

LEGACY

ANNUAL REPORT

2014



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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



THIS YEAR'S THEME

LEGACY

A "Legacy" plant is one that is grown from a seed of the original plant, resulting in a plant with the characteristics of the parent. With this title, we not only reference PSC inheriting the legacy of Chairman Paterno, but also the corporate legacy that is reproduced in all 7-Elevens.

To paraphrase our President and CEO, it's thanks to the culture of integrity we inherited from our founder that we have been able to move boldly and grow rapidly – expanding to 1,300 stores, reaching toward a higher-end market, and, as always, extending help to those in need.

Fate, Culture, & Convenience & Stores

The 7-Eleven Story

In his book (*On My Terms: the Autobiography of Vicente Tirona Paterno*), my father cites fate's role, as he moves from Meralco to the Marcos Cabinet, then to the Cory Senate.

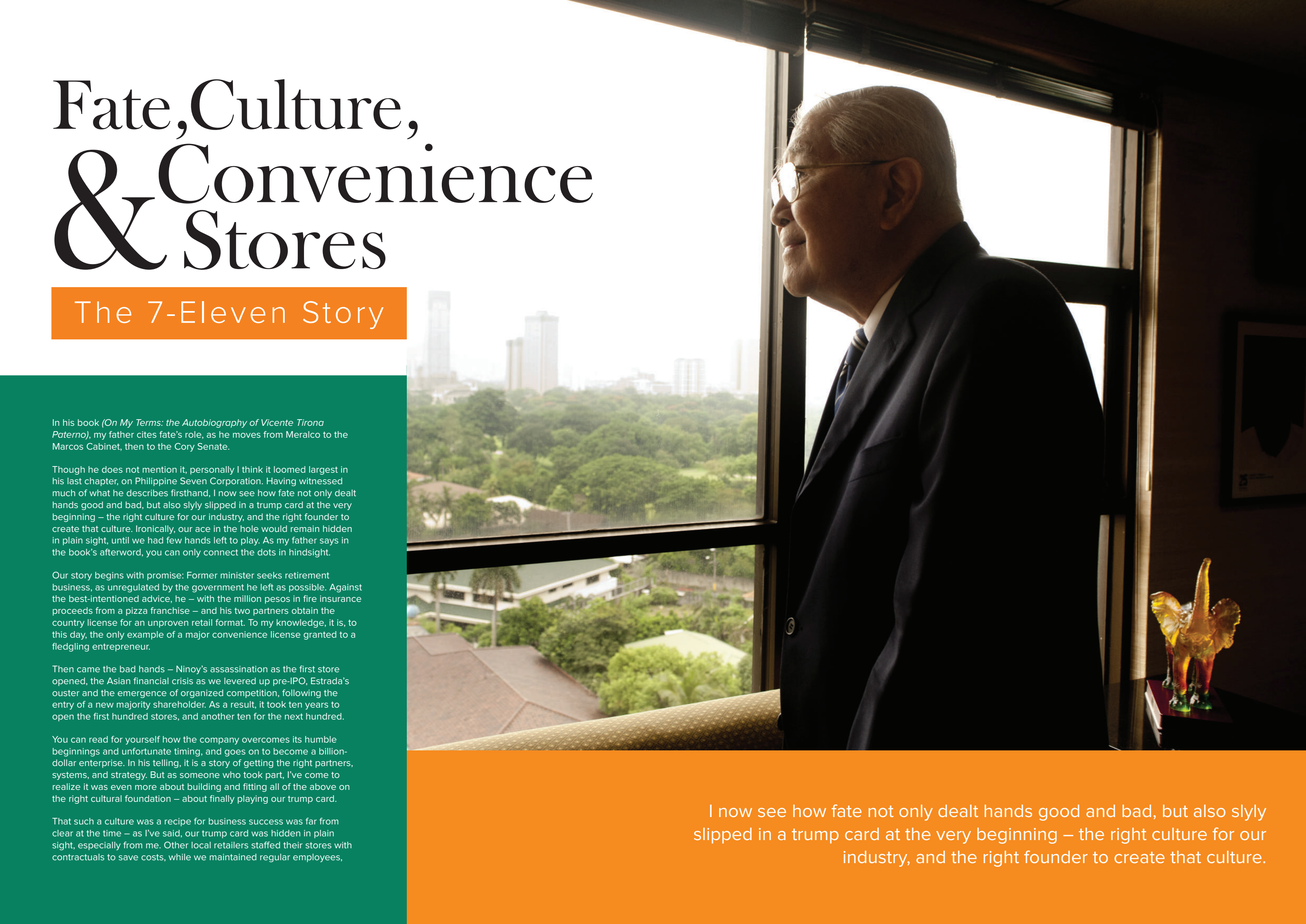
Though he does not mention it, personally I think it loomed largest in his last chapter, on Philippine Seven Corporation. Having witnessed much of what he describes firsthand, I now see how fate not only dealt hands good and bad, but also slyly slipped in a trump card at the very beginning – the right culture for our industry, and the right founder to create that culture. Ironically, our ace in the hole would remain hidden in plain sight, until we had few hands left to play. As my father says in the book's afterword, you can only connect the dots in hindsight.

