws, and 5) distribution of cash dividends to stockholders. Items 4 and 5 are as provided in the RCC. All matters passed and acted upon by the Executive Committee in the exercise of its powers and functions as provided herein, have the same force and effect for all intents and purposes, as if passed by the Board itself.

Board committees shall be set up, to the extent possible, to support the effective performance of the Board's functions, particularly concerning audit, risk management, related party transactions, and other key corporate governance concerns such as nomination and remuneration. The type of board committees to be established would depend on the Corporation's size, risk profile, and complexity of operations. However, if the committees are not established, the functions of these committees may be carried out by the whole board or by any other committee.

PSC's Board established the Audit and Risk Committee, Corporate Governance Committee, and Compensation Committee, which assist the Board to oversee the development and achievement of corporate objectives and strategy, risk management, business plan, targets and budgets, and monitor performance to create optimal value to the Corporation. Each Committee has its charter, which defines its purpose, roles, responsibilities, and authority, including the rules and procedures that shall guide the function of the committee.

## Committees Composition, Functions and Attendance to Meetings

EXECUTIVE COMMITTEE		
Name	Position	Attendance
Jose T. Pardo	Chairman of the Board and the Executive Committee and Independent Director	4/4
Jose Victor P. Paterno	Member and President/CEO	4/4
Antonio Jose U. Periquet, Jr. <i>*Member until July 20, 2023</i>	Member and Independent Director	3/4
Michael B. Zalamea <i>*Member until July 20, 2023</i>	Member and Independent Director	3/4
Ron Hose <i>*Elected as Excom Member on July 20, 2023</i>	Member and Independent Director	1/4
Raymond Anthony N. Alimurung <i>*Elected as Excom Member on July 20, 2023</i>	Member and Independent Director	1/4
Ying-Jung Lee	Member and Chief Operating Officer	4/4
Chia-Fang Lee	Member and Treasurer/ CFO	4/4

The Executive Committee acts on specific matters as may be delegated to it by the Board as provided in Section 20 of the Corporation's bylaws and Section 34 of the RCC, as discussed above.

AUDIT AND RISK COMMITTEE		
Name	Position	Attendance
Antonio Jose U. Periquet, Jr. <i>*Director until July 20, 2023</i>	Chairman and Independent Director	1/2
Ron Hose <i>*Elected as Director on July 20, 2023</i>	Chairman and Independent Director	1/2
Jose T. Pardo	Member, Chairman of the Board and Independent Director	2/2
Michael B. Zalamea <i>*Director until July 20, 2023</i>	Member and Independent Director	1/2
Raymond Anthony N. Alimurung <i>*Elected as Excom Member on July 20, 2023</i>	Member and Independent Director	1/2
Jose Victor P. Paterno	Member	2/2

Assists the Board in the performance of its oversight responsibility for the financial reporting process, a system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations. It also provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation; performs oversight functions over the Corporation's internal & external auditors and establishes a whistleblowing mechanism.

Adhering to the Principle of Proportionality, PSC combines the functions of a Board Risk Oversight Committee (BROC) and Related Party Transactions Committee (RPTC) in its Audit and Risk Committee to achieve functional and cost-efficiency.

CORPORATE GOVERNANCE COMMITTEE		
Name	Position	Attendance
Jose T. Pardo	Chairman and Independent Director	3/3
Antonio Jose U. Periquet, Jr,	Member and Independent Director	3/3
Michael B. Zalamea	Member and Independent Director	3/3
Jose Victor P. Paterno	Member	3/3
Evelyn S. Enriquez	Non-Voting Member	3/3

It oversees the development and implementation of corporate governance principles and policies of the Corporation. It also subsumed the functions of the nomination committee. It reviews and evaluates the qualifications of all persons nominated to the Board that require Board approval and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

COMPENSATION COMMITTEE	
Name	Position
Wen-Chi Wu	Chairperson and Director
Raymond Anthony N. Alimurung	Member and Independent Director
Jose Victor P. Paterno	Member and President/CEO
Ying-Jung Lee	Non-voting member and Chief Operating Officer
Chia-Fang Lee	Non-voting member and Treasurer/CFO

Establishes formal and transparent procedures for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy, and the business environment in which it operates.

## Board Charter

PSC's Board adopted a Board Charter in March 2018. The Board Charter formalizes and clearly states the Board's roles, responsibilities, and accountabilities in carrying out its fiduciary role. PSC's Board Charter can be accessed through this link: <https://www.7-eleven.com.ph/charter/>

## Board Meetings and Attendance

The directors shall, as a rule, attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele/video conferencing conducted based on the rules and regulations of SEC, except when justifiable causes such as illness, death in the immediate family, and serious

accidents prevent them from doing so. The SEC reiterated the provisions of M.C. No. 6, series of 2020, allowing participation in corporate meetings through tele/video conferencing, and other remote or electronic means of communication to minimize face-to-face interactions and as a safety measure to prevent the further spread of COVID-19.

In board and committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations. All directors complied with the attendance requirement of at least 50% of all board meetings for the year. Below is the list of directors of PSC and their attendance at the Annual Stockholders' Meeting (ASM) and board meetings held for the fiscal year 2023.

Director	Position	April 27	July 20			Nov 16
		(Regular Board Mtg)	Regular Board Mtg	ASM	Org'l Board Mtg	(Regular Board Mtg)
1. Jose T. Pardo	Chairman/ Independent Director	✓	✓	✓	✓	✓
2. Jui-Tien Huang	Vice Chairman/ Director	✓	✓	✓	✓	✓
3. Jose Victor P. Paterno	President/Director	✓	✓	✓	✓	✓
4. Jorge L. Araneta	Director	✓	✓	X	✓	✓
5. Maria Cristina P. Paterno	Director	✓	✓	✓	✓	✓
6. Ching-Feng Kuo	Director	✓	✓	✓	✓	✓
7. Tsung-Hsien Lee	Director	✓	✓	✓	✓	✓
8. Yung-Wei Lu	Director	✓	✓	✓	✓	✓
9. Wen-Chi Wu	Director	✓	✓	✓	✓	✓
10. Antonio Jose U. Periquet, Jr. <sup>1</sup>	Independent Director	✓	✓	N/A	N/A	N/A
11. Michael B. Zalamea <sup>1</sup>	Independent Director	✓	✓	N/A	N/A	N/A
12. Ron Hose <sup>2</sup>	Independent Director	N/A	N/A	✓	✓	✓
13. Raymond Anthony N. Alimurung <sup>2</sup>	Independent Director	N/A	N/A	✓	✓	✓

<sup>1</sup> Director until July 20, 2023

<sup>2</sup> Elected as Director on July 20, 2023

## Board Quorum

As provided in Section 16 of PSC’s Amended Bylaws, a quorum at any meeting of the Board of Directors shall consist of a majority of the Directors as fixed in the Articles of Incorporation, and every decision of such quorum duly assembled as a board shall be valid as a corporate act.

## Directorships

PSC recognizes and considers the affiliation of directors to ensure that they can render quality participation in PSC’s Board. PSC looks at the capacity of the directors to diligently attend all meetings and efficiently perform their duties and responsibilities and the nature and kind of corporations he/she may be a director of.

## Independent Directors

The independent directors of the Company as of December 31, 2023 are Messrs. Jose T. Pardo, Raymond

Anthony N. Alimurung and Ron Hose, they are not officers or substantial shareholders of Philippine Seven Corporation nor are they the directors or officers of its related companies. Their shareholdings in the Corporation are less than 2% of the Corporation’s outstanding capital stock pursuant to Section 38 of the SRC. They are not related to any director, officer or substantial shareholder of the PSC, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister, as provided in 38.2.3 of the 2015 Implementing Rules and Regulations of the SRC. A brief description of the business experiences of Messrs. Jose T. Pardo, Raymond Anthony N. Alimurung and Ron Hose are included in Item 9 Part III of this report.

In addition to above, SEC MC 4, S 2017 provides that a company’s independent director shall serve for a maximum cumulative term of nine (9), reckoning from Y2012. The three (3) independent directors of PSC are all within the said term limit with Mr. Alimurung and Mr. Hose on their first term as independent directors of PSC and Mr. Pardo is within the nine-term as independent director of PSC.

## Nomination Procedure:

- a) A stockholder may recommend the nomination of a director to the Corporate Governance Committee;
- b) The nominating stockholder shall submit his proposed nomination in writing to the Corporate Governance Committee, together with the acceptance and conformity of the would-be nominee;
- c) The Corporate Governance Committee shall screen the nominations of directors in accordance with existing laws and regulations and Corporation policies prior to the stockholders' meeting and come up with the Final List of Candidates.

- d) Only nominees whose names appear in the Final List of Candidates shall be eligible for election as Independent Director.

**Chairman of the Board and the CEO**

The Chairman of the Board and the Chief Executive Officer have a separate leadership structure to ensure Board independence and foster the principle of balanced power and better capacity in terms of decision-making. They assume divergent key roles, wherein each requires an appropriate level of accountability from the Board, stakeholders, and shareholders.

Mr. Jose T. Pardo serves as the Chairman of the Board and Independent Director and Mr. Jose Victor P. Paterno serves as PSC's President and Chief Executive Officer. Their respective roles and responsibilities are provided below:

**Chairman of the Board**

- a) Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.
- b) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.
- c) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging the skills and expertise of individual directors.
- d) Ensures that the Board sufficiently challenges and inquiries on reports submitted and representation made by Management.
- e) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors.
- f) Make sure that the performance of the Board is evaluated at least once a year and discussed/ followed up on.

**President and CEO**

- a) Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business.
- b) Communicates and implements the Corporation's vision, mission, values, and overall strategy and promotes any organization or stakeholder change concerning the same.
- c) Oversees the operations of the Corporation and manages human and financial resources per the strategic plan.
- d) Has good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose.
- e) Directs, evaluates and guides the work of the key officers of the Corporation.
- f) Manages the Corporation's resources prudently and ensures a proper balance of the same.
- g) Provides the Board with timely information and interfaces between the Board and the employees.
- h) Builds the corporate culture and motivates the employees of the Corporation, and
- i) Serves as the link between internal operations and external stakeholders.

## BOARD EVALUATION

### Directors and Board Assessment

PSC's Board conducts and accomplishes online self-rating surveys annually. The assessments are utilized as a vital tool for maximizing their effectiveness, which will aid the Corporation in identifying key issues necessary to facilitate the development and monitor the performance of the Corporation. The results of the assessment are compiled by the Compliance Officer and are reported to the Corporate Governance Committee.

The Board's performance is measured through a rating scale of 1 to 5, where 1 is Not Performing and 5 is Outstanding Performance. They are asked to evaluate the Board's meeting procedures, preparation for meetings, and monitoring of the Corporation's performance and key issues/trends affecting the Corporation, among others. Meanwhile, directors also assess their individual performance by answering a self-assessment survey with 31 questions. In this assessment, each director must answer with either any of the following: SA - Strongly Agree, A - Agree, N - Neither Agree nor Disagree, D - Disagree, and SD - Strongly Disagree.

### Board Committee Assessment

A self-assessment worksheet following the Audit and Risk Committee Charter is accomplished every March of each year by its members to evaluate their performance. The results of the assessment are compiled by the Compliance Officer and are reported during the Corporate Governance Committee meeting. The basis of evaluation is provided under the Code, which provides their assessment based on their respective responsibilities such as 1) setting of committee structure; 2) oversight on financial reporting and disclosures, which provides responsibility for the financial reporting process, a system of internal control, audit process, and monitoring of compliance with applicable laws; 3) oversight on risk management and internal controls, which provides for managing credit, market liquidity, operational, and legal and other risk exposure; 4) oversight on management and internal audit, which provides a review for the annual audit plan in conformity with the objectives of the Corporation and 5) oversight on external audit, which ensures

proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

The self-assessments of the Corporate Governance and Compensation Committees were also accomplished by the committee members through the online self-assessment tool. The Committees' self-assessment followed the criteria set by the CG Manual and by each of the Committees' respective Charters.

### Third-Party Evaluation

As provided in Principle 6 and Recommendation 6.1 of the CG Code of 2016, The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and committees. Every three years, the assessment should be supported by an external facilitator. In 2020, PSC partnered with the Good Governance Advocates and Practitioners of the Philippines (GGAPP) to conduct its inaugural Third-Party Board Evaluation. This collaboration ensured an objective assessment of the Board's effectiveness. The partnership continued in 2023, with GGAPP facilitating another Third-Party Board Evaluation focused on the annual self-assessments of the Board, directors, committees, and key officers.

### Code of Conduct and Business Ethics

PSC's Code of Conduct and Business Ethics strengthens its commitment towards Corporate Governance and provides thorough guidelines for the actions of employees. PSC remains devoted to providing excellent customer service in all of its business endeavors. PSC believes that transparency is the key to the fulfillment of its goals and retains the trust and confidence of its stakeholders. PSC employees are purpose-driven. Their actions are in the best interest of the Corporation as they work towards their goal to achieve PSC's vision and mission. The Code of Conduct and Business Ethics is disseminated to the Board, senior management, and employees. It is part of the module for new directors and is discussed with new employees upon hiring. The Board, senior management, and employees can also access it through the Corporation's intranet. The Code can also be downloaded from PSC's website: [www.7-eleven.com.ph](http://www.7-eleven.com.ph).

## II. DISCLOSURE AND TRANSPARENCY

Disclosure and transparency are the key factors in the success of corporations. As such, PSC values it as an essential part of its full commitment to maintaining good corporate governance. The Corporation is keen to provide up-to-date information about its corporate disclosures that are relevant or important to the public, shareholders, and stakeholders.

For proper implementation of the said disclosures and transparency, PSC established the Reportorial Compliance Policy. It seeks to ensure that reportorial compliance reports required by the SEC, Philippine Stock Exchange (PSE), and other regulatory agencies are submitted on time for eventual disclosure, for the benefit of the investing public. It establishes, among others, a mechanism for close coordination between concerned departments in the preparation, publication, and submission of the said reports and other disclosures of vital corporate information.

Amid the pandemic, while most of the country is placed in various stages of lockdown, the SEC, PSE,

and other regulatory agencies extended regulatory relief through alternative filing procedures, such as the shift to online submission of Reportorial Requirements. SEC launched their Electronic Filing and Submission Tool (eFAST) to limit face-to-face transactions and mainly as a part of their ongoing digital transformation program. Such an initiative is a welcomed change for PSC as it recognizes the importance of embracing best CG practices to ensure the highest standards of disclosure and transparency as it harnesses the full advantage of digital technology.

### Transparent Ownership Structure

In conformity with SEC requirements, PSC discloses through its website the following: 1) Annual Reports, 2) Integrated Annual Corporate Governance Reports, 3) Quarterly Reports, 4) Current Reports, 5) Information Statements, 6) Beneficial Ownership Reports, and 7) GIS for the fulfillment of its obligation for transparency and fairness in the dissemination of information for the benefit of the public.

As of December 31, 2023, the following are the record and beneficial owners of more than 5% of registrant's voting securities:

Title of Class	Name and Address of Record/ Beneficial Owner	Citizenship	Relationships of the record owner's representative with the issuer and said owner	Amount and Nature of Record/ Beneficial Ownership	Percent of Outstanding Common Stock as of December 31, 2023
Common	President Chain Store (Labuan) Holding, Ltd. <sup>1</sup>  7(E), Main Tower, Financial Park, Labuan, Malaysia	Malaysian	Stockholder	418,467,647 (R)	55.32%
Common	Arisaig Asia Consumer Fund Limited <sup>4</sup>  Craigmuir Chambers, P.O. Box 71 Road Town, Tortola, British Virgin Islands	BVI	Stockholder	79,233,591	10.47%
Common	Jose Victor P. Paterno <sup>3</sup> and siblings  7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City	Filipino	President/ CEO/Director /Stockholder	18,622,569 (R) <u>39,314,334 (B)</u> 57,936,903	2.46% 7.66%

Title of Class	Name and Address of Record/ Beneficial Owner	Citizenship	Relationships of the record owner's representative with the issuer and said owner	Amount and Nature of Record/ Beneficial Ownership	Percent of Outstanding Common Stock as of December 31, 2023
Common	Asian Holdings Corporation <sup>2</sup>  4th Floor, Uni-Oil Bldg., Commerce Ave. cor. Acacia St., Madrigal Business Park, Ayala Alabang, Muntinlupa City	Filipino	Stockholder	48,933,972 (R)	6.47%

Footnotes:

<sup>1</sup> Mr. Jui-Tien Huang President Chain Store (Labuan) Holding, Ltd. has the voting power on behalf of the Corporation

<sup>2</sup> Ms. Elizabeth Orbeta or Ms. Diana Pardo-Aguilar has the voting power on behalf of Asian Holdings Corporation

<sup>3</sup> Mr. Jose Victor P. Paterno has the power of attorney to vote the 39,314,334-shares of his siblings: Maria Cristina Paterno-13,030,074; Paz Pilar P. Benares – 8,182,368; Ma. Elena P. Locsin- 11,488,181; Ma. Teresa P. Dickinson – 6,613,711

<sup>4</sup> Ms. Rebecca Lewis of Arisaig Asia Consumer Fund Limited has the voting power on behalf of the Corporation

## Conflict of Interest Policy

To safeguard transparency and fairness in all its corporate dealings, and at the same time to see to it that all transactions uphold the best interests of the Corporation, all employees are required to dissociate themselves from any engagements that may compromise the Corporation's interests and should there be any appearance of conflicting interests, disclose the same to the proper authorities in the Corporation.

## DIRECTORS AND OFFICERS DEALING IN SHARES OF THE CORPORATION

### Insider Trading (Trading Block-outs)

PSC observes the insider-trading policy, which prohibits directors, officers, and employees from divulging material non-public information to the damage of the Corporation and the investing public. The information is considered material if it will influence the decision of a reasonable investor in deciding whether to buy, sell, or hold the security. Covered persons are prohibited from trading within five trading days before, and within three trading days after the submission of structured and unstructured disclosures. Any transaction done involving corporate shares must be reported to the Corporate Secretary within three calendar days from the transaction day.

Shareholdings of Directors and Key Officers as of December 31, 2023:

Name	Position	Beginning Balance <sup>1</sup>	Acquired <sup>2</sup>	Disposed <sup>2</sup>	Ending Balance <sup>3</sup>	Direct Holdings <sup>3</sup>	Indirect Holdings <sup>3</sup>	% to Total Shares <sup>3</sup>
Jose T. Pardo	Chairman & Independent Director	2	-	-	2	2	-	0.00%
Jose Victor P. Paterno	Director & President/CEO	18,622,569	-	-	18,622,569	16,255,252	2,367,317	2.46%
Jui-Tien Huang	Vice-Chairman	2	-	-	2	2	-	0.00%
Jorge L. Araneta	Director	2	-	-	2	2	-	0.00%

Name	Position	Beginning Balance <sup>1</sup>	Acquired <sup>2</sup>	Disposed <sup>2</sup>	Ending Balance <sup>3</sup>	Direct Holdings <sup>3</sup>	Indirect Holdings <sup>3</sup>	% to Total Shares <sup>3</sup>
Ching-Feng Kuo	Director	2	-	-	2	2	-	0.00%
Tsung Hsien Lee	Director	2	-	-	2	2	-	0.00%
Yung-Wei Lu	Director	2	-	-	2	2	-	0.00%
Maria Cristina P. Paterno	Director	13,050,074	-	20,000	13,030,074	12,922,195	107,879	1.72%
Wen-Chi Wu	Director	2	-	-	2	2	-	0.00%
Ron Hose	Independent Director	1	-	-	1	1	-	0.00%
Raymond Anthony N. Alimurung	Independent Director	1	-	-	1	1	-	0.00%
Atty. Evelyn S. Enriquez	Corporate Secretary	5,895	-	-	5,895	5,895	-	0.00%
<b>TOTAL</b>		<b>31,678,554</b>	<b>-</b>	<b>20,000</b>	<b>31,658,554</b>	<b>29,183,358</b>	<b>2,475,196</b>	<b>4.18%</b>

<sup>1</sup> Based on Public Ownership Report submitted to PSE as of Dec. 31, 2022

<sup>2</sup> Based on Beneficial Ownership Reports/Changes in Directors Shareholdings submitted to PSE/SEC as of Dec. 31, 2023, if any

<sup>3</sup> Based on Beneficial Ownership Reports/Changes in Directors Shareholdings submitted to PSE/SEC as of Dec. 31, 2023, if any

## Related Party Transaction

The policy on RPTs ensures that all Corporation dealings are done on an arm's length basis, that is, these transactions are priced in such a manner similar to what independent parties would normally agree to. All transactions involving related parties require disclosure in the Audited Financial Statement. On the other hand, all related suppliers are mandated to undergo accreditation and approval by the Procurement Resources Division. The Audit and Risk Committee, chaired by an Independent Director, assists the Board in reviewing RPTs to make sure that they are consummated with only the best interest of the Corporation in mind.

Related Party Transactions cover directors, officers, substantial shareholders and their spouses, and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control, or significant influence over the reporting PLC. It also covers the reporting PLC's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture, or an entity that is jointly controlled or significantly influenced or managed by a person who is a related party. RPTs are publicly disclosed in the

Annual Report, Information Statement, and Audited Financial Statements, according to the provision for Disclosure and Transparency indicated in the Manual of Corporate Governance.

## Material Related Party Transactions Policy

The policy establishes the review, approval, and reporting of Material Related Party Transactions (MRPT), which may be entered into between or among PSC or any of its subsidiaries, affiliates, directors, officers, and other related parties, taking into account its size, structure, risk profile, and complexity of operations. It also sets the materiality threshold for MRPT at 10% of the total consolidated assets of the Corporation based on its latest Audited Financial Statement (according to SEC M.C. No. 10, series of 2019, effective April 27, 2019). For the year 2023, there are no MRPTs identified.

PSC shall conduct its MRPT on a fair and arm's length basis and ensure that the transactions are in the best interest of the Corporation and its subsidiaries or affiliates and its stakeholders.

## Corporate Governance Manual

The CG Manual of PSC provides for the Corporation's overview of its governance structure to enhance the Corporation's profitability and sustainability, for the benefit of its shareholders and stakeholders in achieving its corporate mission. It aims to institutionalize the principles of corporate governance across all levels of the organization. It also outlines PSC's framework of governance, responsibilities of the Board, and the Corporation employees towards its shareholders, guided by the principle of transparency.

### External/Non-Audit Services

The CG Manual provides that the Audit & Risk Committee shall disallow any non-audit work that will conflict with the duties and functions or that may pose a threat to the independence of the external auditor. The engagement/signing partner shall be rotated or changed every five years or earlier to maintain independence from the Corporation and must be duly accredited by the SEC, who shall undertake an independent audit of the Corporation and shall not provide any internal audit services. Resignation or dismissal of the External Auditor must be reported in the Corporation's annual and current reports.

The Audit and Risk Committee also approves non-audit engagements that will be taken by the firm to prevent conflicts that will affect commercial interests. The Audit and Risk Committee oversees the performance of its external auditor because they remain to be an integral part of corporate governance that makes management accountable to shareholders.

The Corporation's external auditor is SyCip, Gorres, Velayo & Co. (SGV). The Corporation incurred and accrued an aggregate audit fee of P5.31 million in 2023. This covers the annual and quarterly examination of the Corporation's financial statements in accordance with the Philippine Standards on Auditing (PSA). The auditors also provide a discussion of findings and recommendations, which is intended to improve the Corporation's accounting and reporting practices. Further, SGV also provides non-Audit Services.

## External Auditor's Fees

	2023	2022
	(in millions)	
Audit Fees	P5.31	P4.29
Tax Fees	0.97	1.99
All Other Fees	1.90	0.00
<b>Total</b>	<b>P8.18</b>	<b>P6.28</b>

Tax fees as reflected above refers to tax compliance, advisory services, and assistance on BIR examinations rendered by tax lawyers and consultancy firms. All other fees consist primarily of fees for consultations and special engagements relating to the issuance of a long-form audit report and securing documents, which are required for the payment of dividends and other incidental expenses. The non-audit fees do not exceed the audit services fees. The fees presented above include out-of-pocket expenses incidental to PSC's independent auditors' work.

### Media Analyst and Briefings

PSC, led by the President and CEO, CFO, and IRO, presents information on performance results during media briefings scheduled on the same day as the Annual Stockholders' Meeting. The IRO also presents industry trends, the impact of external factors, and regulations to shareholders, analysts, investors, and media every quarter during the investors' briefing. Group and individual briefings are also provided upon request of investors.

Presentation materials used during the investors' briefing, teleconferences, and media briefings are posted on the Corporation's website to ensure comprehensive information dissemination to all stakeholders and investors, including those who were not able to participate in the briefings.

### Company Website

In compliance with SEC M.C. No. 11, series of 2014, PSC through its website, provides links to all disclosures submitted to SEC and PSE along with information that is vital to investors, shareholders, and stakeholders. To constantly develop consciousness in the conduct of the Corporation's best governance practices, a separate link is provided for Corporate Governance, Company Disclosures, and Investor Relations.

## Company Website Links

### Information

#### Business Operation

<http://www.7-eleven.com.ph/about/>

#### Financial Statements

<https://www.7-eleven.com.ph/annual-reports/>

#### Shareholding Structure

<https://www.7-eleven.com.ph/shareholding-structure/>

#### Group Corporate Structure

<https://www.7-eleven.com.ph/conglomerate-map/>

#### Downloadable Annual Reports

<https://www.7-eleven.com.ph/annual-reports/>

#### Notice of ASM

<https://www.7-eleven.com.ph/notice-of-annual-or-special-stockholders-meetings/>

#### Minutes of ASM

<https://www.7-eleven.com.ph/minutes-of-annual-meeting-of-stockholders/>

#### Corporation's Bylaws and Articles of Incorporation

<https://www.7-eleven.com.ph/articles-of-incorporation-and-by-laws/>

## III. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### Internal Control System

The Internal Audit group is governed by its Internal Audit Charter, which is in line with the functions and responsibilities as stated in the CG Manual and the Audit and Risk Committee Charter. Internal Audit reports functionally to the Audit and Risk Committee, and administratively to the President. Based on the Internal Audit plans and scope, the audit activities conducted are reviewed and submitted regularly by the Internal Audit group to the Audit and Risk Committee during meetings. The internal control system is reviewed annually.

As stated in the Report of the Audit and Risk Committee to the Board of Directors, "The Audit and Risk Committee oversees the Corporation's financial reporting process on behalf of the Board of Directors. The Corporation's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting."

### Internal Audit

The purpose of PSC's Internal Audit is to provide independent and objective assurance and consulting services designed to add value and improve the Corporation's operations. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps PSC accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### Risk Management

Risk Management is institutionalized for the Corporation to promote good corporate governance and fulfill its long-term success by addressing risks that could affect corporate sustainability. PSC manages the economic, environmental, and social risks by establishing risk management processes and frameworks to effectively handle such risks to improve overall organizational performance.

The top risks in the retail industry to which PSC belongs include increased competition, brand reputation, and business operations/supply chain continuity. Meanwhile, the main risks arising from the Corporation's financial instruments are credit risk, liquidity risk, and interest rate risk.

The Audit Committee ensures the integrity of internal control activities, develops, oversees, checks, and pre-approves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks, and crisis management. The Internal Audit Division and the External Auditor directly report to the Audit and Risk Committee regarding the direction, scope, and coordination of the audit and any related activities.

In a move to contain the COVID-19 outbreak on March 16, 2020, the government imposed varying levels of lockdown restrictions to prevent the spread of the virus and to manage the capacity of hospitals and medical facilities. These restrictions affected mobility as customer visits declined, causing the drop in sales and operating income of the Company. Mobility improved and was fully reflected in the solid same store sales growth reported during the latter part of 2021. Further in 2022, the link between infections and mobility continued to diminish,

allowing PSC to generate profitability and pursue its market and product development plans. The Y2023 marked the resurgence to normal business activities, embracing the “new normal” in the business operations and customer preferences.

PSC continually observes the activities of competitors in the relevant market, which operate in various retail formats, all selling typical products and services for c-stores (branded foreign/ local or generic), mini-marts, gas marts, drugstore-marts, groceries, supermarkets (including their express or junior or smaller formats), and other hybrid or small stores (the general CVS industry). 7-Eleven estimates its market share within the CVS industry at 25.89% in terms of store count and 2.78% share in terms of sales value against other retail channels in the Philippines. As for its market share against leading c-stores in the country, PSC has a total of 85.91% in terms of store count.

The PSC Board of Directors or Executive Committee, via the Audit and Risk Committee, oversees the establishment and implementation of the risk management system and annually reviews the effectiveness of the system. In particular, the Audit and Risk Committee considers regularly whether:

- PSC’s ongoing risk management program identifies all material and critical areas of risk.
- Adequate risk mitigation strategies have been designed and implemented by PSC to manage all material and critical identified risks.
- PSC undertakes a regular program of audits (Internal Audit, Compliance Audit, and External Audit) to test the effectiveness of internal controls and compliance with PSC’s prescribed policies.
- Timely remedial action is undertaken to redress areas of weakness.

The Audit and Risk Committee also reviews and approves PSC’s risk management policy.

### Compliance with Recent Rules and Regulations

PSC values transparency and fully discloses to its shareholders and other stakeholders valuable information relevant to the Corporation’s financial condition, results, and business operations, as well as its compliance with ethical and legal standards. Thus,

PSC’s Board established the Reportorial Compliance Policy. It seeks to ensure that reportorial compliance reports required by the SEC, PSE, and other regulatory agencies are submitted on time for eventual disclosure for the benefit of the investing public. It establishes, among others, a mechanism for close coordination between concerned departments in the preparation, publication, and submission of the said reports and other disclosures of vital corporate information. The Compliance Policy is reviewed on an annual basis in line with the recent rules and regulations promulgated by the regulatory bodies and to keep track of the ever-evolving trends and best practices in CG and compliance.

### Compliance with the Data Privacy Act

Republic Act No. 10173, also known as the Data Privacy Act of 2012 (DPA) and its Implementing Rules and Regulations (IRR), aims to protect personal data information and communications systems against natural accident dangers such as accidental loss or destruction, and human dangers such as unlawful access, fraudulent misuse, unlawful destruction, alteration, and contamination.

Filipinos’ purchasing power and methods of acquiring goods and services have greatly shifted from traditional face-to-face deals to digital transactions. In line with these changes, PSC adapted to these trends by improving its online services. It launched the CLiQQ online grocery and partnered with food delivery services to cater the needs of its online customers. As the market gravitates toward digital transformation, personal data is also subjected to increasing privacy risks such as unauthorized access, loss of data, and unauthorized disclosure of information. PSC recognizes the privacy risks brought by these changes. Thus, it integrated appropriate organizational, technical, and physical security measures to protect customer privacy. It continuously endeavors to comply with the requirements of the Data Privacy Act (“DPA”) of 2012, its Implementing Rules & Regulations (“IRR”), and other issuances of the National Privacy Commission (“NPC”).

## IV. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

### Basic Shareholder’s Right

#### Right to Dividends

## Dividend Policy

PSC considers the benefit of its shareholders as one of its priority management policies. It aims to sustain revenue streams and progressive growth to further enhance shareholder value. PSC shall continue to return capital to shareholders through a sustainable dividend policy. Effective 2015, the Company intends to pay at least 20% of annual net profits by way of cash dividends. This considers future capital requirements and potential growth opportunities. The Board regularly reviews the dividend policy, including the frequency of distribution, taking into account all of the above.

Dividends to be paid in cash by the PSC are subject to approval by a majority of the Board of Directors and no further approval from the PSC's shareholders is required. Dividends to be paid in the form of stock requires both the approval of a majority of the Board of Directors and the approval of shareholders representing not less than two-thirds of PSC's outstanding capital stock. All dividends to be declared are subject to the approval of the SEC. There are no known restrictions to the PSC's ability to pay dividends on shares.

As per SEC Rules, cash dividends declared by a stock corporation must have a record date not less than 10 or

more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date shall be not less than 10 or more than 30 days from the date of shareholders' approval, provided, however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of a stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

A cash dividend of Thirty Centavos (Php 0.30) per share was declared and approved during the board of directors meeting last July 16, 2020, based on the unappropriated retained earnings of 2019. Stockholders of record as of August 04, 2020, were entitled to the said cash dividend, and the corresponding cash payments were paid to stockholders on the payment date last August 14, 2020, or within 30 days from cash dividend declaration.

There was no dividend declaration based on results of operations of Y2021, Y2022, and Y2023. The total outstanding capital stock of the Corporation is 756,418,283. There was no sale of any unregistered securities. Likewise, there is no restriction that limits the ability of the Company to pay dividends on common equity. Below is the summary of the cash and stock dividend declaration of the Corporation.

Year	Cash	Amount	Stock	No. of Shares
2023	-	-	-	-
2022*	-	-	-	-
2021*	-	-	-	-
2020*	0.30	226,925,485.00	-	-
2019	0.50	378,209,142.00	-	-

\* Covid -19 Pandemic start in Y2020

## Right to Participate in Decisions

PSC upholds the rights of its shareholders to approve matters requiring stockholders' action, as provided for by law. Also, Section 48 of PSC's amended bylaws provides that the approval of the Board of Directors by at least a two-thirds vote of the number of directors, as fixed in the Articles of Incorporation of the Corporation, and the approval of the stockholders of the corporation, representing two-thirds of the issued and outstanding capital stock of the Corporation, shall be required for the following corporate acts:

1. Revision and amendment and/or repeal of any of the provisions of the Area Service and License Agreement (ASLA) between the Corporation and The Southland Corporation;
2. Shortening of the term, cancellation, or termination of the ASLA, or the assignment, transfer, or conveyance thereof;
3. Engaging in business other than the Corporation's basic business of convenience store operation, which would generate more than 30% of the Corporation's revenue and income;

4. Change in external auditors.

## Right to Participate Effectively and Vote

The Corporation facilitates the involvement of shareholders to actively participate during the ASM, which includes nomination and voting procedures.

For the election of directors, shareholders entitled to vote shall vote cumulatively to elect the 11 Directors of PSC, and each share shall be entitled to 11 votes. Holders of the Corporation's stock as of the close of business on the record date of May 29, 2023, acting in person or by proxy, were entitled to notice and to vote during the Annual Meeting held last July 20, 2023. As such, there were 756,418,283 shares of PSC's common stock entitled to vote for the election of directors.

The shareholders entitled to vote were entitled to one vote for each share, to approve other matters outlined in the Agenda of the Annual Meeting.

Shareholders are entitled to vote for the following: 1) Approval of Minutes of the last Annual Stockholders' Meeting; 2) Approval of 2022 Annual Report and 2022 Audited Financial Statements; 3) Ratification of Actions Taken by the Board of Directors, Executive Committee, Board Committees and Management for Y2022 and up to present; 4) Election of Directors including the Independent Directors for 2023; and 5) Appointment of External Auditor.

## Right of Appraisal

The stockholders of the Corporation may exercise their right of appraisal against any proposed corporate action, which qualifies as an instance under Section 80 of the RCC, which gives rise to the exercise of such appraisal rights according to, and in the manner provided in Section 81 of the RCC.

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

(a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(b) In case of a sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in this Code;

(c) In case of merger or consolidation;

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Pursuant to Article 81 of the RCC, the dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

## Preemptive Right

In accordance with Section 38 of the RCC, all stockholders have the preemptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such a right is denied by the articles of incorporation or an amendment thereto.

## Right to Information

Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

### **Right to inspect corporate books and records**

The records of all business transactions, stock and transfer books, and minutes of any meetings shall be open to inspection by any stockholder of the Corporation at reasonable hours on business days and he/she may demand, in writing, for a copy of excerpts from said records or minutes, at his/her expense as provided under Section 73 of the RCC.

## **ANNUAL STOCKHOLDERS' MEETING**

### **Notice of ASM**

The CG Manual provides that the Board must be transparent and fair in the conduct of the annual and special stockholders' meetings. Notices were provided containing the date, time, venue, agenda, and explanation of agenda items in accordance with Title VI of the RCC.

The SEC continued to allow alternative modes for distributing Notices of Meeting and other documents in connection with the holding of the ASM in its Notice dated February 28, 2023. In compliance with the SEC issuance, PSC caused the publication of the Notices in two newspapers of general circulation, both in print and online format. Shareholders were also notified through the PSC website and Notices were also posted through PSE EDGE on June 15, 2023, or at least 30 days before the holding of the ASM on July 20, 2023.

For 2023, PSC has once again conducted its ASM virtually or via remote communication and by live streaming.

### **Minutes of the Meeting**

The following are the resolutions adopted during the 2023 Annual Stockholders' Meeting: 1) Approval of Minutes of the last Annual Stockholders' Meeting; 2) Approval of 2022 Annual Report and 2022 Audited Financial Statements; 3) Ratification of Actions Taken by the Board of Directors, Executive Committee, Board Committees and Management for Y2022 and up to present; 4) Election of Directors including the Independent Directors for 2023; and 5) Appointment of

External Auditor.