Our story begins with promise: Former minister seeks retirement business, as unregulated by the government he left as possible. Against the best-intentioned advice, he – with the million pesos in fire insurance proceeds from a pizza franchise – and his two partners obtain the country license for an unproven retail format. To my knowledge, it is, to this day, the only example of a major convenience license granted to a fledgling entrepreneur.

Then came the bad hands – Ninoy's assassination as the first store opened, the Asian financial crisis as we levered up pre-IPO, Estrada's ouster and the emergence of organized competition, following the entry of a new majority shareholder. As a result, it took ten years to open the first hundred stores, and another ten for the next hundred.

You can read for yourself how the company overcomes its humble beginnings and unfortunate timing, and goes on to become a billion-dollar enterprise. In his telling, it is a story of getting the right partners, systems, and strategy. But as someone who took part, I've come to realize it was even more about building and fitting all of the above on the right cultural foundation – about finally playing our trump card.

That such a culture was a recipe for business success was far from clear at the time – as I've said, our trump card was hidden in plain sight, especially from me. Other local retailers staffed their stores with contractuales to save costs, while we maintained regular employees,

A man in a dark suit and glasses is seen in profile, looking out a large window. The window offers a view of a city with several tall buildings and a green area. In the foreground, a small, colorful figurine of a bird is visible on a surface.

I now see how fate not only dealt hands good and bad, but also slyly slipped in a trump card at the very beginning – the right culture for our industry, and the right founder to create that culture.



because it was the right thing to do. Companies I studied and worked with in the US often got the best available talent from outside, while we grew ours from those who started as frontliners in the stores. My engineer's orientation questioned the efficiency of making decisions consensually, with the opinions of those closest to the customer given the most weight.

Convinced our culture would be unable to withstand competition that would eventually emerge, I sought to change it, but found it too entrenched and ultimately rooted in my father's moral convictions. Unsurprisingly, I was unable to change them, and left in 1999.

I was to return in 2004, at the invitation of our new majority shareholders. 7-Eleven Taiwan had bought a majority stake in the company in 2000 at my father's invitation, as he hoped to retire. Despite being among the best convenience operators in the world, they found management of Philippine Seven difficult. In my mind, the problem was they couldn't change our culture, and wanted me back so I could continue where I left off five years earlier.

To my surprise, I was to find out later on that they thought the problem was the opposite: that the culture was getting lost in translation, and they wanted me back because, as my father's son, I was their best hope of preserving it. Knowing my history, they were wise enough not to tell me this right away.

As we worked together to adapt their systems and practices, I gradually realized that I had been unwittingly enlisted to rekindle the culture all along, but not before I could appreciate its importance for myself – I visited Taiwan often, and saw how their success was rooted in their culture. My father chose them because he said our cultures were similar, and he was, once again, exactly right.

I was appointed CEO in 2005. I must have made quite an impression, because our stock reached an all-time low of 27 centavos, 6 months later. We had few hands left to play, but now agreed that we held a trump card in our strong culture.

1. Running low on capital but needing to open more stores to achieve scale, we began franchising – a dangerous step if you weren't ready. Because of our culture of teamwork, we believed we were, and now we have 800 franchisees and are one of the most-awarded franchisors. Franchisees tell me they appreciate that company personnel work alongside them, rather than point fingers.

2. With finances improving, we picked up the pace of store opening, betting that after the right methodologies were established, we could, because of our strong culture of integrity, trust our team to find the best locations and negotiate fair rents on their own. Of the thousand stores opened in the last ten years, most were approved sight-unseen.

3. The rapid pace of expansion has not taken a toll on quality of service (as it often does), because of our strong culture of putting customers first. According to our licensor, we rank among their top licensees on this metric.