### **Investor Relations**

PSC gives importance to nurturing the relations between the Corporation and its market participants, thus, PSC established the Investor Relations Program. This provides an effective tool to communicate the latest developments and information regarding the Corporation's performance concerning the capital markets and its relevance to PSC's investors and their advisors.

The program is guided by the external and internal communication policies, developed and approved by the Executive Committee. These policies are reviewed regularly or when the need for such arises.

PSC's Investor Relations Officer (IRO), Mr. Lawrence M. De Leon, Head of the Finance and Accounting Services Division, is duty-bound to constantly communicate with investors regarding developments in the Corporation's business. The Corporation conducts various meetings with shareholders, aside from communications through conferences and e-mails, which is done regularly. An external public relations firm is likewise committed to communicating other aspects of the business.

To further boost the communication process to shareholders and investors, PSC's website includes updates on all necessary information, disclosures, and reports required by the SEC to strengthen integrity, teamwork, and reliability, and to maintain the trust and confidence of its shareholders and investors. Contact details of the IRO are provided on the website to allow for immediate response to inquiries or questions.

PSC regularly conducts an investor briefing through teleconferences and video conferences. A presentation on financial performance is discussed, followed by a question-and-answer session.

### **Treatment of Minority Shareholders**

PSC values its minority shareholders. Thus, the Board must promote the rights of the shareholders, remove impediments to the exercise of those rights, and provide an adequate avenue for them to seek timely redress when there is a breach of their rights. Accurate and timely information should be made available to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

PSC's corporate governance framework ensures that minority shareholders are accorded equitable treatment. A minority shareholder's rights are safeguarded by the Board through effective means of redress in the event of a breach or violation of their rights arises. The Board is to provide transparent, credible, and timely reporting of the business management to such stockholders.

### V. DUTIES TO STAKEHOLDERS

It is PSC's commitment to support and enhance long-term sustainability for its stakeholders, recognizing their crucial role to strengthen the Corporation. Thus, PSC integrates governance policies to fulfill its duties and responsibilities to its stakeholders. PSC abides by the mandatory laws, rules, and policies that will govern them in the fulfillment of its duties and responsibility to its stakeholders.

#### Customers

Customer loyalty is a vital component to sustain the business. Therefore, to maintain a stable long-term relationship with its customers, while delivering quality and excellent customer service, PSC continuously innovates its in-house brands, products, and services by being responsive to customer needs and the latest trends.

The improvement in mobility in 2022 allows PSC to generate profitability and pursue its market and product development plans. Noting the customer trends that evolved with quarantine regulations and safety restrictions during the first year of the pandemic, PSC embarked on its pivot programs to address the new customer habits, online and digital services, and food/goods deliveries. This moved towards a market development strategy closer to the residences of its customers who are on work-from-home or alternative work arrangements, together with expanded store capacity to carry additional essentials and grocery items in its product assortment and digital services for payment convenience, including the installation of ATMs. The Company's fast-growing payments business accelerated even further during the pandemic, providing much-needed revenue and traffic, but also the risk of ballooning cash balances in its stores. In 2021, PSC partnered with Seven Bank of Japan on rolling out recycling ATMs in its stores, where store operators can deposit cash for the public to withdraw. PSC ended 2023 with a total of 3,028 ATMs activated in Metro Manila and the rest of Luzon including 451 ATMs in Cebu and 241 ATMs in Davao. This translates into 80 percent coverage and is expected to expand further as we deploy ATMs to the financially underserved communities.

For 2023, the average number of customers that transact in the stores is about 600 to 900 per day per store. The stores carry a wide range of beverages, food service items, fresh foods, hot foods, confectioneries, personal care products, groceries, and innovative services. Stores also added essential products and enhanced food service offerings (i.e., take-home and ready-to-eat food) to respond to the immediate needs of the customers. True to its mission of making daily life easier by providing modern convenience, PSC is also accelerating its digital strategy in the areas of e-commerce and payments through its CLiQQ mobile app. It recognizes the continued shift towards innovation, convenience and safety.

PSC's policy on rendering customer service requires all store employees to provide customer service based on the standards set in the store operations manual. The policy provides for sanctions and disciplinary actions in case an employee does not comply with the requirements in the manual.

To improve its service, the Corporation also utilizes the services of a third party to conduct a "mystery shopper" survey to evaluate its performance in different areas including Customer Service.

PSC's efforts to improve its customer service did not go unnoticed. In 2022, more 7-Eleven stores were awarded the Department of Trade and Industry's (DTI) Golden Bagwis Seal. The Bagwis Awards is a certified awards program of the DTI that aims to promote and foster the highest level of business ethics and uphold a fair and honest marketplace through voluntary self-regulation and service excellence.

For any concerns, customers may relay their questions or feedback through PSC's customer service hotline, e-mail address: [customercare@7-eleven.com.ph](mailto:customercare@7-eleven.com.ph), or its website: [www.7-eleven.com.ph](http://www.7-eleven.com.ph).

#### Creditors

Acknowledging the role of creditors in the growth and development of PSC, the Corporation and its employees are required to equip themselves with integrity in all their business dealings as provided in the Code of Conduct and Business Ethics and Core Values. With utmost respect to the rights of its creditors, PSC upholds transparency in all its disclosures and gives full compliance with all agreements.

PSC maintains a credit line with banks and suppliers which we do not fully utilize as our Capital Expenditure (CAPEX)

is supported mainly through internally generated funds.

To further protect its creditors, PSC also maintains transparency regarding its corporate acts through timely disclosures to regulatory bodies. Through its Reportorial Compliance Policy, which took effect last January 1, 2014, PSC ensures that reportorial compliance reports required by the SEC, PSE, and other regulatory agencies are submitted on time for eventual disclosure for the benefit of the investing public. It establishes, among others, a mechanism for close coordination between concerned departments in the preparation, publication, and submission of the said reports and other disclosures of vital corporate information.

### Suppliers/Business Partners

PSC gives high importance to its relationship with its business partners. Through their good practices in business dealings, the Corporation was able to expand around the country. By establishing meaningful collaborations with various suppliers, be it large corporations or small enterprises, PSC was able to positively influence local economies by providing livelihood and business opportunities.

Trade and non-trade suppliers may submit accreditation requirements based on the guidelines provided on its website. PSC takes into consideration the qualifications of its suppliers and other trading counterparts, following the policy guidelines of the Corporation under its accreditation process and trading terms agreements. All contracts with suppliers provide a clause for the observance of no conflict of interest.

To ensure that only the best and quality products are offered, products regularly undergo quality assessment. A standard selection process is implemented, such as accreditation valid for one year, to determine that the suppliers are aligned with PSC's strategic goals and objectives. PSC conducts ocular inspections and certification of suppliers' production processes and facilities with the quality assurance guidelines set by the Food and Drug Administration of the Philippines. Its commissaries comply with the Good Manufacturing Practices (GMP) standards, while some are even ISO certified.

PSC has revised its policy on the accreditation of Non-Trade Suppliers, Contractors, Designers, and Service Providers to enhance its supplier selection process. This revision incorporates a questionnaire on sustainability topics into the Non-Trade Supplier Accreditation Form,

promoting more responsible sourcing practices.

### Franchise Store Owners

At year-end, PSC is operating 3,768 stores, 1791 of which are franchise stores and the remaining 1,977 are company-owned stores. These numbers show the significance of franchising in PSC. As such, PSC values the co-existence and co-prosperity of the Corporation and its franchise store owners.

PSC launched a Pandemic Support Program ("PSP") that offered a 711M credit line (draw as needed, pay when able, zero interest, waived if the store is given up) subject to more stringent performance requirements and PSC may unilaterally discontinue for any reason. PSP was made available to PSC Franchisees with the mutual objective to continue store operations and the franchising business. As of September 1, 2022, PSC has ended the PSP, and the remaining franchisees who participated in the program reverted to their respective arrangement under their franchise contract, with their remaining open account balances waived by PSC. Moreover, the Company has exerted efforts to negotiate rental concessions.

### Shareholders and Investors

The benefit of its shareholders is considered as one of PSC's priority management policies. Through PSC's Investor Relations Program, a linkage between the Corporation and the market participants is provided, and clear communication of developments in all aspects of the business is ensured with the objective of ensuring fair valuation in the marketplace. PSC aims to sustain revenue stream and progressive growth to further enhance shareholder value.

### Employee

As PSC scales and adapts to the post-pandemic landscape, the Corporation recognizes its crucial duties and responsibilities toward its employees. Upholding the well-being and welfare of its workforce is of paramount importance, and PSC strives to fulfill these duties in several ways.

The relaxation of mobility restrictions allowed individuals and communities to regain a sense of freedom and normalcy. Taking this into consideration, PSC implemented a hybrid work arrangement. To ensure productivity, PSC also took advantage of digital technology and utilized various collaboration

tools such as Google Workspace, Power BI, Workplace, and turning physical meetings into online ones through videoconferencing.

Employees can also protect their rights and interests, as well as those of the Corporation, as governed by the Employees Code of Discipline relating to their job conduct. Violations hereof shall be dealt with accordingly. Also, a Whistle Blowing Policy was created as a channel to report incidences of misconduct that could lead to future damage to the Corporation. Reports are then investigated to validate their authenticity.

## The Community

Operating the largest convenience store network in the country, PSC aims to help in sustaining communities in the Philippines. Corporate Social Responsibility (CSR), through the institution of PhilSeven Foundation Inc., (PFI), became part of PSC’s corporate culture once the Corporation achieved accounting profitability in 1989. The initial beneficiaries of PFI were barangays where its stores are located, giving back to the communities where it operates. Its projects for 2023 are:

Initiative	Beneficiary
1. Gulong ng Karunungan (GNK) Project - Rehabilitation of GNK vehicles and relaunch of the GNK project in the cities of Cebu and Tagum.	Out-of-school children and youth
2. Every Day! Play Project - Turnover of the Every Day! Play project to Cebu City LGU and commencement of groundworks for the Tagum City playground which will incorporate the use of “ECO BRICKS ” made of plastics and special cement.	Indigent communities with large population and available government-owned space
3. Disaster Relief Operations assistance to DSWD-NRLMB and LCF Disaster Committee	DSWD Volunteers
4. Disaster Risk Reduction (DRR) - A pilot project to scale up Disaster Response Efforts of PFI towards promotion of Disaster Risk Reduction and building resilient Communities in tie-up with Philippine Disaster Resilience Foundation (PDRF)	LGUs
5. Support to opening of S.Y. 2023 through school kits donation to various Public Elementary Schools	Public elementary schools
6. 7-Eleven Day Celebration <ul style="list-style-type: none"> <li>a. Champions of Change - in tie-up with the Basic Environmental Systems and Technologies, Inc (BEST) and PSC HRAD, conducted a webinar on Solid Waste Management and appreciation of Recycling/Upcycling and its impact to the environment, attended by more than 300 PSC employees across Luzon, Visayas and Mindanao.</li> <li>b. Catch and Match 2.0 - Partnered with the “Trash to Cash Back/Xtrash Challenge” campaign of Philippine Business for Social Progress (PBSP) and Basic Environmental Systems and Technologies, Inc (BEST), for the segregation and collection of recyclables-plastics and paper, participated by PSC employees.</li> <li>c. Sanduguan at Kapitbahayan - A public Blood drive donation in partnership with the Department of Health (DOH), LGUs, and NGOs, held in various locations across Luzon, Visayas, and Minadanao.</li> </ul>	PSC employees, LGUs, and Non-Government Organizations (NGOs)
7. Christmas Caravan, food donation to partner LGUs and NGOs	Various sectors

PSC, through PFI, seeks to support and give back to local communities as it moves from projects on corporate social responsibility to creating shared value with local communities. To know more about PFI’s activities, please refer to the Corporate Social Responsibility page of this book, “Corporate Social Responsibility Highlights” and their website <http://www.philseven.com>.

## Effective Redress of Stakeholders' Grievances

The Corporation provides contact details via the Corporation's website, which stakeholders can use to voice their complaints or give feedback on franchising, vendor requests, investor relations, shareholder assistance and services, whistleblowing, and other concerns.

## Performance-enhancing mechanisms for employee participation

Recognizing the need of employees for growth, training and development programs are regularly provided by PSC across all levels. For Senior Management and Officers, the company conducts a Leadership Academy & Mentor's Leadership Training Program with the objective in line with the Company's succession planning program. In-house training on leadership skills, products, basic negotiation, change management, retailer initiative and basic operating and quality assurance procedures are also provided by the Company to employees. These are offered periodically based on an annual training calendar every month or quarterly. In-house training is designed to augment and develop the employees' skills and competencies.

## Anti-Corruption Programs and Policies

PSC's Code of Business Conduct and Ethics was drafted to strengthen its commitment towards corporate governance and to provide thorough guidelines for employees. In this regard, it developed policies on the following to uphold ethics in business dealings and transactions: 1) Limitations on Participation in Company Sales Promotions, 2) Conflict of Interest, 3) Employment, Placement, and Transfer of Relatives, 4) Foreign and Local Business Travel, 5) Employee Promotion for Section Managers and Above, and 6) Whistleblowing. With these policies set in place, employees are informed and required to follow the rules and regulations, both from the government and from the Corporation, and to steer clear from any covert or overt acts of bribery. They are also advised to avoid solicitation and acceptance of gifts of high value (usually PHP2,000 up) from business partners and/or suppliers. Rules and guidelines in granting

travel allowance and/or reimbursement of expenses incurred for official business trips made locally or abroad are also provided. The promotion of employees to Section Managers and above is also standardized. Also, a Whistleblowing Policy was set up to provide channels for reporting violations of the Code of Conduct and Business Ethics and the mechanism for its investigation and appropriate action. PSC is also a signatory to the Integrity Pact and a participant in Integrity Summit Fora.

## Whistleblowing policy

To uphold and promote ethical behavior and sound business practices, PSC directors, officers, employees, and suppliers can report any perceived illegal activities through a whistleblowing mechanism. All whistleblowing reports received by PSC will be reviewed for appropriate action, determining whether the Code of Conduct and Business Ethics and other related policies and procedures were violated. An independent committee, known as the Committee on Conduct, is tasked to handle reports of such violations.

The policy assures that the whistleblowers are accorded protection, respecting the confidentiality of the information and their identities. Thus, illegal/unethical conduct shall be reported in writing, either anonymously or otherwise, depending on the whistleblower's discretion. Modes of reporting may be through a letter, e-mail, or other means established by the Corporation. All reports are treated with the utmost confidentiality. To report an incident, any person may access the PSC Website and accomplish the form through this link: <http://www.7-eleven.com.ph/corporate/corporate-governance-head/whistle-blowing/>. Reports may also be submitted to [whistleblowing@7-eleven.com.ph](mailto:whistleblowing@7-eleven.com.ph). The Committee on Conduct shall review the report of the whistleblower and shall evaluate the merits of the complaint according to circumstances, time of reporting, evidence, and violation of procedures and policies. The whistleblower shall be informed of the decision of the Committee. Appropriate action shall be taken against the persons found to have committed any illegal/unethical conduct. PSC provides appropriate protection from retaliation as provided in this policy and PSC's Employee Handbook.

# SUSTAINABILITY REPORT

## A. Overview and Materiality Process

PSC began its journey towards sustainability reporting on March 28, 2019, when it became a signatory to the Sustainable Development Pledge together with other licensed 7-Eleven operators and brand stewards during the 7-Eleven 2019 International Summit - “Good for Life, Great for the Planet” held at Tokyo, Japan. PSC pledged to continue operating as a socially responsible brand in support of the 2030 Sustainable Development Goals (SDGs) of the Seven Eleven global family of licensees. This pledge is aligned with its Corporate Governance (CG) Manual, which includes as part of corporate governance, social responsibility in all its dealings with the communities where it operates. On November 17-19, 2020, PSC attended the first Environmental, Social, and Governance (ESG) Forum hosted by 7-Eleven, Inc. The event was a global virtual event that convened licensees, master franchisees, and partners from 15 countries to share best practices, identify synergies, and a better understanding of successful local initiatives.

The Corporation, guided by the Global Reporting Initiative (GRI) Standards and the UN SDGs, commenced its documentation and reporting process of sustainability practices, through a workshop facilitated by a GRI representative with key officers/ employees from its business units, subsidiaries, and affiliates. Material topics, important stakeholders, and the Corporation’s policies to respond to their concerns were determined. Engagement sessions with key officers/employees who deal directly with external stakeholders were also made.

Since the initial reporting process in 2019, PSC has remained dedicated to continuous improvement. This report highlights the progress made in 2023, showcasing achievements in integrating sustainable practices throughout its operations.

The diagram below illustrates PSC’s ongoing materiality process, emphasizing its commitment to not only meeting stakeholder needs but also striving to make a meaningful difference for the communities it serves.



Looking ahead, PSC is dedicated to enhancing its materiality assessment process. This involves extensive consultation with stakeholders, benchmarking against industry leaders' best practices, and enlisting the expertise of a third-party consultant to refine PSC's sustainability programs and targets.

Recognizing that material topics can evolve due to shifts in the industry landscape, market dynamics, stakeholder expectations, regulatory frameworks, and emerging risks and opportunities, PSC underscores the importance of regular review and updating of its materiality assessment. By doing so, PSC ensures that

its reporting remains aligned with the most pertinent issues. While no significant changes were identified for the 2023 reporting cycle, this ongoing review process helps us stay attuned to emerging issues and adapt our reporting accordingly.

Guided by the Global Reporting Initiative (GRI) definition of materiality and aligned with the UN Sustainable Development Goals (SDGs), PSC has conducted a review and assessment of material topics across the economic, environmental, social, and governance (EESG) areas. The key identified topics are summarized as follows:

### PSC's Materiality Process



Direct Economic Value Generated and Distributed

Procurement Practices

Marketing and Labeling

**ECONOMIC**



Waste and Effluents

Materials

**ENVIRONMENT**



Local Communities

Employment

**SOCIAL**



Disclosure and Transparency






CG Practices

**GOVERNANCE**

Following the materiality process indicated above, PSC’s sustainability initiatives and practices support 13 out of the 17 SDGS. Through these, PSC aims to promote sustainability in its daily operations and reduce negative effects on the environment and society. Following the materiality process indicated above, the updated SDGs that PSC supports are as follows:

UN SDG	PSC’S CONTRIBUTION
 <p>2 ZERO HUNGER</p>	<ul style="list-style-type: none"> <li>● Support the health and nutrition of children/communities through food donation, the conduct of medical outreach, and promote the practice of good personal hygiene.</li> </ul>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> <li>● Continues to elevate its offerings by providing an extensive range of fresh fruits, salads, ready-to-eat meals available all day, and a diverse selection of food snacks. Alongside these options, our stores proudly serve freshly brewed coffee and a variety of hot and cold beverages. These offerings cater to the diverse tastes and preferences of our customers, ensuring that everyone can find convenient, healthy, and nutritious choices;</li> <li>● Diverse array of culinary delights to suit various tastes and preferences. From authentic Filipino favorites (Chef Creations x Romantic Baboy, Busog Meal, Big Time Meals, Rice Meal Express, and HottaRice) to international options (Fuwa Fuwa Sandwich Box and Sántis Delicatessen), customers can enjoy a taste of global cuisine without leaving the country. Additionally, stores provide fresh and vegan-friendly choices, (unMEAT, fresh fruits, and Mixed Salad with Plant-Based Protein), catering to health-conscious individuals. With this diverse menu, 7-Eleven Philippines strives to provide a convenient and satisfying dining experience for all customers.</li> <li>● Holding the Annual 7-Eleven Run simultaneously in Luzon, Visayas, and Mindanao promotes health &amp; wellness across demographics. For the 11th year of the Run Series, a 2-day event was held in three key cities in the Philippines, namely Cebu, Davao, and Manila on February 4-5. Additionally, a “CLiQQ to 7-Eleven Color Fun Run” was held in New Clark City in November, providing participants with another exciting opportunity to engage in a fun and vibrant running experience.</li> <li>● Champions work-life balance with a range of programs for all employees by offering recreational activities like annual sports tournaments and after-work fitness classes, alongside wellness initiatives like nutrition advice and annual family day events. Comprehensive health and medical insurance coverage further supports employee well-being.</li> <li>● Prioritizes product quality and safety through robust quality assurance procedures.</li> </ul>

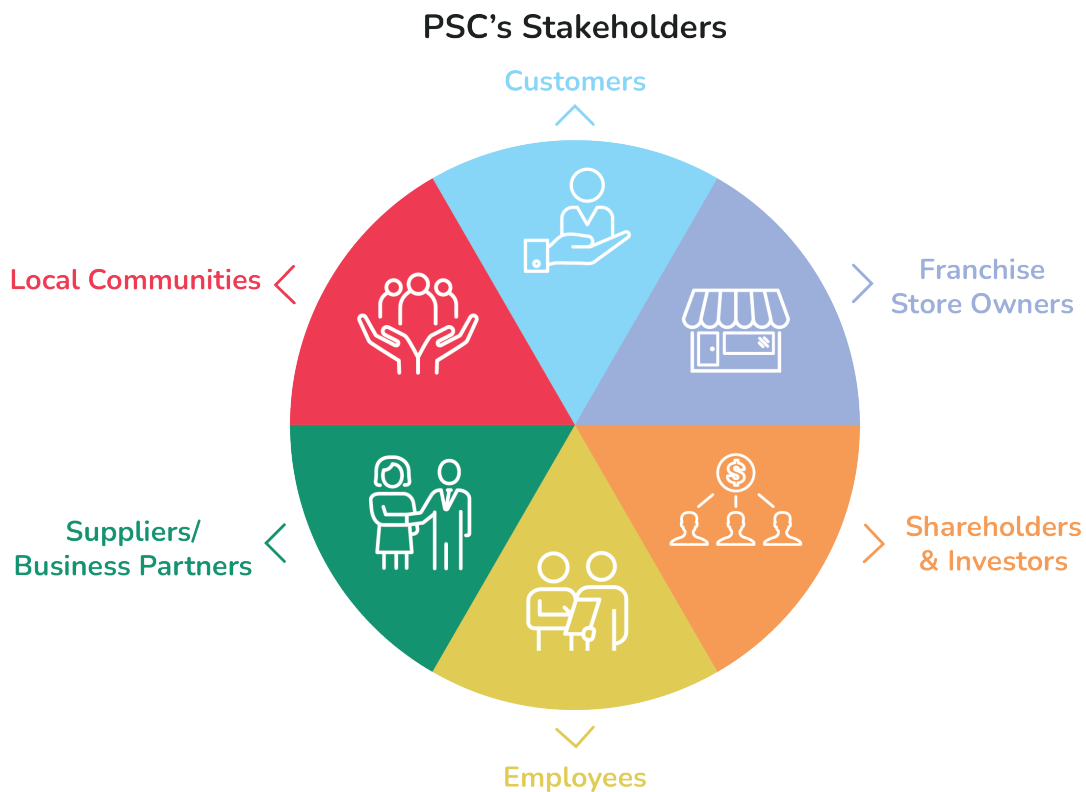
UN SDG	PSC'S CONTRIBUTION
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> <li>● Partnership with communities where 7-Eleven operates to provide access to quality Early Childhood Care and Development (ECCD) education through an Alternative Learning Facility (ALF) called the Gulong ng Karunungan (GNK) or mobile school van with educational facilities.</li> <li>● Provide a Scholarship Program for deserving undergraduate PSC employees for career growth. Continuing education of employees under PSC's University of Seven Eleven Program (USEP)</li> </ul>
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>● Promote a diverse workforce through the practice/enforcement of equitable treatment of all genders.</li> <li>● Ensures gender equality through equal representation in the board, key officers, and management.</li> </ul>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> <li>● Create direct and indirect employment opportunities in areas where 7-Eleven stores are located. Adheres to general labor standards and occupational health and safety standards.</li> <li>● Offers business opportunities to qualified employees and external individuals with different 7-Eleven franchise packages.</li> </ul>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> <li>● Prioritizes a seamless customer experience through modern convenience with the offering of more digital transactions and services such as online shopping, bills/merchant payment, cash-in agent for e-money and remittance transfer companies, and use of e-wallet/e-money through its 7-Connect/CLIQQ App.</li> <li>● Partnership with the Seven Bank local subsidiary to bring ATMs to 7-Eleven stores nationwide.</li> <li>● Tie up with transport delivery services like FoodPanda Philippines, Inc. (FPP) for the delivery to customers of 7-Eleven Crunch Time products (i.e., fried chicken, fries, and corn dog) and other 7-Eleven products/merchandise.</li> </ul>
 <p>10 REDUCED INEQUALITIES</p>	<ul style="list-style-type: none"> <li>● Promote equal opportunity to all employees regardless of gender, age, and sector by providing pay based on performance.</li> <li>● Periodic employee training for leadership and skills development for opportunities for career advancement.</li> </ul>

UN SDG	PSC'S CONTRIBUTION
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> <li>● Develop a playground park under its “Everyday Play” project within community public spaces for accessible green, safe public spaces for a child-friendly and healthy community.</li> </ul>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> <li>● Reduce and manage waste generated in its operations through the reduction of the use of plastic utensils, use of paper bags in stores instead of plastic bags, use of sustainable straws, waste segregation, and implementation of one day holiday on paper bags through the Bring Your Own Bag Campaign (BYOB) to further reduce bag waste and consumption.</li> <li>● Information and education campaign through the Champions of Change for the Environment webinar and Catch N’ Match Upcycling Activity in partnership with Philippine Business for Social Progress (PBSP) and Basic Environmental Systems and Technologies, Inc (BEST).</li> <li>● PSC partnered with DENR-accredited used oil haulers to recover and treat used cooking oil from its 21 kitchens and 359 Suntech stores. This recovered oil, totaling 261 tons as of 2023, is recycled into biodiesel fuel.</li> </ul>
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> <li>● Active implementation of energy-efficient measures across 7-Eleven stores and offices including the installation of energy-efficient lighting fixtures and the utilization of cutting-edge inverter-technology equipment.</li> <li>● Exploration of renewable energy solutions through solar energy systems in select stores.</li> </ul>
 <p>15 LIFE ON LAND</p>	<ul style="list-style-type: none"> <li>● Support initiatives on environmental reforestation such as Tree Planting that promote sustainable management of forests and reversal of loss of environmental resources particularly in identified critical watersheds in the country. PSC through its CSR arm, PhilSeven Foundation, Inc., and in partnership with other communities and NGOs, actively participates in watershed reforestation endeavors and river clean-up drives.</li> </ul>
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<ul style="list-style-type: none"> <li>● Established a code of business conduct and ethics as an integral part of its sound Corporate Governance.</li> </ul>

UN SDG	PSC'S CONTRIBUTION
	<ul style="list-style-type: none"> <li>● Pursue public-private and civil society partnerships through supporting Disaster Relief Operations of the government and providing immediate relief &amp; sustenance to displaced families/individuals and volunteers during a major disaster/calamity.</li> <li>● PSC is a signatory to the Sustainable Development Pledge together with other licensed 7-Eleven operators and brand stewards during the 7-Eleven 2019 International Summit - "Good for Life, Great for the Planet" held in Tokyo, Japan. PSC pledged to continue operating as a socially responsible brand in support of the 2030 Sustainable Development Goals (SDGs) of the Seven Eleven global family of licensees.</li> </ul>

## B. Stakeholder Engagement

PSC's sustainability journey begins with its stakeholders. The Corporation considers its actions and decisions' impact on its various stakeholder groups. PSC continually sets its sights on being an organization that gains the trust and protects the interests of all its stakeholders including customers; local communities; suppliers and business partners; franchise store owners; shareholders and investors; and employees. The following outlines how PSC engages with its key stakeholders.



STAKEHOLDERS	MAIN ENGAGEMENT METHOD	MAIN POLICY/ACTIVITIES
 <p><b>Customers</b></p> <p>On average, each store serves approximately 600 to 900 customers per day. PSC exists for its customers. It aims to make daily life easier by providing modern convenience.</p>	<ul style="list-style-type: none"> <li>• Daily store operations</li> <li>• Digital presence through its CLiQQ App</li> <li>• Promotions and loyalty programs</li> <li>• Customer care hotline and email</li> <li>• Social Media Platforms</li> <li>• Mystery Shopper/ Customer Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Carry an optimized assortment of products</li> <li>• Convenience in digital transactions</li> <li>• Incentivize customer purchases and build brand loyalty</li> <li>• Customer feedback and service improvement</li> </ul>
 <p><b>Local Communities</b></p> <p>As of Year-End (YE) 2023, PSC is operating 3,768 stores nationwide. The Corporation contributes to the local community development by providing products and services to different local communities where it operates and supports social welfare projects beneficial to the development of the community. It also creates sustainable jobs in areas where 7-Eleven stores are located by integrating into the workforce residents near its stores.</p>	<ul style="list-style-type: none"> <li>• Participate in community activities through its CSR arm Philseven Foundation Inc. (PFI).</li> <li>• Participate in programs/ activities to help combat the effects of the pandemic</li> <li>• Partnership with LGUs/ local groups</li> <li>• Provide employment and business opportunities with a 7-Eleven franchise</li> <li>• Exploration of initiatives that could further extend economic opportunities to its various stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of playground parks under its “Everyday Play” project</li> <li>• Gulong ng Karunungan (GNK) - access to quality Early Childhood Care and Development (ECCD) education through an Alternative Learning Facility (ALF)</li> <li>• Calamity relief assistance with the provision of meals, snacks, and refreshments to volunteers of DSWD-NRLMB responding to various calamities</li> <li>• Business opportunities to external individuals with different 7-Eleven franchise packages.</li> <li>• Sustainable jobs to qualified employees</li> </ul>

STAKEHOLDERS	MAIN ENGAGEMENT METHOD	MAIN POLICY/ACTIVITIES
 <p><b>Suppliers / Business Partners</b></p> <p>The Corporation's merchandise stocks are supplied by over 400 vendors/suppliers and are mostly governed by the trading terms contracts and accreditation standards of the Corporation. The top suppliers account for a 37.79% share of the 7-Eleven business. Considering their contribution, PSC values its relationship with its suppliers/ business partners.</p>	<ul style="list-style-type: none"> <li>• Product Development Programs</li> <li>• Quality Improvement Programs</li> <li>• Supplier Development and Partnership programs to expand supplier operations to ensure viability to supply PSC's needs.</li> </ul>	<ul style="list-style-type: none"> <li>• First, Best, and Only (FBOs) and Get It First (GIFs): Product launches exclusively for a time to 7-Eleven Stores (i.e., Monster Energy Ultra, Fuwa Fuwa Deli Ham and Cream Cheese, and Tuna Mayo)</li> <li>• Co-Branding: Tie-Ups with other brands for a specific product (7-Fresh Toasted Sandwich Holiday Ham, Chef Creations x Manam Sisig &amp; Kare-Kare, Chef Creations x Rico's Lechon Dinuguan &amp; Lechon Paksiw, HottaUlam x Rico's Single Serve Lechon Sisig and Lechon Binagoongan)</li> <li>• Ensure that PSC's values are reflected in its approach to goods and services procurement by setting out its requirements in the trading terms contract, such as the supplier's obligation to comply with PSC's internal policies and guidelines, and Code of Business Conduct particularly concerning conflict of interests, bribery and kickbacks, and acceptance or giving of advantages.</li> </ul>
 <p><b>Franchise Store Owners</b></p> <p>Out of the operating 3,768 stores, 1,791 of which or 47.53% are franchise stores. The store franchise contracts have a term ranging from 5 - 10 years. Noting their valuable contribution, PSC continues to build a good relationship with its franchisees.</p>	<ul style="list-style-type: none"> <li>• Franchise briefings and training attended by franchisees, assistant operators, and store managers with 2 to 3 runs per month</li> <li>• Trade shows</li> <li>• Annual Franchise Day</li> <li>• Franchise Advisory Councils (FAC)</li> <li>• Plenary Sessions</li> <li>• Provision of benefits/ subsidies to franchisees such as health cards</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of store operation capabilities</li> <li>• Construction and ongoing improvement of a highly competitive franchise system</li> <li>• Recognition and sharing of best practices among franchisees</li> <li>• Plenary sessions conducted through franchisee meetings per zone, led by 7-Eleven Zone Personnels and FAC representatives, focusing on: Zone manager updates and future plans, addressing issues and concerns with subject expert matters (SMEs) from HQ, and documenting unresolved matters for follow through by BDD</li> </ul>

STAKEHOLDERS	MAIN ENGAGEMENT METHOD	MAIN POLICY/ACTIVITIES
 <p><b>Shareholders and Investors</b></p> <p>PSC considers the benefit of its shareholders as one of its priority management policies. It aims to sustain revenue streams and progressive growth to further enhance shareholder value.</p>	<ul style="list-style-type: none"> <li>• Annual Stockholders' Meeting</li> <li>• Meetings/Briefings with investors</li> <li>• One-on-one meetings and conference calls</li> <li>• Investor relations materials on the website for information of investors</li> <li>• Investor relations hotline/ email</li> <li>• SEC/PSE Disclosures and Press Releases</li> <li>• Publication of Annual and Sustainability Report</li> <li>• ASEAN Corporate Governance Scorecard (ACGS) Report adherence to corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Return capital to shareholders through a sustainable dividend policy</li> <li>• Compliance with accounting procedures and timely disclosure of information</li> <li>• Good CG practices are essential for sustainable board and management practices, to ensure that the Corporation can operate effectively over the long term and deliver value to all its stakeholders.</li> </ul>
 <p><b>Employees</b></p> <p>As the backbone of the company, PSC is dedicated to providing a work culture that is founded on best practices.</p>	<ul style="list-style-type: none"> <li>• Recognition and rewards programs</li> <li>• Performance Appraisal Tool linked to incentive programs</li> <li>• Training and development opportunities</li> <li>• Employee Wellness Program</li> <li>• Flexible work arrangements</li> <li>• Employees' Council</li> <li>• Policy briefings</li> <li>• Employee opinion survey</li> </ul>	<ul style="list-style-type: none"> <li>• Recognize and reward outstanding performance and contributions through employee recognition programs such as the Notable Outstanding Work (NOW), Managers of Tomorrow (MOT), and The Outstanding Employee of the Year (TOEY) Awards, annual performance bonuses for employees based on performance appraisal ratings, service awards, and other incentives to acknowledge and celebrate achievements</li> <li>• Transparent performance appraisal process</li> <li>• Training programs, workshops, and educational opportunities to enhance skills, knowledge, and career advancement prospects for employees at all levels</li> <li>• Promotion of physical and mental well-being, such as fitness classes, health screenings, regular health bulletins, and webinars</li> <li>• Supports work-life balance by offering flexible work arrangements, WFH setup, paid time off, and leave benefits</li> <li>• Workforce diversity</li> <li>• Transparent performance appraisal process</li> <li>• Compliance with general labor standards &amp; occupational health and safety requirements</li> <li>• Supplemental benefits or incentives to its employees such as retirement benefit plans, health card, group life and accident insurance plans, various employee programs</li> </ul>

## C. Disclosure Topics and Management Approach

As provided in PSC's CG Manual, the Corporation shall be socially responsible in all its dealings with the communities where it operates. It should ensure that its interaction serves its environment and stakeholders positively and progressively which is fully supportive of its comprehensive and balanced development. The Corporation shall recognize the importance of interdependence between businesses and promote a mutually beneficial relationship that allows the Corporation to grow its business while contributing to the advancement of the society where it operates.

PSC is exploring opportunities for progress that come with adopting a sustainable business mindset. PSC integrates governance policies to fulfill its duties and responsibilities to its stakeholders.

Upon identification of its stakeholders, the Corporation identified the following material topics significant to its operations and determined the management approach:

### ECONOMIC

#### 1. GRI Disclosure 201-1: Direct Economic Value Generated and Distributed

PSC contributes to the economic growth of the locality where its stores operate by providing employment and business opportunities for local enterprises and individuals. PSC also recognizes the growing customer preference towards innovation and convenience and focuses its market development plan on opening new stores in different parts of the country, diversifying its sales channels and service offerings, technology innovation, and expanding its digital relationship with its current and new customers.

At the height of the pandemic in 2020, only about 77% of 7-Eleven stores were running, with stores either closing due to low customer count or forced to cut down from 24-hour to daytime only operations, in keeping with government curfew mandates. PSC launched a Pandemic Support

Program ("PSP") that offered a 711M credit line (draw as needed, pay when able, zero interest, waived if the store is given up) subject to more stringent performance requirements and PSC may unilaterally discontinue for any reason. PSP was made available to PSC Franchisees with the mutual objective to continue store operations and the franchising business. As of September 1, 2022, PSC has ended the PSP, and the remaining franchisees who participated in the program reverted to their respective arrangement under their franchise contract, with their remaining open account balances waived by PSC.

#### 2. GRI 204: Procurement Practices

##### *Supplier Assessment*

PSC believes that an effective supplier assessment helps minimize risks, optimize costs, improve product quality, and enhance customer satisfaction. As part of its assessment process, PSC takes into consideration the qualifications of its suppliers and other trading counterparts following the policy guidelines of the Corporation under its accreditation process and trading terms agreements. All contracts with suppliers provide a clause to observe no conflict of interest.