4. As we prepare to open the several thousand more stores we expect in the next ten years, we are confident that our culture will produce enough people of integrity to staff them if necessary, while competition can only open as many as they find franchisees for. After all, a store manager can run away with a year's salary on any given day.

We were able to move boldly, because of the strength of a culture that grew naturally out of what its founder stood for, rather than a contrived strategic choice. (Reading through the book, I am struck by how similar it is to that of the BOI and MASICAP). It's a culture that found a place in people's hearts because its values were rooted not in politically-correct platitudes, but in genuine concern for their welfare. Like the government posts before it, the company was just another step in a lifelong desire to improve the lot of others. This wasn't always so clear, but I am grateful to have finally seen it for what it is.

People still remember how, after 30 customers suffered food poisoning when a store refrigerator failed in 1994, my father ignored PR advice to cover up the incident, and instead visited them in the hospital.

What I remember very clearly is my father dragging me along to visit stores on Christmas day – he would carry around a mop in the car during those visits. He was not only the chairman but a senator at the time, and only had to mop a few floors himself, before he would no longer find dirty floors.

You can trace our culture of teamwork directly back to those first few years, and to that spirit of dedication and solidarity that now characterizes not only my father, but our company.

Philippine Seven is the last chapter in the book, but let me end by quoting one of my favorite passages, from the beginning:

"...my relationship with my father changed, as I graduated from being a filial recipient of orders to being his conversational partner. We had much to talk about, and he had the time and leisure for it, though he was not in good health and rarely left the house. Now that he had the time, I could hold conversations with him as an adult. I had earned my spurs."


JOSE VICTOR PATERNO
 President and CEO



We were able to move boldly because of the strength of a culture that grew naturally out of what its founder stood for, rather than a contrived strategic choice.

FINANCIAL HIGHLIGHTS

COMPARATIVE FINANCIAL HIGHLIGHTS

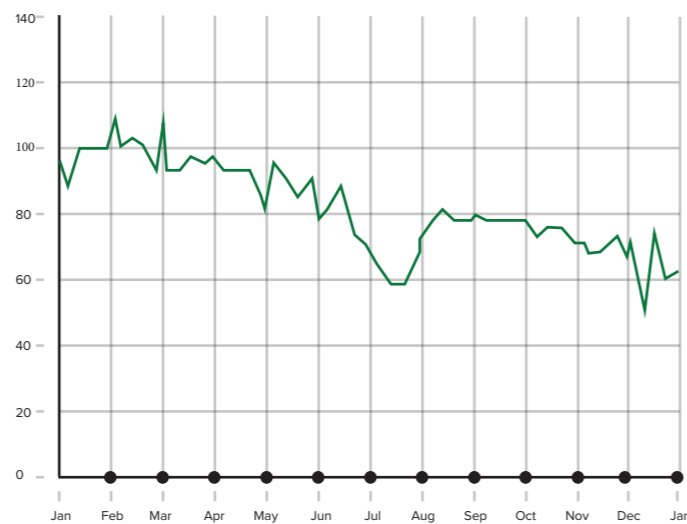
FOR THE YEAR	2014	2013	2012
System-wide Sales	20,571,035	17,240,457	13,363,925
Revenue from Merchandise Sales	17,107,375	14,133,649	11,713,760
EBITDA	2,118,684	1,702,030	1,214,441
Net Income	873,345	682,628	465,176
Return on Average Equity (%)	29.96	30.68	27.46
AT YEAR-END	2014	2013	2012
Stores in Operation	1,282	1,009	829
Total Assets	7,882,305	6,024,713	4,571,816
Total Liabilities	4,592,769	3,483,480	2,662,650
Stockholder's Equity	3,289,537	2,541,233	1,909,165
Current Ratio (x)	0.80	0.83	0.75
Debt-to-Equity Ratio	1.40	1.37	1.39
PER SHARE DATA	2014	2013	2012
Earnings Per Share (Php)	1.91	1.49	1.01
Book Value Per Share (Php)	7.18	5.54	4.16

*(in Php Thousands except data on store, ratio and per share information)