Moreover, PSC's policy on rendering customer service requires all store employees to provide customer service based on the standards set in the store operations manual. The policy provides for sanctions and disciplinary actions in case an employee does not comply with the requirements in the manual.

PSC has revised its policy on the accreditation of Non-Trade Suppliers, Contractors, Designers, and Service Providers to enhance its supplier selection process. This revision incorporates a questionnaire on sustainability topics into the Non-Trade Supplier Accreditation Form, promoting more responsible sourcing practices.

#### 3. GRI 417: Marketing & Labeling

As a recognized industry leader, PSC is committed to upholding transparency and accuracy in product

labeling, recognizing its responsibility to consumers. By adhering to relevant laws governing product and service information labeling, PSC prioritizes customer health and safety, ensuring they can make informed decisions about their purchases and usage. Additionally, PSC continually enhances its labeling practices to provide consumers with even greater transparency. For instance, new packaging now includes QR codes that can be scanned to access comprehensive label information, further empowering customers to make informed choices.

The following were indicated in the packaging of PSC’s proprietary products:



## SOCIAL

### 1. GRI 413: Local Communities

PSC recognizes that the communities and neighborhoods where it operates are critical components of its long-term success. As an essential stakeholder, the Corporation strives to help create a sustainable future within these communities and neighborhoods by including them in its sustainable development goals through corporate social responsibility (CSR).

#### A. Supporting communities through PFI

As early as 1989, when the Corporation extended support to communities served by 7-Eleven stores. Initially, it responded mainly to requests from the *barangays* (community) to extend its stores’ light to dark spots and *tanod* (guard) outposts. It also donated cleaning supplies such as brooms, garbage bags, and waste cans, to different *barangays* and supplied medicines for medical missions, and similar initiatives to improve the environment and health in different *barangays* near 7-Eleven stores.

In the 1990s, donation cans were placed at the counters for customers to drop their spare coins in the can intended for charitable institutions. During calamities, some 7-Eleven stores in Metro Manila served as drop-off points for donations of relief goods. PSC Employees were encouraged to join in groups for their volunteer work for *Gawad Kalinga* (a program to assist in home building or cleaning), and tree planting activities.

PSC initiated the establishment of PhilSeven Foundation, Inc. (PFI) on October 2, 2007, to support its corporate social responsibility programs. The updated goals of PFI are as follows:

1

To provide access to education through the provision of alternative facilities to learn.



4

Empower communities, individuals, and PSC employees to a “call to action” through volunteerism.



2

To promote child-friendly and healthy communities by providing venues for recreation and development.



5

To immediately respond to major calamities and disasters by providing sustenance to the volunteers of DSWD, advocating for their welfare, “Caring for the Caregivers”.



3

To leverage company resources aimed to advance the environmental awareness campaign towards “Conservation and Protection” of the environment.



6

To nurture effective partnerships and implement sustainable programs and projects that will provide opportunities to communities and individuals.



### Creating Shared Value

PSC, through PFI, seeks to support and give back to local communities as it moves from projects on corporate social responsibility to creating shared value with local communities through the following:

1. Gulong ng Karunungan (GNK) Project - Rehabilitation of GNK vehicles and relaunch of the GNK project in the cities of Cebu and Tagum.
2. Every Day! Play Project - Turnover of the Every Day! Play project to Cebu City LGU and commencement of groundworks for the Tagum City playground which will incorporate the use of “ECO BRICKS” made of plastics and special cement.
3. Disaster Relief Operations assistance to DSWD-NRLMB and LCF Disaster Committee
4. Disaster Risk Reduction (DRR) - A pilot project to scale up Disaster Response Efforts of PFI towards promotion of Disaster Risk Reduction an building resilient Communities in tie-up with Philippine Disaster Resilience Foundation (PDRF)
5. Support to opening of S.Y. 2023 through school kits donation to various Public Elementary Schools
6. 7-Eleven Day Celebration
  - a. Champions of Change - in tie-up with the

Basic Environmental Systems and Technologies, Inc (BEST) and PSC HRAD, conducted a webinar on Solid Waste Management and appreciation of Recycling/Upcycling and its impact to the environment, attended by more than 300 PSC employees across Luzon, Visayas and Mindanao.

- b. Catch and Match 2.0 - Partnered with the “Trash to Cash Back/Xtrash Challenge” campaign of Philippine Business for Social Progress (PBSP) and Basic Environmental Systems and Technologies, Inc (BEST), for the segregation

and collection of recyclables-plastics and paper, participated by PSC employees.

- c. Sanduguan at Kapitbahayan - A public Blood drive donation in partnership with the Department of Health (DOH), LGUs, and NGOs, held in various locations across Luzon, Visayas, and Minadanao.

- 7. Christmas Caravan, food donation to partner LGUs and NGOs

**2. GRI 401: Employment**

PSC provides a sustainable work culture and work environment that allows and inspires our employees to thrive. Here at PSC, employee sustainability is achieved through the observance of an employee culture that keeps them engaged to the level needed to perform their jobs capably, with a sense of fulfillment. Below are our existing policies and practices for the benefit of PSC employees:



**Workforce Diversity**



**Regular Health and Wellness Activities**



**Annual Physical Examinations, Flu Vaccination and UV Light Disinfectants**



**Transparent Performance Appraisal Process**



**Supplemental Benefits or Incentives such as: Retirement Benefit Plan, Health Card, Group life & Accident Insurance Plan**



**Support for the Development of Employee Abilities through Online Training**



**Compliance with General Labor Standards & Occupational Health and Safety Requirements**



**Annual Performance Bonus**

Following the lifting of the COVID-19 Public Health Emergency in 2023, PSC remained committed to employee well-being. To navigate the “new normal,” PSC proactively issued regular health bulletins. These bulletins provided clear and up-to-date information on office safety protocols which includes guidance on mask-wearing, especially in crowded or poorly ventilated spaces, and quarantine and isolation guidelines, ensuring employees have access to accurate information regarding quarantine and isolation procedures. In addition to these targeted bulletins, PSC continued its practice of releasing monthly health information bulletins, keeping employees informed about broader health topics.

Beyond health and safety, PSC actively fosters a positive and engaging work environment through various activities throughout the year. These included, among others, celebrations for Pride month, Mother’s and Father’s Day, Family Day, and a year-end party. These events provided opportunities for employees to connect, celebrate important milestones, and strengthen bonds within the PSC community.

## ENVIRONMENT

### 1. GRI 306: Waste & Effluents

#### Waste Reduction and Management

As an organization engaged in retail distribution, waste generation is inherent in PSC's daily operation. Packaging waste is a major contributor to waste generation in stores as many of the products sold are packaged in plastic. Pledging to operate as a socially responsible brand, PSC adopted various sustainable strategies and initiatives committed to waste reduction and management.

#### EPR Program

With the passage of RA 11898, or The Extended Producer Responsibility (EPR) Act, on July 23, 2022, enterprises are mandated to establish EPR programs for efficient recovery and diversion schemes of plastic packaging (PP). These programs aim to reduce waste reduction, recovery and recycling, and the development of environment-friendly products. The initial target for PP recovery under the law is set at 20% by December 31, 2023. PSC views the implementation of the EPR law as an opportunity to further its sustainable transformation journey by integrating sustainable strategies and initiatives into its business operations.

PSC registered under the Philippine Business for Social Progress (PBSP), as its producer responsibility organization (PRO). PBSP as PRO of PSC is assisting PSC in integrating the extended producer responsibility mechanism as a practical approach to efficient waste management, focusing on waste reduction, recovery and recycling, and the development of environment-friendly products that advocate the internationally accepted principles on sustainable consumption and production, circular economy, and producers' full responsibility throughout the life cycle of their product. The EPR programs of PBSP as PRO of PSC includes the following: (a) Reduction of non-environment friendly products; b) Product waste recovery programs aimed at effectively preventing waste from leaking to the environment.

## PSC's Current Sustainability Programs

### Plastic Reduction

PSC has implemented a range of initiatives to significantly reduce plastic usage across its stores. Notably, PSC replaced traditional sando bags with eco-friendly paper bags, offering a sustainable alternative for customers. Additionally, to minimize plastic cutlery usage, spoon and fork sets were replaced with sporks for non-rice meals or non-soup items, optimizing convenience while reducing environmental impact. Wooden utensil sets are also in use in select 7-Eleven stores. Moreover, plastic straws were eliminated by introducing eco-conscious alternatives crafted from sugarcane, cornstarch, and rice. These impactful measures underscore our steadfast commitment to environmental responsibility and our continuous efforts to foster a greener, more sustainable future for all.

In celebration of 7-Eleven Day, PSC championed environmental responsibility through a series of employee engagement activities. Partnering with the Basic Environmental Systems and Technologies, Inc. (BEST), PSC HRAD, and PFI, a webinar titled "Champions of Change" educated over 300 employees across Luzon, Visayas, and Mindanao on the importance of solid waste management. The session explored the power of recycling and upcycling, highlighting their positive impact on the environment. Additionally, PSC partnered with the Philippine Business for Social Progress (PBSP) and BEST for the "Trash to Cash Back/Xtrash Challenge" campaign (Catch and Match 2.0). This initiative encouraged employees to actively participate in waste segregation and collection, focusing on recyclables like plastics and paper. Through Catch and Match 2.0, a remarkable 2,097.71 kilograms of recyclables were collected, demonstrating PSC employees' commitment to environmental responsibility.

Furthermore, PSC partnered with Coca-Cola for the PET Bottle Recovery Program. The program was launched in 33 pilot stores in September 2023. This initiative has resulted in the collection of a total of 504.84 kilograms of PET bottles, furthering our commitment to plastic waste reduction and environmental sustainability.

### **Paper Bag Holiday**

In an ongoing effort to combat paper waste and reduce costs associated with paper bag expenses, PSC launched the one-day paper bag holiday initiative known as the Bring Your Own Bag (BYOB) Campaign in 2022. Implemented across all stores every Wednesday, this project aims to reduce the use of paper bags and promote the use of reusable bags for all customers. To support this transition, eco bags are available for purchase for those who may not have brought their own bags. Additionally, PSC has reduced the size of the logo on the paper bags, minimizing unnecessary ink usage and further reducing our environmental footprint. In 2023, these sustainability measures resulted in a reduction of 5.3% in the use of paper bags compared to the previous year.

Building upon the success of this initiative, the Corporation is looking into an additional paper bag holiday, expanding to a two-day holiday per week, further encouraging sustainable practices and minimizing its environmental impact. Through these efforts, PSC hopes to promote eco-conscious behaviors and contribute to a greener future for all.

### **Used Oil Collection and Recovery**

In a sustainable waste management initiative, PSC partnered with DENR-accredited used oil haulers to recover and treat used cooking oil from its 21 kitchens and 359 Suntech stores. This recovered oil, totaling 261 tons as of 2023, is recycled into biodiesel fuel. The project is set to expand across the Visayas and Mindanao regions, aiming to significantly increase the amount of used cooking oil recovered and diverted from landfills. This initiative not only promotes environmental responsibility but also explores potential opportunities for community services and programs that promote sustainable kitchen practices.

### **Carbon Emission Study**

The overall goal of the project is to establish baseline data on carbon emissions generated by twenty (20) pilot stores. This data will serve as the foundation for formulating strategies to effectively reduce the carbon footprint of the Corporation. By conducting a comprehensive analysis of carbon emissions, PSC aims to identify areas for improvement and implement targeted initiatives that contribute to a

more sustainable and environmentally responsible operation. Through this study, PSC is committed to mitigating its impact on climate change and fostering a greener future for generations to come.

PSC is already working towards setting targets and specific initiatives on energy and emissions leading to Net Zero commitment. In connection to this, PSC is updating its ESG strategy and framework.

## **1. GRI 301: Materials**

Others

- a. PSC has a non-smoking policy and posted No Smoking signs inside its stores to ensure air quality within its premises. PSC also fully complied with the requirements of Executive Order 26 on Providing for the Establishment of Smoke-Free Environments in Public and Enclosed Places and extended its non-smoking policy to the area outside its premises as defined by the EO and posted “No Smoking” signs outside the store. Stores have also removed all cigarette receptacles from their trash bins located outside the stores.

Additionally, PSC remains compliant with relevant legislation, including the Vape Regulation Act and Graphic Health Warning (GHW) Law. The company ensures that its policies align with the provisions outlined in these laws, contributing to the promotion of public health and safety. By adhering to these regulations, PSC demonstrates its commitment to upholding legal standards and fostering a healthier environment for its customers and employees alike.

## **GOVERNANCE**

### **1. GRI 102-18: Governance Structure**

#### **a. Disclosure and Transparency**

Disclosure and transparency are the key factors in the success of corporations. As such, PSC values it as an essential part of its full commitment to maintaining good corporate governance. The Corporation is keen to provide up-to-date information about its corporate disclosures that are relevant or important to the public, shareholders, and stakeholders.

### b. CG Policies & Practices

PSC adheres to the fundamental principles of sound corporate governance as contained in its Manual of Corporate Governance (CG Manual) and as embodied in the Philippine CG Code of 2016. Good governance is the observance of the principles of disclosure and transparency by balancing the needs of various stakeholders while generating shareholder value. The core values of teamwork, reliability, customer focus, and data-driven are PSC's guiding principles in its efforts to create not just corporate governance awareness within the organization, but also to propel the corporation past the global pandemic toward long-term sustainable development.

To further this commitment, a series of quick but informative webinars focused on the Basics of Corporate Governance was conducted for PSC employees. Through this initiative, essential knowledge and understanding of the importance of good governance practices within the organization are shared. Furthermore, PSC aims to transform this into a bi-annual program, expanding on the core governance principles and delving into other relevant topics, particularly those related to Environmental, Social, and Governance (ESG) matters.

During the 2023 PSC trade show, a dedicated sustainability booth was set up to highlight the company's ongoing sustainability efforts and initiatives. The booth showcased PSC's current sustainability goals and key milestones in waste reduction to demonstrate the progress made towards achieving these goals. Furthermore, attendees had the opportunity to learn about the Trash to Cash Back program, a collaboration between PSC and BEST, aimed at incentivizing waste segregation and recycling among employees and customers. Through interactive displays and informative materials, the sustainability booth provided valuable insights into PSC's dedication to sustainability and environmental stewardship. Following the conclusion of the 2023 PSC trade show, an evaluation was conducted to assess the effectiveness of the sustainability booth

and its impact on attendees. This evaluation process serves as a valuable tool for continuous improvement and refinement of sustainability efforts within the organization.

### D. Focus for 2023 Onwards

As an industry leader, PSC vows to seek opportunities that will seal our commitment to being a socially responsible brand. For 2024, the Corporation will continue achieving its target to reduce, reuse, and recycle, and measure its carbon footprint for consideration in setting of future ESG targets.



*Personnel from OPS Division led the Sustainability Booth during the 2023 PSC Tradeshow at the World Trade Center Metro Manila. Various stakeholders including employees, franchisees, suppliers, and investors attended the event.*

## PSC SUSTAINABILITY GOALS



### Sustainability at PSC

PSC’s sustainability is anchored on our commitment to continuously operate as a socially responsible brand. Guided by best EESG principles, PSC is dedicated to being the best retailer of convenience for emerging markets, aligning our business practices with global EESG frameworks, including UN SDGs. PSC aspires to impart comprehensive and effective sustainable development.

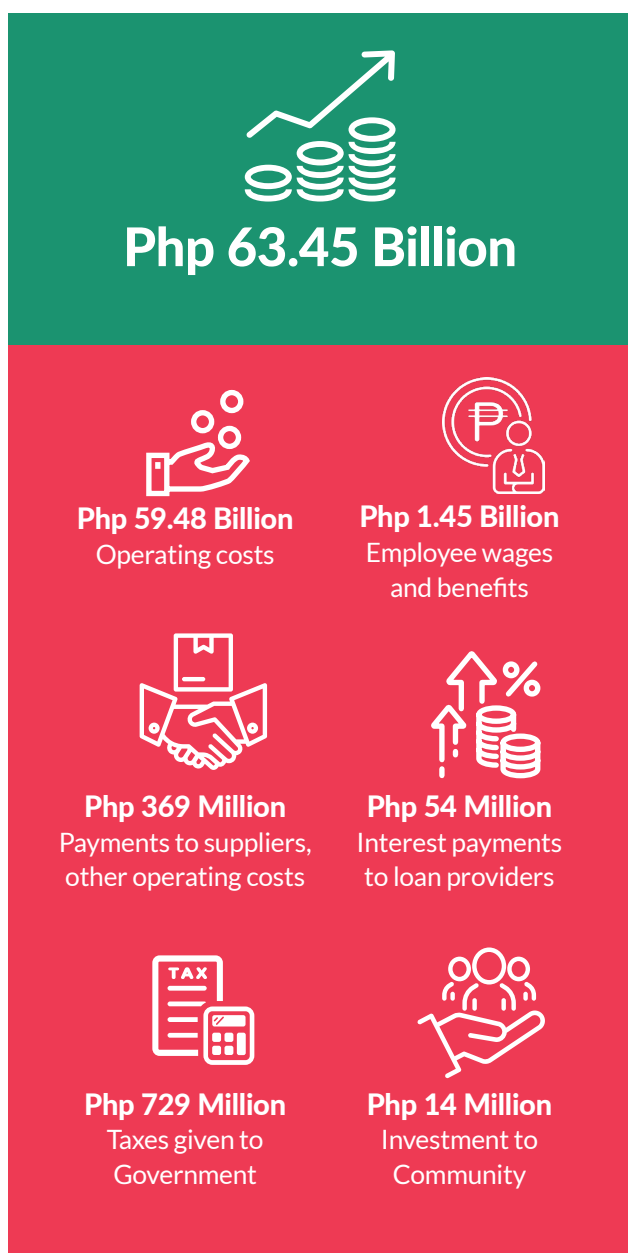
## ECONOMIC

### Economic Performance

PSC contributes to the economic growth of the locality where its stores operate by providing employment and business opportunities for local enterprises and individuals. PSC also recognizes the growing customer preference towards innovation and convenience and focuses its market development plan on opening new stores in different parts of the country, diversifying its sales channels and service offerings, technology innovation, and expanding its digital relationship with its current and new customers.

PSC prioritizes management policies that aim to sustain revenue streams and progressive growth to further increase shareholder value.