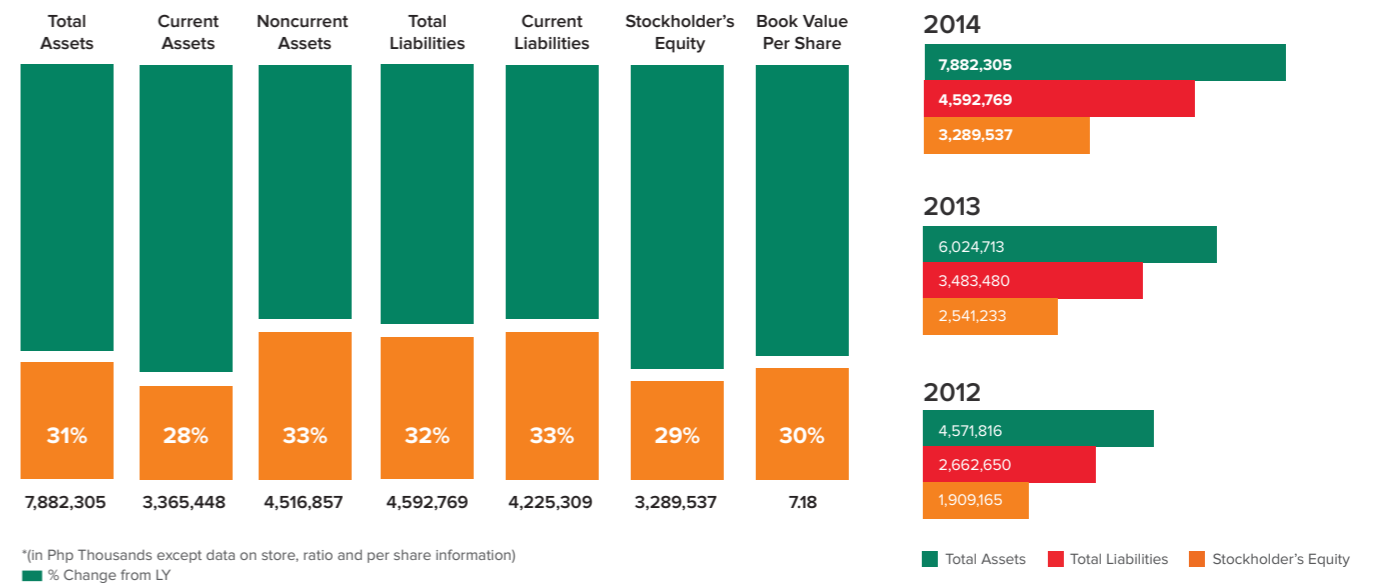
FINANCIAL RATIOS

	2014	2013	2012
Current Ratio (x)	0.80	0.83	0.75
Quick Ratio (x)	0.44	0.46	0.34
Debt to Equity Ratio (x)	1.40	1.37	1.39
EBITDA Margin (%)	12.44	12.04	10.37
Net Margin (%)	5.11	4.83	3.97
Return on Ave. Equity	29.96%	30.68%	27.46%
EPS (Php)	1.91	1.49	1.01
Book Value Per Share	7.18	5.54	4.16

STOCK PRICE

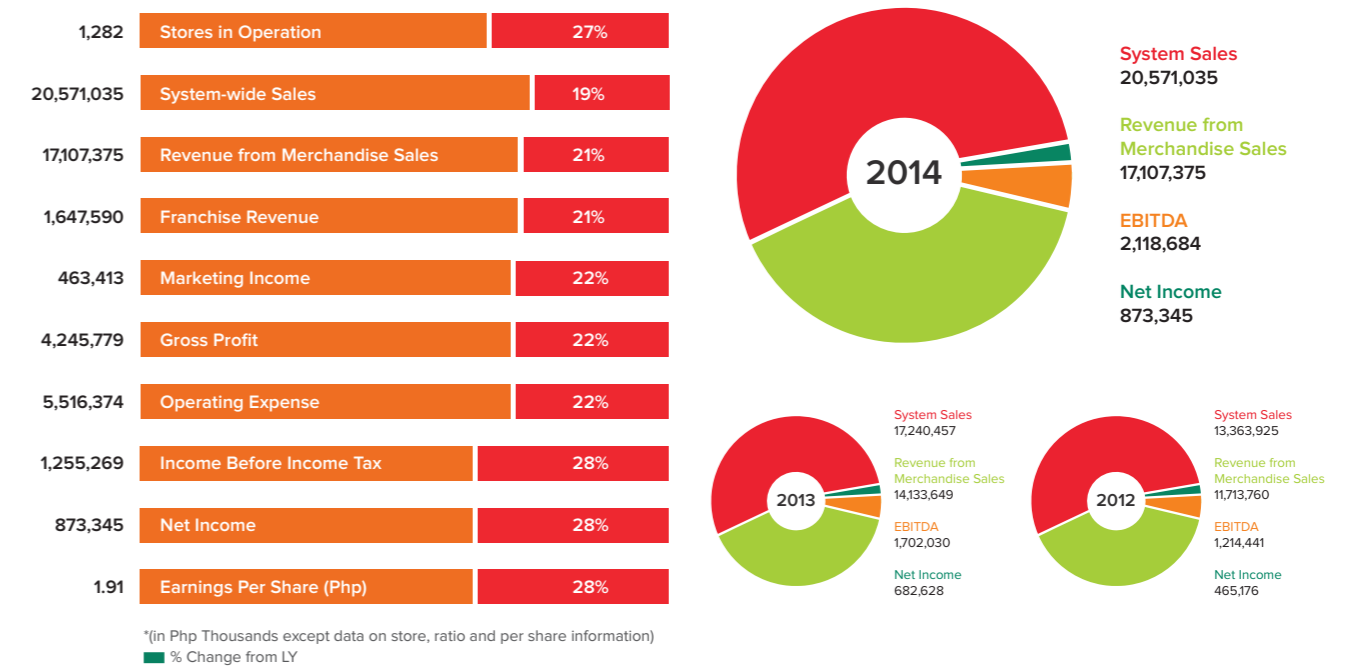


BALANCE SHEET HIGHLIGHTS



*(in Php Thousands except data on store, ratio and per share information)
■ % Change from LY

INCOME STATEMENT HIGHLIGHTS



*(in Php Thousands except data on store, ratio and per share information)
■ % Change from LY

LETTER TO SHAREHOLDERS

To Our Valued Shareholders,

The local economy grew by 6.1% in 2014 and is considered one of the fastest-growing economies in Asia. This was largely attributed to the continued growth in private consumption, driven by remittances and BPO revenues.

This benefited your Company, which had another remarkable year in 2014. Full-year net profits reached Php873.3 million, up 27.9% from Php682.6 million in 2013. This translated into earnings per share of Php1.91, higher by the same rate compared with the preceding year's level of Php1.49.

The improved financial performance was largely due to the increase in retail sales of all corporate and franchise-operated stores, which posted growth of 19.3%, to Php20.6 billion in 2014.

We opened the most number of new stores in our history in 2014 – total new stores opened reached 286. If you recall, it took us 12 years to open the first 100 stores in the Philippines, and another 14 years to reach the 500th store milestone by 2010. In contrast, PSC opened another 500 stores in a span of only 3 years, enabling us to surpass the 1,000th-store milestone in 2013. Your Company ended last year with 1,282 stores, a net increase of 273 stores from 1,009 stores in 2013.

PSC plans to further accelerate the rate of new store openings over the medium-term, to take advantage of improving economic conditions and to protect our market share in

light of increased competition. We believe that this sector will remain crowded over the next five years, and intend to capitalize on our first-mover advantage and economies of scale, to maintain our dominant position in the market.

Your Company has taken steps to protect and expand our leadership, recognizing that rewards for market share are especially strong in the convenience store sector. This involves not only an increased pace of expansion in areas contested by competition, but strategic entry into new territories. It may not be profitable for the first few years due to the high fixed costs of logistics, but the Company will later be rewarded.

Last year, PSC entered Panay, building on its entry into Negros and Cebu the years prior. This year, 7-Eleven will be entering Mindanao, via Davao and Cagayan de Oro.

Further, in 2014, new operators boosted franchise store count to 811 franchisees, from 690 a year ago. As a result, total franchise revenues went up by 20.5%, to Php1.6 billion.

Marketing income continued to enhance our bottom-line, generating Php463.4 million as 7-Eleven expanded brand-building opportunities for vendor partners, and increased volume made it easier to request more equitable treatment compared to other channels.

As we continue to scale up and embark on capacity-building initiatives, total SG&A (selling, general, and administrative expenses) slightly grew as a percentage of revenues, from 32.0% in 2013 to 32.2% in 2014. Our main distribution center was expanded, and new ones were built to support store expansion.

Your Company's ability to generate free cash flow became stronger in 2014, as cash inflow from operations exceeded cash outflow used in investing activities, by Php233.1 million. This enabled PSC to be in a net cash position of Php502.6 million by the end of the year.