At the height of the pandemic in 2020, only about 77% of 7-Eleven stores were running, with stores either closing due to low customer count, or forced to cut down from 24-hour to daytime only operations, in keeping with government curfew mandates. PSC launched a Pandemic Support Program (“PSP”) that offered a 711M credit line (draw as needed, pay when able, zero interest, waived if the store is given up) subject to more stringent performance requirements



and PSC may unilaterally discontinue for any reason. PSP was made available to PSC Franchisees with the mutual objective to continue store operations and the franchising business. As of September 1, 2022, PSC has ended the PSP, and the remaining franchisees who participated in the program reverted to their respective arrangement under their franchise contract, with their remaining open account balances waived by PSC.

### Procurement Practices

The Corporation recognizes the importance of having a

procurement strategy that will protect its interest and ensure resilience even in times of unprecedented crisis. Hence, the management sees to it that fair value for products and services are offered; identifying the need and the supplier; considering social responsibility; negotiating the price and term; and reducing risk and ensuring the security of supply; and improving quality by pursuing innovation.

To manage reputational, operational, and supply chain risks, PSC provides fair value for products, services and quality assurance; expanding into new markets by introducing its own brands which aims to drive the frequency of customer visits and emphasize its value proposition of providing modern convenience; improve execution and adopt a more aggressive stance as competition from the emerging minimart channel increases; and strengthen the coordination and collaboration with its supply chain partners and improve its warehousing and distribution.

In keeping up with the demands of consumers and developments in the retail industry, PSC provides a wider array of products and services to a broad range of customers thru intensive market research; offers a good selection of ready to eat meals for increased customer dining in 7-Eleven stores; develops a more engaging loyalty program and make purchase of goods more accessible to customers by enhancing digital service; and tie ups with Food Panda Philippines, Inc. for the delivery to customers of 7-Eleven Crunch Time products (i.e., fried chicken, fries and corn dog) and other 7-Eleven products/merchandise.

Moreover, PSC has revised its policy on the accreditation of Non-Trade Suppliers, Contractors, Designers, and Service Providers to enhance its supplier selection process. This revision incorporates a questionnaire on sustainability topics into the Non-Trade Supplier Accreditation Form, promoting more responsible sourcing practices.

### Anti-Corruption

PSC's Code of Business Conduct and Ethics was drafted to strengthen its commitment towards corporate governance and to provide thorough guidelines for employees. In this regard, it developed policies on the following to uphold ethics in business dealings

and transactions: 1) Limitations on Participation in the Corporation Sales Promotions, 2) Conflict of Interest, 3) Employment, Placement, and Transfer of Relatives, 4) Foreign and Local Business Travel, 5) Employee Promotion for Section Managers and Above, and 6) Whistle-blowing. With these policies set in place, employees are informed and required to follow the rules and regulations, both from the government and from the Corporation, and to steer clear from any covert or overt acts of bribery. They are also advised to avoid solicitation and acceptance of gifts of high value (usually PHP 2000 up) from business partners and/or suppliers.

Rules and guidelines in granting travel allowance and/or reimbursement of expenses incurred for official business trips made locally or abroad are also provided. The promotion of employees to Section Managers and above is also standardized. Also, a Whistle-blowing Policy was set up to provide channels for reporting violations of the Code of Conduct and Business Ethics and the mechanism for its investigation and appropriate action. PSC is also a signatory to the Integrity Pact and a participant in Integrity Summit Fora.

Employees are aware upon on-boarding of the possible violation against the Code of Conduct and Business

Ethics as well as the mechanism for Whistleblowing. All contracts with suppliers and accreditation provide a clause for observance of no conflict of interest, anti-bribery, and corruption practices. Also, proper trainings are being conducted/provided.

To uphold and promote ethical behavior and sound business practices, PSC directors, officers, employees, and suppliers can report any perceived illegal activities through a whistle-blowing mechanism. All whistle-blowing reports received by PSC will be reviewed for appropriate action, determining whether the Code of Conduct and Business Ethics and other related policies and procedures were violated. An independent committee, known as the Committee on Conduct, is tasked to handle reports of such violations.

The policy assures that the whistle-blowers are accorded protection, respecting the confidentiality of the information and their identities. Thus, illegal/unethical conduct shall be reported in writing, either anonymously or otherwise, depending on the whistle-blower's discretion. Modes of reporting may be through a letter, e-mail, or other means established by the Corporation. All reports are treated with the utmost confidentiality.



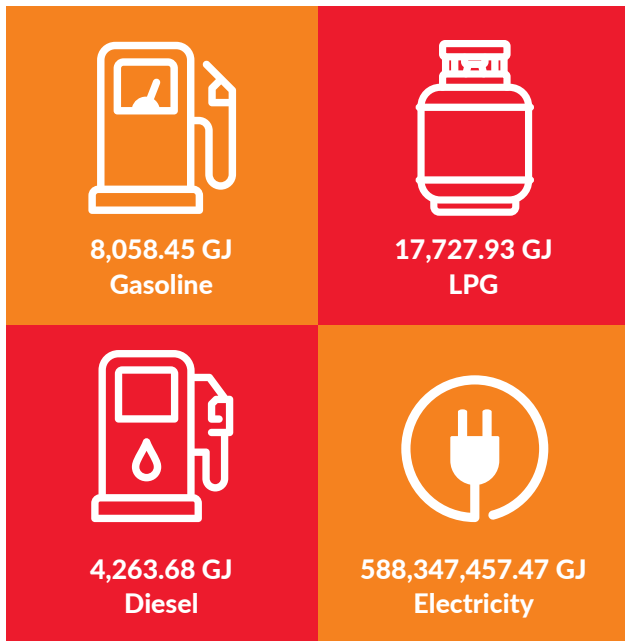
## ENVIRONMENT

### Resource Management

PSC has taken steps to minimize its environmental footprint through the employment of materials and equipment contributing to energy and water conservation and waste disposal management. 7-Eleven stores use T5 and T8 LED lights and inverter air-conditioning units that are pre-set at 24-25 degrees Celsius and only 1 of the 2 units are used during the graveyard shift. The stores turn off their signages at 6:00 AM and PSC has likewise piloted a sensor that will automatically turn on signages at 6:00 PM.

PSC also collaborates with utility providers to achieve better energy efficiency based on each store's requirements. OFF-PEAK - A project with a utility provider where the price per consumption is lower during off-peak hours. 7-Eleven stores save economically as the charge is lower than the usual rate of consumption. Water provided for post-mix and bubbler machines is filtered using ultraviolet water purification systems to ensure that the water used for its products is clean and safe.

PSC has an incentive-based approach to encourage its personnel to conserve water and electricity in its stores. Additionally, PSC is already exploring renewable energy solutions through solar energy systems in select stores.



**Materials used by the Organization**

As part of its long-term action plans, PSC plans to initiate utilizing both renewable & non-renewable materials and extend the life of the materials by recycling or reusing them in its operations.

PSC registered under the Philippine Business for Social Progress (PBSP), as its producer responsibility organization (PRO). PBSP as PRO of PSC is assisting PSC in integrating the extended producer responsibility



**817,841,389.68 kg**  
Renewable



**443,479,983.11 kg**  
Non-Renewable



**351.80 GJ**  
LPG

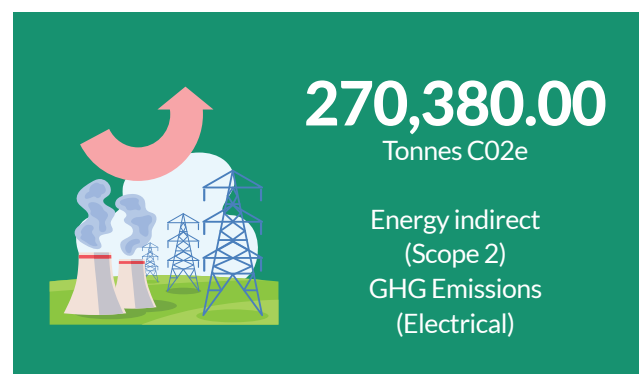
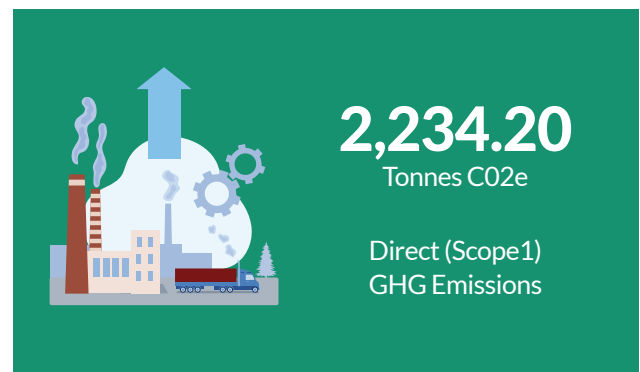


**60,776.68 m3**  
Water

mechanism as a practical approach to efficient waste management, focusing on waste reduction, recovery and recycling, and the development of environment-friendly products that advocate the internationally accepted principles on sustainable consumption and production, circular economy, and producers' full responsibility throughout the life cycle of their product. The EPR programs of PBSP as PRO of PSC includes the following: (a) Reduction of non-environment friendly products; b) Product waste recovery programs aimed at effectively preventing waste from leaking to the environment.

Furthermore, PSC partnered with Coca-Cola for the PET Bottle Recovery Program. The program was launched in 33 pilot stores in September 2023. This initiative has resulted in the collection of a total of 504.84 kilograms of PET bottles, furthering our commitment to plastic waste reduction and environmental sustainability.

**Air Emissions**



Throughout its sustainability journey, PSC constantly tries to look for opportunities to further enhance its efforts and capacities to create positive impacts on the environment. PSC commenced its carbon

footprint study to gauge the organization’s impact on the environment and possible contributions to climate change. From this study, PSC hopes to craft long-term plans to further incorporate environmental conservation into its daily operations.

PSC is already working towards setting targets and specific initiatives on energy and emissions leading to Net Zero commitment. In connection to this, PSC is updating its ESG strategy and framework.

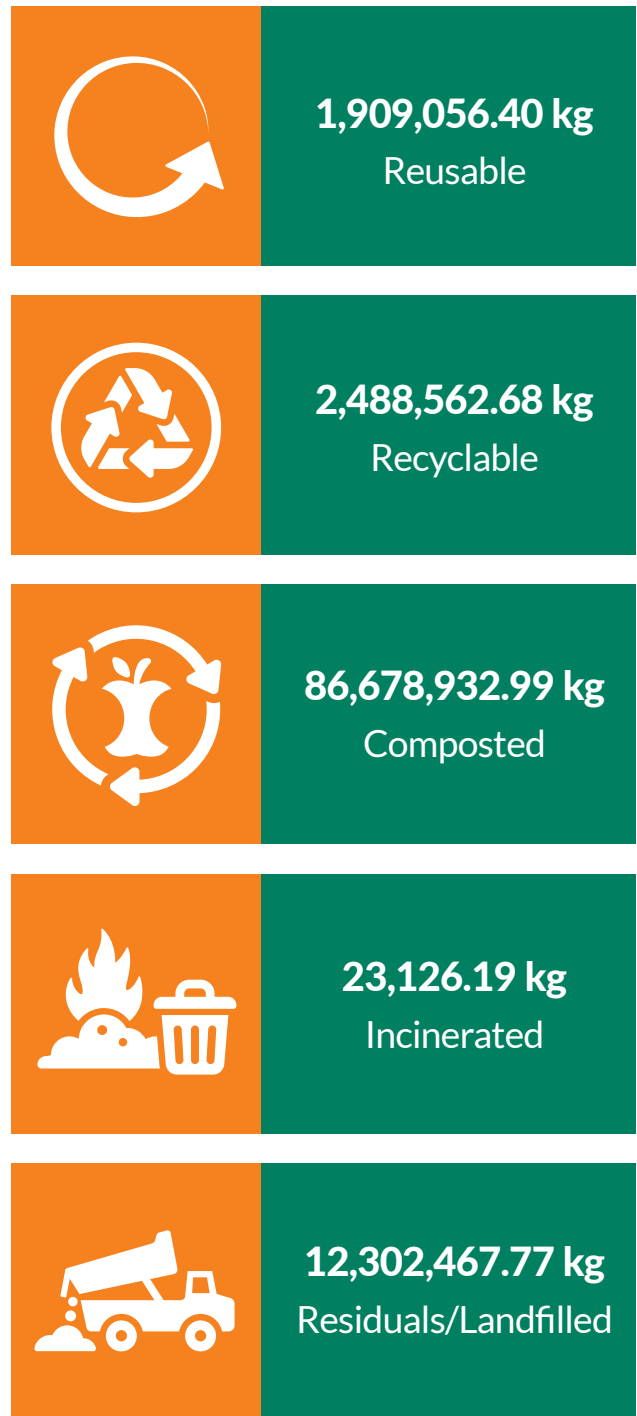
**Solid and Hazardous Waste**

The Corporation through its Operations Division gathered needed information and partnered with LGUs for the PET bottles that can be recycled to reduce waste going to the landfills. The PET Bottle Recovery Program, Pilot Run started in November 2022 until February 2023 for a total of 12 weeks collection of PET Bottles from 12 corporate 7-Eleven Stores in BGC, Taguig City. Furthermore, PSC partnered with Coca-Cola for the PET Bottle Recovery Program. The program was launched in 33 pilot stores in September 2023. This initiative has resulted in the collection of a total of 504.84 kilograms of PET bottles, furthering our commitment to plastic waste reduction and environmental sustainability.

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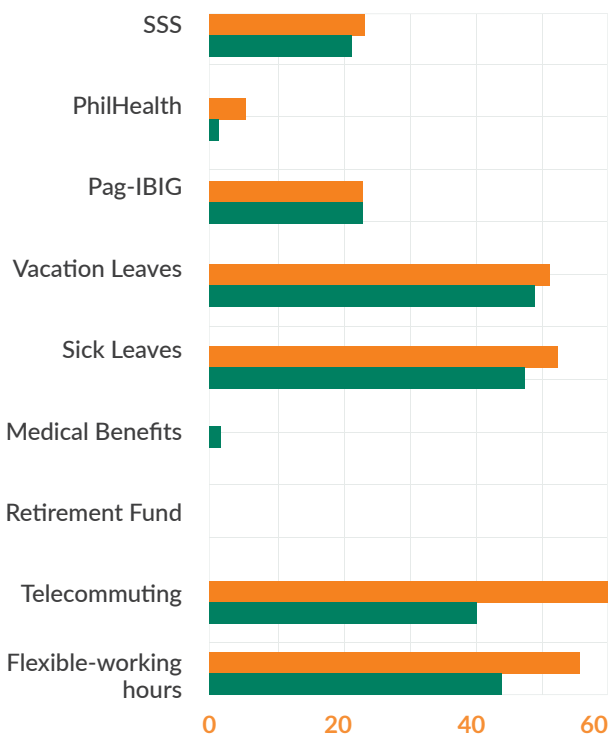


# SOCIAL

## Employee Management

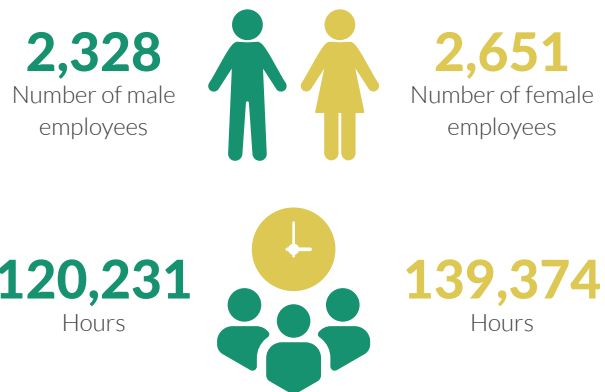
Aside from the Government mandated benefits, PSC provides supplemental benefits or incentives to its employees such as retirement benefit plans, health card, group life and accident insurance plans, various employee programs and recognition of top-performing employees, and service awards among others. It also grants an annual performance bonus to its employees based on performance appraisal rating.

- % of Female Employee who availed for the year
- % of Male Employee who availed for the year



To continually support the growth and excellence of its employees, training programs for behavioral and technical skills are constantly improved and implemented through in-house and external training such as Customer Service Programs, Operations Training Programs, Negotiation Skills Training,

**Total number of employees: 4,979**



Communication Skills Training, Time and Stress Management Training, Leadership Trainings, Human Relations and Values Enrichment, and Career Development.

## Workplace Conditions, Labor Standards, and Human Rights

The Corporation achieved zero work-related bodily harm by providing training on First Aid (FAT) and Occupational Safety and Health (OSH). 100% of employees have been provided OSH orientation while FAT is a continuous training. Protocols on emerging threats are also addressed by providing general procedures on occupational safety and health. Under the 2019 PSC Employees Handbook, refusal of an order to undergo a check-up when there exists a physical manifestation of a disease is prohibited. Furthermore, PSC ensures that new laws and regulations on health and safety such as Mental Health are covered by regular review and updating of policies.

**12.47 Million**  
Safe man-hours



The Corporation ensures compliance with mandatory laws and occupational safety and health. The government arm responsible for inspection closely coordinates with the Corporation to comply with general labor standards and occupational safety and health.

### Supply Chain Management

Trade and non-trade suppliers may submit accreditation requirements based on the guidelines provided in its website. PSC takes into consideration the qualifications of its suppliers and other trading counterparts following the policy guidelines of the Corporation under its accreditation process and trading terms agreements. All contracts with suppliers provide a clause for observance of no conflict of interest.

To ensure that only the best and quality products are offered, products regularly undergo quality assessment. A standard selection process is implemented, such as accreditation valid for one year, to determine that the suppliers are aligned with PSC's strategic goals and objectives. PSC conducts ocular inspections and certification of PSC of suppliers' production processes and facilities with the quality assurance guidelines set by the Food and Drug Administration of the Philippines. Its commissaries comply with the Good Manufacturing Practices (GMP) standards, while some are even ISO certified.

### Customer Management

To improve its service, PSC utilizes the services of a third party to conduct a "mystery shopper" survey to evaluate its performance in different areas including Customer Service.

Customer loyalty is a vital component to sustain the business, this is why PSC is committed to delivering quality and excellent customer service. In maintaining a stable long-term relationship with its customers, the Corporation continuously innovates its in-house brands and products by being responsive to customer needs and the latest trends.



For the previous years, PSC introduced an assortment of new products and rebranded the chicken meals as "Crunch Time". It also offers diverse food selection, including Filipino food offerings (the Chef Creations x Lugang Cafe, Busog Meal, and HottaRice), international food options (Fuwa Fuwa Sandwich Box and Sântis Delicatessen), and to fresh, vegan-friendly offerings (fresh fruits, Mixed Salad with Plant-Based Protein, and Vegetable Kit).. It also had several promotions aimed to serve the community better. In furtherance of the digital strategy, PSC also introduced promos to expand the base of its CLiQQ, and E-Wallet users.