Stock price ranged from Php80 – 100 per share during 2014. Dividends paid to shareholders were in the form of cash, and fixed at 0.30 centavos per share. Dividends paid were higher and correspond to 20.1% of the previous year's earnings. This is consistent with our dividend payout policy.

Moving to our corporate social responsibility efforts, I am glad to inform our shareholders that PhilSeven Foundation Incorporated remains steadfast in its mandate to help schools in communities where our stores operate. The initiatives included feeding programs for young children, medical missions, day-care renovation, and distribution of school supplies.

Finally, please join me in thanking our customers, employees, suppliers, and bankers for their continued support and cooperation. We also thank the local government in the areas in which we operate, for guarding the safety and well-being of our customers and employees. It is through the dedication of all these stakeholders that we were able to achieve such remarkable growth – financially, operationally, and geographically – in 2014, and look forward to a likewise satisfying performance in 2015.

Thank you very much,



NAN-BEY LAI

Vice-Chairman of the Board of Directors



The improved financial performance was largely due to the increase in retail sales of all corporate and franchise-operated stores.

REVIEW OF OPERATIONS

Dear Fellow Shareholders,

The results of 2014 were generally consistent with positive trends over the past five years. System-wide sales grew by 19% over the prior year, breaching the Php20 billion mark. Net income increased by 28% from the prior year, despite the high base effects of 47% profit growth in 2013, which was driven by double-digit, same-store sales growth, stemming from one-time, tax-related developments in the alcohol and tobacco categories.

2014 was also a year of transition. Our number of stores operating by end of 2014 grew by 27%, as we opened 286 new stores, departing from the previous 5-year trend of 22% annual store growth, and signaling the start of a strategic shift that we discuss further below. Management attention was focused on preparing for rapid expansion, including finally expanding and remodeling our head office after more than ten years, expanding our main warehouse and planning new ones, and upgrading our Enterprise Resource Planning (ERP) system. In preparation for increased competition, new product lines – foodservice and digital – were developed to further differentiate our brand.

NEW FOODSERVICE LINES

Inspired by how affordable, quality coffee has driven visit frequency and brand loyalty at 7-Elevens in developed markets, we developed and tested a new coffee line more suited to our emerging market. The City Blends machine combines freshly-ground bean-to-cup brewing with different flavors of powdered milk, at the push of a button. It has been rolled out to 600 stores thus far, where the City Blends quality and Php20 starting price point have proven popular with customers.

We piloted entry into the popular fried food category with motorcycle delivery from a nearby kitchen, which has significant cost advantages over in-store preparation. Cost-effectively delivering short-shelf-life products tested the limits of our logistical capabilities, but after a year of tests and tweaks, we are ready to roll the model out in dense urban areas.

The chilled fresh food line was also upgraded, in response to an increasingly affluent customer base, and new, time-pressed diners seeking restaurant-quality fare. Most notable was the launch of our Chef Creations line of gourmet-quality Filipino fare, developed and endorsed by a local culinary icon.

DIGITAL POTENTIAL

Our loyalty program launched in late 2013 now captures 25% of total sales with its 2 million registered accounts. In late 2014, we launched an app version that most notably allows users to transfer points among one another, and connect to in-store wifi using their loyalty points. We expect further enhancements and a concerted campaign to lead to a majority of users switching their SMS-supported cards to the app by year-end.

A critical mass of app users, augmented by the online kiosks, CliQQ, we have rolled out to all stores this year, will form the base from which we will pursue opportunities in payments and e-commerce. So-called financial technology is developing at a remarkable pace globally and locally, and we believe the trend presents unique opportunities for dominant

CVS (convenience store) operators in unbanked markets, especially ones with significant remittance volumes.

Click-and-collect e-commerce is another global trend that favors the CVS channel's accessible locations and efficient logistics – in Taiwan, for example, 50% of e-commerce parcels are picked up at convenience stores. We believe the opportunity is even more compelling in emerging markets where when online retail is nascent, and can be shaped with the CVS channel in mind.

While such bets are extremely speculative, the risks are relatively tiny in comparison to the opportunity. Furthermore, experience here and abroad demonstrates that digital platforms are the most difficult for competition to follow (versus, say, buying new coffee machines), so even modest success would erect significant barrier to entry.

EXPANSION AND COMPETITIVE STRATEGY

Management expects the high store growth rate begun in 2014 to continue, and even accelerate further. Your board believes the long-term rewards of gaining share outweigh the risks and short-term costs involved, and this sentiment seems to be shared by others in the investment community, both in direct communication and by rewarding the stock with generous valuation. The underlying rationale and strategy, as well as key risks and rewards, is discussed in greater detail below:

Rationale: We are bullish on the long-term prospects of the convenience

format in general and its growth potential in the Philippines in particular. The rewards of dominance have been sufficiently demonstrated to warrant maintaining it vis-a-vis competitors, both emerging and incumbent, who share our optimism.

- **Bullish on convenience.** We share other retailers' thinking that the global trend toward small formats will continue. Furthermore, we believe that not only is the convenience store format the least vulnerable to disruption, but will likely benefit from it – our digital line being one such bet.
- **Philippine growth potential.** Recent experience with store openings leads us to believe the market is entering a new growth phase. In other countries, penetration increased sharply at (PPP-adjusted) \$5-\$10k GDP/capita, which the Philippines is fast approaching. Following this reasoning yields an estimate of 15,000 convenience stores in the Philippines by 2025, based on the continuance of current economic trends and CVS densities in Thailand.
- **Rewards of dominance.** We believe our outperformance in recent years has stemmed at least in part from our dominant position. In other countries, we have found a linear relationship between market share and operating margin, and a limit to the number of players that can be sustained, given the size of the industry. Our view is that the Philippines will ultimately remain a two-player market for some time.

Strategy: Maintain share in Greater Manila Area (GMA) and grow share by building on first-mover advantage elsewhere. Be prepared to sacrifice short-term profitability for long-term gain in both cases.

- **Maintain share in GMA.** Metro Manila has the highest average sales per store, but has had the lowest sales among newly opened stores over the past few years, indicating a state of perpetual saturation. With the best locations occupied, most new stores will be initially unprofitable but (hopefully) ultimately profitable. Broadly speaking, new stores in a saturated market can be opened in only one of two ways: In an incumbent's trade area in hopes of toppling him, or in an uncontested but initially unviable trade area, in hopes it will improve. Multiple competitors – attacking one another in saturated trade areas and bidding up rents in emerging ones – decreases overall industry profitability, but management believes your company can defend share more cost-effectively than competitors can gain it. We have patiently built defensible locations over the years, and gained more experience assessing location viability and competitor vulnerability. Preserving share will not be cheap, but is critical for long-term dominance, as capital regions usually account for half of all CVS stores in emerging markets.
- **Grow share elsewhere.** The rest of the country is relatively uncontested in comparison. We are virtually the only competitor with the critical mass to build out proper supply chains, in areas logistically unreachable from GMA. Such supply chains come at a medium-term cost in terms of under-utilized warehouses, and 2015 will be our base: we will be operating ten warehouses by year-end (throughout Luzon, Mindanao, and three islands in the Visayas), versus four in mid-2014. To put such costs in perspective, operators in contiguous territories typically serve 1,000 stores per distribution center (though we have downscaled and adapted our model to be cost-effective for smaller areas). We wager that first movers, especially on islands that cannot sustain more than one or two warehouses, will be rewarded with unusually dominant share (at 90 stores, we have over 80% share in Cebu), and that BPO trends will continue to drive growth in the remote urban areas of Luzon and the islands.

The final transition, significant to the organization and especially to me personally, is that of a changing of the guard for the Non-Executive Chairman role.

A new Non-Executive Chairman, Jose T. Pardo, was elected by the board early this year. He was one of the three original founders of Philippine Seven in 1983, and served as President in its early years. He has held leadership positions in various business and government circles, most notably serving as Secretary of Finance in the late '90s. His experience and reputation will be an asset, as the company's growth accelerates and it pursues new opportunities.

He succeeds his brother-in-law (and my father), Vicente T. Paterno, who chaired the company until he passed away late last year. I believe we owe our recent success and future potential to the culture he created, without which the dramatic growth of the past few years would not have been possible. Like many fathers and sons who work together, our professional relationship was not without its challenges, but I am grateful for the chance I got to set the record straight in a speech I delivered at his book launch late last year, reprinted in this report.

With much appreciation for the support extended by shareholders and other stakeholders throughout the year I remain,

Very Truly Yours,



JOSE VICTOR PATERNO
President and Chief Executive Officer

Management expects the high store growth rate begun in 2014 to continue, and even accelerate further.

MILESTONES 2014



CHEF CREATIONS

7-Eleven launches its premium rice meal line, Chef Creations. The company teamed up with renowned Chef Claude Tayag to offer its customers healthy, restaurant-quality meals at an affordable price.