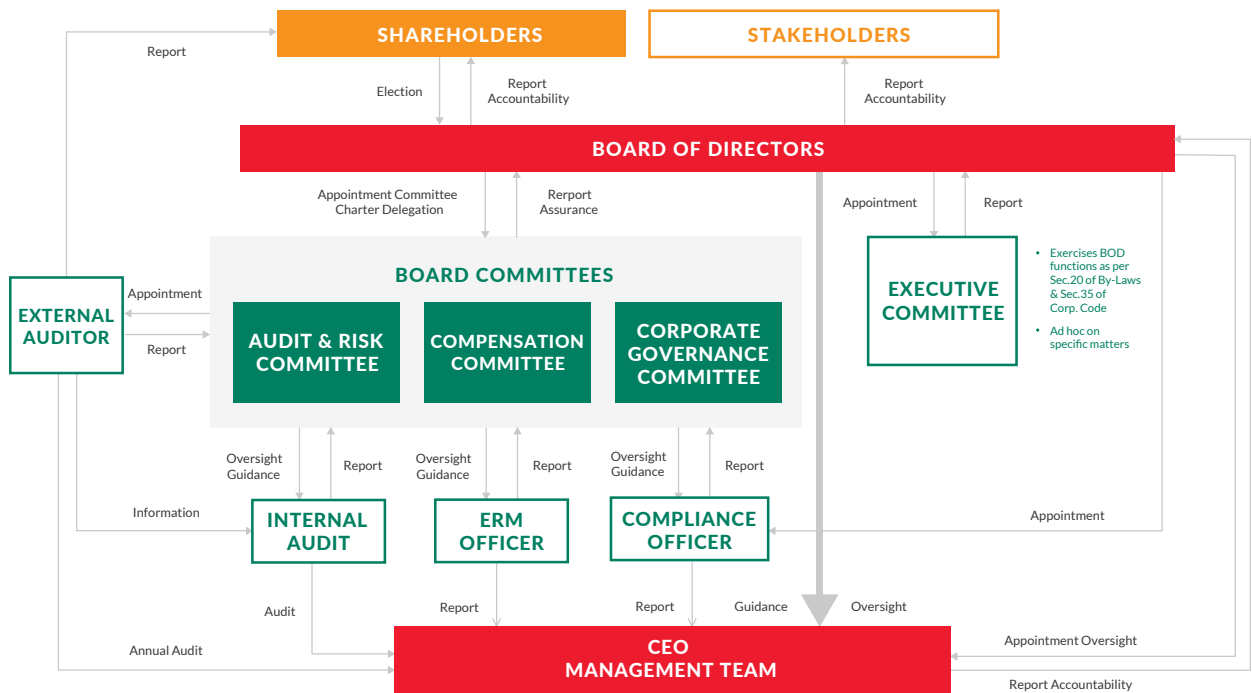
Customers may relay their questions, concerns, or comments through PSC's customer service hotline, e-mail address which is [customercare@7-eleven.com.ph](mailto:customercare@7-eleven.com.ph), or its website [www.7-eleven.com.ph](http://www.7-eleven.com.ph).



## GOVERNANCE

PSC adheres to the fundamental principles of sound corporate governance as contained in its Manual of Corporate Governance (CG Manual) and as embodied in the Philippine CG Code of 2016. Good governance is the observance of the principles of disclosure and transparency by balancing the needs of various

stakeholders while generating shareholder value. The core values of teamwork, reliability, customer focus, and data-driven are PSC's guiding principles in its efforts to create not just corporate governance awareness within the organization, but also to propel the corporation past the global pandemic toward long-term sustainable development.



Keeping pace with the developments in corporate governance, PSC strives to improve its CG Practices by following industry standards. The Institute of Corporate Directors recognized PSC as one of the Top Performing Publicly-Listed Companies (PLCs) in the Philippines based on the results of the peer review of its ASEAN Corporate Governance Scorecard (ACGS). PSC garnered a score of 90.74 points for the 2022 ACGS Assessment Results and received a 2 golden arrow recognition.



### Corporate Governance Manual



The CG Manual of PSC provides for the Corporation’s overview of its governance structure to enhance the Corporation’s profitability and sustainability, for the benefit of its shareholders and stakeholders in achieving its corporate mission. It aims to institutionalize the principles

of corporate governance across all levels of the organization. It also outlines PSC’s framework of governance, responsibilities of the Board, and the Corporation employees towards its shareholders, guided by the principle of transparency.

### Disclosure and Transparency



Disclosure and transparency are the key factors in the success of corporations. As such, PSC values it as an essential part of its full commitment to maintain good corporate governance. The Corporation is keen to provide up-to-date information about its corporate disclosures that are

relevant or important to the public, shareholders, and stakeholders.

For proper implementation of the said disclosures and transparency, PSC established the Reportorial

Compliance Policy. It seeks to ensure that reportorial compliance reports required by the SEC, Philippine Stock Exchange (PSE), and other regulatory agencies are submitted on time for eventual disclosure, for the benefit of the investing public. It establishes, among others, a mechanism for close coordination between concerned departments in the preparation, publication, and submission of the said reports and other disclosures of vital corporate information.

It is a corporation's paramount duty to proactively disclose how they are responding to the crisis. Amid the pandemic, while most of the country is placed in various stages of lockdown, the SEC, PSE, and other regulatory agencies extended regulatory relief through alternative filing procedures, such as the shift to online submission of Reportorial Requirements. Although sudden, such change enhanced access to information and improved transparency all around as the threat of the pandemic did not limit access to corporate information and disclosures.

**Insider Trading (Trading Block-outs)**



PSC observes the insider-trading policy, which prohibits directors, officers, and employees from divulging material non-public information to the damage of the Corporation and the investing public. The information is considered material if it will influence the decision of a

reasonable investor in deciding whether to buy, sell, or hold the security. Covered persons are prohibited from trading within five trading days before, and within three trading days after the submission of structured and unstructured disclosures. Any transaction done involving corporate shares must be reported to the Corporate Secretary within three calendar days from the transaction day.

**Conflict of Interest Policy**



To safeguard transparency and fairness in all its corporate dealings, and at the same time to see to it that all transactions uphold the best interests of the Corporation, all employees

are required to dissociate themselves from any engagements that may compromise the Corporation's interests and should there be any appearance of conflicting interests, disclose the same to the proper authorities in the Corporation.

**Anti-Corruption Programs and Policies**



PSC's Code of Business Conduct and Ethics was drafted to strengthen its commitment towards corporate governance and to provide thorough guidelines for employees. In this regard, it developed policies on the following to uphold ethics in

business dealings and transactions: 1) Limitations on Participation in Company Sales Promotions, 2) Conflict of Interest, 3) Employment, Placement, and Transfer of Relatives, 4) Foreign and Local Business Travel, 5) Employee Promotion for Section Managers and Above, and 6) Whistleblowing. With these policies set in place, employees are informed and required to follow the rules and regulations, both from the government and from the Corporation, and to steer clear from any covert or overt acts of bribery. They are also advised to avoid solicitation and acceptance of gifts of high value (usually PHP2,000 up) from business partners and/or suppliers. Rules and guidelines in granting travel allowance and/or reimbursement of expenses incurred for official business trips made locally or abroad are also provided. The promotion of employees to Section Managers and above is also standardized. Also, a Whistleblowing Policy was set up to provide channels for reporting violations of the Code of Conduct and Business Ethics and the mechanism for its investigation and appropriate action. PSC is also a signatory for the Integrity Pact and a participant in Integrity Summit Fora.

**Whistleblowing Policy**



To uphold and promote ethical behavior and sound business practices, PSC directors, officers, employees, and suppliers can report any perceived illegal activities through a whistleblowing mechanism.

All whistleblowing reports received by PSC will be reviewed for appropriate action, determining whether the Code of Conduct and Business Ethics and other related policies and procedures were violated. An independent committee, known as the Committee on Conduct, is tasked to handle reports of such violations.

The policy assures that the whistleblowers are accorded protection, respecting the confidentiality of the information and their identities. Thus, illegal/unethical conduct shall be reported in writing, either anonymously or otherwise, depending on the whistleblower's discretion. Modes of reporting may be through a letter, e-mail, or other means established by the Corporation. All reports are treated with the utmost confidentiality. The Committee on Conduct shall review the report of

the whistleblower and shall evaluate the merits of the complaint according to circumstances, time of reporting, evidence, and violation of procedures and policies. The whistleblower shall be informed of the decision of the Committee. Appropriate action shall be taken against the persons found to have committed any illegal/unethical conduct. PSC provides appropriate protection from retaliation as provided in this policy and PSC's Employee's Handbook.

The complete write-up on PSC's Corporate Governance is posted on the Corporate Governance Page of its website through this link <https://www.7-eleven.com.ph/corporate/corporate-governance-head/corporate-governance/>. It's also included in its Annual Report Book.

## E. Product or Service Contribution to UN SDGs

### Key products and services and their contribution to sustainable development.



#### Key Products & Services

- a. Offer fresh fruits, ready-to-eat food, salads, and cup drinks
- b. Diverse array of culinary delights to suit various tastes and preferences. From authentic Filipino favorites (Chef Creations x Romantic Baboy, Busog Meal, Big Time Meals, Rice Meal Express, and HottaRice) to international options (Fuwa Fuwa Sandwich Box and Sântis Delicatessen). Additionally, stores provide fresh and vegan-friendly choices, (UnMEAT, fresh fruits, and Mixed Salad with Plant-Based Protein), catering to health-conscious individuals. With this diverse menu, 7-Eleven Philippines strives to provide a convenient and satisfying dining experience for all customers.
- c. 7-Eleven Run 2023 - held simultaneously in NCR, Cebu, and Davao
- d. CLiQQ to 7-Eleven Color Fun Run held in New Clark City

#### Potential Negative Impact of Contribution

- a. Possible increase in plastic waste from packaging materials
- b. Possible increase in the use of non-eco-friendly materials on construction

#### Management Approach to Negative Impact

- a. Reducing, reusing & recycling of plastics:
  - i. Use of paper bags in stores instead of plastic bags and further eliminate the use of paper bags and make mandatory use of their own reusable bags for all customers through the paper bag holiday campaign
  - ii. Use of spork (1pc) instead of spoon and fork and use of wooden spoon and forks in select stores
  - iii. Use of sustainable straws made of sugarcane, cornstarch, and rice.
  - iv. PET bottles segregation in stores, HQ, and zone offices

**8** DECENT WORK  
ECONOMIC GRO



**9** INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



**11** SUSTAINABLE CITIES  
AND COMMUNITIES



**12** RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



**Key Products & Services**

- a. Create sustainable jobs in the areas where 7-Eleven stores are located. Compliant to General Labor and Occupational Health and Safety Standards
- b. E-Commerce and E-Wallet services providing online shopping experience and payment services
- c. PSC partnered with the Seven Bank subsidiary to bring ATMs to 7-Eleven stores nationwide. Convenience is further provided to customers with the availability of balance inquiry and withdrawal transactions through the ATMs.
- d. Availability of contactless payment for in-store purchases through barcode and credit card payments.
- e. Everyday Play (EP) Project - promote child-friendly and healthy communities by construction & development of a community playground park.
- f. Bring Your Own Bag (BYOB) Campaign - a one-day paper bag holiday initiative implemented across all stores every Wednesday to reduce the use of paper bags, and promote the use of reusable bags for all customers.

**Potential Negative Impact of Contribution**

- a. Possible difficulty in monitoring work conditions
- b. Slow or intermittent internet connection
- c. The threat of data breach

**Potential Negative Impact of Contribution**

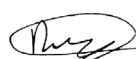
- a. Strict monitoring of compliance to labor laws and issuances and employee engagement, Health Insurance, and wellness activities for all employees
- b. Improvement of IT infrastructure
- c. Implementation of data security standards
- d. Limit the use of harmful materials and the use of environmentally friendly construction materials.

\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

# REPORT OF THE AUDIT AND RISK COMMITTEE

Further to our compliance with applicable corporate governance laws and rules, we confirm for the year 2023 that:

1. An independent director chairs the Audit & Risk Committee, three (3) out of the four members of the Committee including the Chairman are independent directors.
2. The Committee had two (2) meetings during the year. The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Company, the Company's internal audit function and the Company's independent auditor. The Committee in its meetings, reviewed and approved all audit and review services provided by external auditor, SGV & Co., to PSC, and the related fees for such services;
3. According to its charter, the primary purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility for the financial reporting process and disclosures, governance, related party transactions, risk management, the system of internal control, the maintenance of an effective audit process, and monitoring of compliance with applicable legal and regulatory matters.
4. The Committee provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities. The Committee also monitors and evaluates the adequacy and effectiveness of the Corporation's internal controls and risk management systems, including financial reporting control and information technology security.
5. The Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting.
6. The Committee discussed with SGV & Co. all the items required to be discussed by the prevailing applicable Auditing Standard, including the required communications to the Audit & Risk Committee on the responsibilities under Philippine Standards in Auditing, the confirmation of independence of SGV & Co. from PSC and its subsidiaries and PSC's management as required by the applicable Independence Standards (Statement of Independence), and fraud inquiry which SGV & Co. confirmed that it is not aware of any matters that require communication;
7. As part of its oversight responsibilities, the Committee reviewed and discussed the audited financial statements of PSC and the consolidated audited financial statements of PSC and its subsidiaries as of and for the year ended December 31, 2023 with the PSC's management and with SGV. SGV has expressed its opinion on PSC's conformity with Philippine Financial Reporting Standards (PFRS);
8. Based on the foregoing but subject to the limitations of the Committee's role as encompassed in our Audit & Risk Committee Charter, the Committee recommended for approval the audited financial statements of PSC and the consolidated audited financial statements of PSC and its subsidiaries for the year ended December 31, 2023 to the Executive Committee and/or the Board of Directors. The Executive Committee, having authority to act during intervals of Board meetings, approved the same.



**RON HOSE**

Chairman and  
Independent Director



**JOSE T. PARDO**

Member and  
Independent Director



**RAYMOND ANTHONY  
N. ALIMURUNG**

Member and  
Independent Director



**JOSE VICTOR P. PATERNO**

Member and  
Director / President

# EXCERPTS OF FINANCIAL STATEMENTS

## PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4, 28 and 29)	P10,557,166,963	P7,020,593,848
Short-term investments (Notes 4, 28 and 29)	1,448,591,499	11,583,244
Receivables (Notes 5, 25, 28 and 29)	3,203,311,209	2,665,327,065
Inventories (Notes 6 and 18)	6,497,669,744	5,561,813,148
Prepayments and other current assets (Notes 7, 28 and 29)	1,691,164,871	2,213,615,833
<b>Total Current Assets</b>	<b>23,397,904,286</b>	<b>17,472,933,138</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	6,612,170,037	5,327,454,245
Right-of-use assets (Note 25)	6,129,815,906	6,771,840,384
Deposits (Notes 9, 28 and 29)	1,082,691,026	1,114,851,963
Goodwill and other noncurrent assets (Note 10)	157,262,973	240,133,532
Receivables - net of current portion (Notes 5, 28 and 29)	1,131,493,815	201,879,944
Deferred tax assets - net (Note 26)	1,023,546,941	1,049,825,201
<b>Total Noncurrent Assets</b>	<b>16,136,980,698</b>	<b>14,705,985,269</b>
<b>TOTAL ASSETS</b>	<b>P39,534,884,984</b>	<b>P32,178,918,407</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Bank loans (Notes 11, 28 and 29)	P70,000,000	P-
Current portion of long-term debt (Notes 11, 28 and 29)	62,500,000	250,000,000
Accounts payable and accrued expenses (Notes 12, 28 and 29)	9,326,214,744	7,259,780,923
Lease liabilities - current (Note 25)	2,104,056,331	1,964,518,668
Current portion of contract liabilities (Note 13)	836,578,006	864,327,215
Income tax payable	248,135,462	100,320,001
Other current liabilities (Notes 14, 24, 29 and 31)	5,548,859,553	4,324,347,282
<b>Total Current Liabilities</b>	<b>18,196,344,096</b>	<b>14,763,294,089</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 11, 28 and 29)	-	62,500,000
Lease liabilities - net of current portion (Note 25)	7,697,474,627	7,352,575,792
Deposits payable (Note 15)	377,144,222	370,985,909
Contract liabilities - net of current portion (Note 13)	211,364,508	157,268,166
Net retirement obligations (Note 23)	424,441,046	305,392,588
Deferred revenue (Note 31)	46,485,220	14,794,718
Cumulative redeemable preferred shares (Notes 16, 28 and 29)	6,000,000	6,000,000
<b>Total Noncurrent Liabilities</b>	<b>8,762,909,623</b>	<b>8,269,517,173</b>
<b>Total Liabilities</b>	<b>P26,959,253,719</b>	<b>P23,032,811,262</b>

(Forward)

Please refer to the companion book for the complete set of the 2023 Audited Financial Statements.

	December 31	
	2023	2022
<b>Equity</b>		
Common stock (Note 17)	P757,104,533	P757,104,533
Additional paid-in capital	293,525,037	293,525,037
Retained earnings (Note 17)		
Appropriated	8,800,000,000	6,800,000,000
Unappropriated	2,710,954,854	1,227,649,249
Other comprehensive income		
Remeasurement income on net retirement obligations - net of tax (Note 23)	16,970,087	70,751,572
	12,578,554,511	9,149,030,391
Cost of own shares held in treasury (Note 17)	(2,923,246)	(2,923,246)
<b>Total Equity</b>	<b>12,575,631,265</b>	<b>9,146,107,145</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P39,534,884,984</b>	<b>P32,178,918,407</b>

## PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
<b>INCOME</b>			
Revenue from contracts with customers (Notes 13 and 31)	P78,043,346,015	P62,682,837,159	P45,144,606,258
Interest income (Note 21)	471,510,557	86,827,859	78,021,276
Rental income (Note 25)	85,672,579	52,795,794	63,037,775
Other income (Notes 25 and 31)	593,214,980	629,540,709	141,107,652
	79,193,744,131	63,452,001,521	45,426,772,961
<b>EXPENSES</b>			
Cost of merchandise sales (Notes 6 and 18)	51,122,294,813	41,144,668,481	29,656,633,373
General and administrative expenses (Note 19)	21,930,229,013	18,337,229,660	15,087,045,275
Interest expense (Note 20)	871,209,883	819,332,097	959,910,008
Other expenses (Note 31)	636,400,972	369,543,371	156,919,716
	74,560,134,681	60,670,773,609	45,860,508,372
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>4,633,609,450</b>	<b>2,781,227,912</b>	<b>(433,735,411)</b>
<b>PROVISION FOR INCOME TAX</b> (Note 26)	<b>1,150,303,845</b>	<b>724,264,765</b>	<b>27,269,588</b>
<b>NET INCOME (LOSS)</b>	<b>3,483,305,605</b>	<b>2,056,963,147</b>	<b>(461,004,999)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> <b>NOT TO BE RECLASSIFIED TO PROFIT</b> <b>AND LOSS IN SUBSEQUENT PERIODS</b>			
Remeasurement gain (loss) on net retirement obligations (Note 23)	(71,708,647)	156,970,763	116,692,739
Income tax effect	17,927,162	(39,242,690)	(38,139,589)
<b>OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX</b>	<b>(53,781,485)</b>	<b>117,728,073</b>	<b>78,553,150</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P3,429,524,120</b>	<b>P2,174,691,220</b>	<b>(P382,451,849)</b>
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b> (Note 27)	<b>P4.60</b>	<b>P2.72</b>	<b>(P0.61)</b>

See accompanying Notes to Consolidated Financial Statements.

Please refer to the companion book for the complete set of the 2023 Audited Financial Statements.

# REVIEW OF OPERATIONS 2022

## Dear Fellow Shareholders,

After two bearish annual letters, we are pleased to finally have the opportunity to strike a more positive note, to say the least. If the tone sometimes sounds overly triumphant, we beg indulgence – this is by no means a victory lap, but perhaps exuberance at having succeeded in breaking away (something 2023 has reassured us of) after having suffered through the long grind of the pandemic, and enduring the inevitable skepticism that comes with executing (sometimes poorly) on a challenging strategy rather different from our retail peers. We temper our optimism by noting that 2022 was merely an inflection point that vindicated some of our work, and sustaining – perhaps even steepening – the upward arc relies on deploying initiatives rigorously modeled but otherwise unproven at scale.

As we reference past history, we start by expressing our delight at being proven wrong on our 3-year pandemic horizon. Per store sales finally caught up to 2019 levels in May, thanks in part to the presidential elections (and our 7-Election cup drink promotion), and gradually began exceeding them as the year progressed. Compared to our international peers, we went from the very bottom ranks of 7-Eleven Asian licensees in 2020-21 to among the very top in 2022 in terms of per store sales vs 2019. Our financial results speak for themselves, though IFRS front-loading in 2019 overstates this year's turnaround somewhat.

2022's second half finally gave us a taste of the 'new normal' that we had spent much of COVID-19 preparing for as an organization, and the rest of the letter will highlight what has changed since 2019, which changes we are ready for, and which need further work.

## Rest of the Philippines per store sales outperforms Mega Manila by ~20%

- Persistent outperformance throughout pandemic, with gap (surprisingly) further widening when restrictions were lifted in April. That gap continues into 2023.

- We expect such trends to continue, while acknowledging risk from say, shifts in remote work norms. While the latter is a significant driver, we believe that there are other more durable trends at play, such as OFWs and other pandemic refugees setting up businesses in their hometowns, and most promisingly, anecdotally explosive growth in freelance remote work from overseas.
- This has led to a flip of sorts in terms of per store profitability – Mega Manila is half as profitable as it was in 2019, while the rest of the Philippines is over twice as profitable. Unfortunately, they account for only a third of our stores – but we have been sprinting to change that when trends looked sufficiently durable in the second half.
- Of the 320 stores opened in 2022, two-thirds were outside Mega Manila, vs just over half in 2019. Only 15% were in Metro Manila, vs 26% in 2019. If decentralized growth trends continue, we have a lot of stores left to open – CVS accounts for 9% of FMCG share in NCR (24% of FMCG sales), but is less than 2% everywhere else Nielsen reports.
- We expect industry structure to remain favorable outside Mega Manila, assuming moats that have held in the past will continue to deter competition attracted by high growth. The challenges of establishing supply lines in an archipelago (we operate 13 Distribution Centers (DCs), whereas industry practice for convenience stores on contiguous land masses is one DC per thousand stores) confer significant first mover advantage especially in logistically subscale areas. We opened in Cebu in 2012 and in Davao in 2015, and while some GMA-based chains have tried to enter, none have scaled for lack of access to centralized distribution.

Our take: Having cut expansion in half in the previous two years, we are pleased with this development and the opportunity it presents to deploy our new store capital not just more productively, but in geographies with wider logistical moats. Because convenience

chains are more reliant on franchisees in more remote areas, our unprecedented financial support – since repaid - for franchisees during the Pandemic gives us further reputational advantage as franchisor. Finally, because people are a more significant constraint to expansion than capital in our industry, we are advantaged by having minimized layoffs during the pandemic (directing them towards improving processes as an investment in future growth instead), preserving not just number, but our cherished culture of teamwork – which we hope will allow us to open 400 stores this year, and 450 the next.

### Consumers shopping closer to home, less frequently

- Average basket and customer count at 120% and 80% of 2019 in 2022, consistent with other 7-Eleven licensees.
- Per Google Mobility indices, PH led time at home vs 2019 throughout the pandemic (18%, vs 14% in MY, 6% in TH, and 5% in TW) until mid October (12%) when Google stopped reporting – so it is likely that pandemic habits will remain more entrenched here than elsewhere.
- Per Nielsen, supermarkets have gone from 46% share of FMCG to 40% from 2019 to 2022, losing share especially to sari-sari stores. But the biggest gainer was the grocery channel, which is similar in store size and trade area to convenience stores but with a focus on staples, going from 5.5% in 2019 to 8% in 2022.
- CVS share gain was marginal, from 3.9% to 4.0% – likely because CVS price and assortment are targeted towards on-the-go shopping trips rather than top-up trips more typical of grocers – we overweight on impulse, they on staples/essentials.
- We have been working on improving our position in the latter since 2018, when we tested variable planograms (vPOGs) to make space for more

competitive assortments in other categories, expanded them in Metro Manila during the pandemic<sup>5</sup>, and worked on the supply chain plumbing to support the resulting complexity.

- We have built bigger stores where we can (the average new store is 20% larger in 2022 than it was in 2019 – thanks in part to lower rents in residential areas and outside MM), and together with our provider, iterated vPOGs by incorporating human input to refine (largely aesthetically) the AI. Our category managers have created and rolled out vPOGs at moderate scale in less challenging categories, and we will be training operations personnel on per store refinements next.

Our take: Our experience pivoting at speed in Metro Manila in 2020 and 2021 has resulted in a more deliberate approach to CVS+7 this time around. With no lockdown providing a limited window to gain traction in staples, we see no reason for rashness. We are testing the plumbing, getting buy-in from key stakeholders, and most importantly, rigorously modeling staples assortment and pricing with all available internal and external data, in extensive consultation with suppliers. When sufficiently confident, we will test and iterate before we roll out at scale.

A successful roll-out would increase sales and traffic considerably, with the cost of devoting more shelf space to a proper staples assortment at lower prices minimized by variable POGs and margin effects offset by growth in gross profits on categories we currently sell very little of. Most importantly, given our expansion in areas which competition has yet to reach, it will allow us to meet more customer needs before they get there. In the longer term, it will result in greater trade area penetration, leading to a reduction in trade area needed to support a store – and thus, higher store density.

### Digitization Continues

- Payments declined somewhat throughout 2022, but have since stabilized. This was not unexpected,

given consolidation in EMIs and digital banking habits formed during the pandemic.

- The marginal loss in traffic was more than made up for by 2,300 recycling ATMs by year end. Withdrawals per ATM grew 50% throughout the year, as 7Bank signed up its second partner bank, which allows their account holders free withdrawals, this year.
- We have continued to hold spending on CLiQQ Grocery, pending the availability of a more complete shop after we improve our staples assortment at the DC. Grocery-based e-commerce has struggled since the pandemic, so we believe a conservative approach is more prudent.
- We have focused our (trimmed-down) digital team on baseline efforts such as rebuilding our loyalty program, and developing further monetization opportunities for customer acquisition – among them some of the opportunities discussed previously.

Our take: As discussed last year, we have taken a more cautious approach to digital spend – trimming both team and customer acquisition spend. The leaner funding environment for tech companies is a welcome development, as it inclines them to partner with incumbents for more efficient growth. We are currently exploring partnerships with fintech companies eager to access our customers and ATMs, digital marketing companies looking to capture manufacturer brand spend through our app, among several other initiatives. Even if the pendulum has once again swung toward offline incumbents, we are reluctant to go beyond our base loyalty app (and perhaps CLiQQ Grocery), having since learned firsthand that digital opportunities for offline retailers require different focus, capital, and skillset, but especially vastly different cultures – risking something that we consider a core competitive advantage, nurtured since the company's founding in 1985.

In closing, we reference the 'new machine' that we were building throughout the pandemic, in the conclusion of both 2020 and 2021 letters. While we are encouraged by considerable progress made thus far, we are yet to sit back and comfortably turning its dials. The staples value proposition, along with a manufacturer partnership model suited to it (as done in 2006 for our core impulse categories), is the final piece, and our full-scale roll-out is the final test of its supply chain and planogram capabilities.

We were pushed to build that first machine in 2005, when a competitor quickly dominated CBDs that had just opened up to retail, and was closing in on us not just in store count, but in brand positioning and foodservice offering. While it took a few years to build a machine that would surpass them in store number, brand, and offering, it took much longer to retake the CBDs – such are first mover advantages in convenience retail. In company lore, we overcame their luck with persistence and teamwork.

The pandemic and the uncertainty surrounding its end provided impetus for machine 2.0 – and will likely be retold in lore as a tale of pulling together in perseverance throughout an unlucky turn. As we put the finishing touches on it, we find ourselves in a situation where geographic shifts in demand have fortuitously opened up opportunity to expand in areas beyond the current reach of competition, allowing our new machine time and momentum to further defend those areas (along with others with narrower moats) with the best offering it can muster. We cannot help but be pleased by our turn of luck.



**JOSE VICTOR P. PATERNO**  
President and CEO

# REVIEW OF OPERATIONS 2021

## Dear Fellow Shareholders,

In normal times, letters that accompany full-year results, following the close of the 4th quarter, are written for the purpose of providing high-level guidance and insight into the year that was, and sketching out what may be expected in the years ahead.

These are not normal times, and limiting the discussion to 2021 alone would do a disservice to our investment community. With your indulgence, I will discuss the year that was, but also put it in the context of the first months of 2022 - which we believe was the true beginning of the 'new normal' - so that we may better appreciate what lies ahead.

We painted a dreary picture in our 2020 letter, regarding the pandemic and its effect on sales, but took heart in the significant efforts management was undertaking, so that we would be well-positioned for its end. We were not wrong about either.

Results continued their abysmal trend in 2021, although we saw Same-Store Sales Growth (SSSG) improve 3.4%, with the wane of the COVID-19 Alpha variant in Q3 (Metro Manila, where we have a third of our stores, fared relatively better with Delta than it did with Alpha, versus the rest of the country), and then 8.5% in Q4 with the wane of Delta, our first positive quarters since the pandemic began.

Much has been said about the difficulties encountered by the Philippines throughout the pandemic, but we have found that the mobility numbers provided by Google - specifically, time at home vs. 2019 - the best hard indicator of its effects on our business, after reviewing correlations between our own sales and that of fellow licensees.

For much of the pandemic, that number hovered from 18-25%, until it started a steady decline

toward the end of Q3, reaching the mid-teens in mid December, and dipping to as low as 7% during the holidays - which, perhaps not coincidentally, saw sales over 120% of 2019, among our highest ever.

Our pandemic mobility number, as of this writing, is 19%, the highest in the 7-Eleven world. For comparison, Malaysia is at 15%, Japan at 6%, and Thailand, 5%. One may check for oneself how tightly those mobility numbers correlate with SSSG of those publicly listed 7-Eleven licensees.

Over the holidays, we were, for the first time, convinced that we were nearing the end of the pandemic, at least insofar as public attitudes went, and began preparing to execute all the plans laid out, over the past 18 months, for getting to pole position in the race toward the 'new normal', which continues to unfold, as we speak.

After the Omicron spurt in January, we have seen sales begin to steadily approach pre-COVID levels, even if mobility numbers - curiously - were slow to recede. Some schools have reopened on a very limited basis, but the lifting of curfews, since November 2021, and especially the ban on those 18 and under leaving the house being rescinded, since February 2022, have been a great help to a 24-hour retailer that targets a younger demographic. Furthermore, more workers are reporting to offices more frequently, typically 1-3 days a week.

While nobody, including ourselves, knows how this new normal might eventually play out (and whether another variant might disrupt it yet again), we believe our investors should know what indicators we are watching, which directions we are inclined to bet on, and what we have done (and have yet to do) in those areas:

## Digitization

Fintechs have accelerated their pace, and with it, the growth in cash-in volumes at our stores - resulting in the growth in service income, noted in the discussion section of this report.

Consolidation in the sector has resulted in lower margins, some of which we have been able to pass on to customers, but we believe that the path to greater value creation lies in somehow combining our assets - our payments database of over 40 million unique mobile phone numbers, the CLiQQ app with 10M downloads, and the 1,200 recycling ATMs that are operating thus far in our stores and are expected in all stores by year-end. We believe that partnering with new digital players, including the six new digital banks that were granted licenses last year, will be an opportunity that, because of our assets, we are uniquely positioned for.

On the e-commerce front, we expect the growth pace of grocery delivery to slow somewhat, and continue to bet on the superior unit economics of a pick-up-in-store model. We blamed supply chain concerns for not taking a more aggressive stance in pushing our CLiQQ Grocery offering, but have since realized that we will need a more supermarket-like assortment available online to be competitive, and are testing several models.

The foregoing aside, we have cut our burn rate on digitalization, by cutting more expensive staff and decreasing customer acquisition spend. The thinking is that we were fortunate to have built and accumulated our digital assets when it was cheaper to do so, and are now in a good position to monetize those assets, by partnering with digital players who need access to them.

## Hybrid Work

Most employees would prefer the flexibility of

continuing to work from home some days a week, but most employers are reluctant to allow them to do so. How this plays out will determine not just the future of CBDs, but where people live.

Even as we continue to monitor where this balance may eventually fall, we are betting more on stores outside cities than within them. We had net openings of only four stores in Metro Manila in 2021, vs. 73 in the rest of Luzon, and continue to lay our bets in this fashion, until we see more proof of resurgence in the cities, which continue to underperform in sales by as much as 20%.

We are grateful that we are well-positioned for this opportunity, with our unrivaled distribution reach throughout much of the archipelago, and that we put a freeze on new openings, since the pandemic began until the middle of last year, because we would have opened in very different places than we are now. We are back to our regular pace, targeting 300 stores this year, after only 95 net openings last year.

## Lingering Pandemic Shopping Habits

Throughout the pandemic, people all over shopped less frequently, but bought more each trip. In our case, the average ticket size grew 45%, even as customer count dropped 50%; the number of items in the basket went from 2.2 to 2.8. This trend continues, even as we move into the new normal, and we aim to build on it, by widening our offerings to meet more customer needs.

This will require more space. We are now building larger stores, whenever rent is cheap, and continue iterating to determine the ideal store size for given trade areas. Pilots on enlarging existing stores have proven highly successful, and we will do more of those where we can.

Ultimately, however, we are saddled with the footprints of the 3,000+ stores we already have, and need to 'create' more space by tailoring the

assortment to a particular store's customer base, using AI-powered variable planograms, something we have been testing since 2018 and rolled out through much of Metro Manila in 2021, only to be met with the supply chain challenges of such an effort at scale, during a pandemic. As will be discussed, we are close to resolving those supply chain issues, and expect to continue their rollout, when greater success is established in the next few months.

We are also taking a deeper look at how assortment needs to change - larger sizes, due to less frequent trips; more value-oriented brands, due to lower incomes and inflation - by integrating syndicated data into our product-selection process and using it to hold buyers accountable.

### Supply Chain Challenges

The Philippines already had the most challenging supply chain environment in the 7-Eleven system before 2020, and it has not been spared in the duration, nor in the aftermath, of the pandemic. We are betting that these challenges will continue over the next couple of years at least, and have spent much of our time and effort, throughout the past year, building new systems and processes to mitigate these difficulties, believing relative advantage can be obtained, if the environment remains challenging.

Demand forecasting is done daily, on a per-store basis, for the next four weeks, based on sales and stock levels, and this forecast is shared with suppliers, so they can let us know if sufficient stock is available, or if a product needs to be substituted in the interim. Substitution is triggered by a store flagging that a slot is empty, so that its replacement, along with a corresponding shelf tag, can be sent.

This sounds simpler than it is in practice, but we expect to be able to scale this practice by the middle of the year. We have recently begun tracking empty shelf space weekly and holding corresponding entities - stores, buyers, suppliers - accountable.

In closing, we reference our comment, in the previous letter, that we are 'building a new machine', akin to the changes we made in 2005 to 2007, in preparation for scaling them in subsequent years - all the way to 2019. That 2005 'machine' had fixed planograms, centralized distribution, and new store expansion at its heart.

The 2022 overhaul incorporates all the knowledge and experience that our then-novice management team has accumulated since, paired with updated technology. It will have variable planograms, adaptive supply chains, and expansion with an ear to a ground that continues to shift.

We are excited to turn its dials soon.



**JOSE VICTOR P. PATERNO**  
President and CEO

# 7-ELEVEN STORES WORLDWIDE

STORES	2023	2022	2021
US	13,200	13,404	13,469
Hawaii	67	65	66
Mexico	1,925	1,889	1,841
<b>Total North America</b>	<b>15,192</b>	<b>15,358</b>	<b>15,376</b>
Japan	21,488	21,350	21,227
Thailand	14,545	14,265	13,134
South Korea	13,137	13,838	11,173
Taiwan	6,859	6,631	6,379
China	5,051	4,434	2,637
Guangdong	1,730	1,403	1,281
Hong Kong	1,095	974	962
Macau	50	283	275
SEC	2,176	179	178
<b>PHILIPPINES</b>	<b>3,768</b>	<b>3,393</b>	<b>3,073</b>
Malaysia	2,566	2,472	2,427
Australia	767	736	718
Singapore	500	457	455
Denmark	174	176	172
Norway	129	152	149
Viet Nam	99	79	63
Cambodia	82	42	44
Sweden	79	81	82
India	47	21	0
Israel	8	0	0
Laos	3	0	0
<b>Total International</b>	<b>69,302</b>	<b>68,127</b>	<b>61,733</b>

<b>TOTALS / AVERAGES</b>	<b>84,494</b>	<b>83,485</b>	<b>77,109</b>
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