ILOILO GRAND OPENING

7-Eleven continues its aggressive expansion in Visayas region by opening five stores in Iloilo last June 2014.

EVERY DAY! REWARDS APP LAUNCH

7-Eleven launches the Every Day! Rewards app, a mobile version of the loyalty program, allowing customers to conveniently access their rewards right at their fingertips.



100TH STORE IN VISAYAS

In just 2 years, 7-Eleven opens a total of 100 stores in Visayas. The 100th Visayas store is located in Cebu City and opened last December 21, 2014.

TRAIL 1000

In celebration of 1,000 stores in the Philippines, 7-Eleven holds its first ever mountain bike race, Trail 1000. The race was attended by over 1,100 bikers who tested their limits at Timberland Heights in San Mateo, Rizal.



DELVING DEEPER

The roots of the young tree are able to follow the pathways created by former trees, and implant themselves more deeply.

IMPLANTING NEW ROOTS

In July 2014, Philippine Seven Corporation (PSC) opened five new 7-Eleven stores in Iloilo. Expansion into Iloilo aims to bring modern convenience to even more of the country's populace living outside Luzon – nearly half of the national population.

Our warm reception from Ilonggos validated our expectation of Iloilo as a favorable market, given that its Gross Domestic Product rating is sixth in the country and second only to Cebu in the region, and its economy is predicted to improve further, with BPOs and major real estate companies investing heavily in the province.

Aside from our usual sampling activities, we celebrated with our first-ever paid concert, Neon Revolution. The concert was a huge success, garnering a total of 1,864 attendees and 4.2 million impressions in social media.

Along with over 80 more stores targeted to open in Iloilo over the next 2 years, we are eyeing Samar and Leyte by 2016. This continues our aggressive expansion in the region, which began in 2013 and had rapidly advanced by 2014, with 58 stores opening in Cebu and 12 in Bacolod.

In only 2 years, PSC has already achieved a proud total of 100 7-Eleven stores in Visayas.



Iloilo grand opening at the Injap Tower, graced by (left to right): PSC Operations & Marketing Director Richard Lee, PSC Chairman Vicente T. Paterno, Jay Mabilog (represent The Honorable Mayor Jed Patrick Mabilog), PSC President & CEO Jose Victor T. Paterno, celebrity guest Denise Laurel, and PSC Treasurer & CFO Steve Chen.



Neon Revolution Party, 7-Eleven's first-ever paid concert, in celebration of our first Iloilo store opening.

CREATING FRUITFUL PATHWAYS

Critical to our success is not just the convenience provided by our stores themselves, but, equally, the accessibility and responsiveness of our logistics system of distribution centers. We have two general types of these.

Regular Distribution Centers (RDCs) maintain inventory of all products sold in our stores and deliver to the stores in their respective areas on a daily basis. In contrast, Frontier Distribution Centers (FDCs) maintain inventory of select goods – particularly liquids – and deliver thrice weekly to the stores in their areas of responsibility.

We also have our CDI national distribution center, which was expanded in 2014 from 23,000 square meters to 30,000 sq.m., to support our continued expansion.

Even with such enthusiasm as we received at our Iloilo store openings, our strategically-placed distribution centers allow us to guarantee regular delivery, ensuring the reliability and product availability that our customers expect and deserve.

IDENTIFYING FERTILE GROUND

Overall, PSC's expansion strategy is to protect our very strong market share in Luzon, secure our foothold in Visayas, and, before long, capture a new market in Mindanao.

In Luzon, our store count is at 1,260, and we are working to win more locations outside NCR, further strengthening our leadership position.

In Visayas, we've opened 100 stores in just 2 years. We're already firmly rooted in Cebu, and on our way to a similar entrenchment in Panay.

Finally, in Davao and Cagayan de Oro, we've identified prime locations for distribution centers, which should soon pave our way for entry into the Mindanao market.

With these plans in place, and building on our legacy of rapid, yet strategic expansion, we confidently expect to grow our store base by 25% year on year. Our continued expansion efforts – in terms of both stores opened and new areas served – come together to keep us ahead of the curve, as the top-of-mind convenience store name in the Philippines.



Every Day! trucks at CDI Pasig.

CDI WAREHOUSES IN THE PHILIPPINES

SISON FDC
areas covered:
Pangasinan
La Union
Ilocos Norte
Ilocos Sur
Benguet

PAMPANGA FDC
areas covered:
Pampanga
Nueva Ecija
Zambales
Bataan

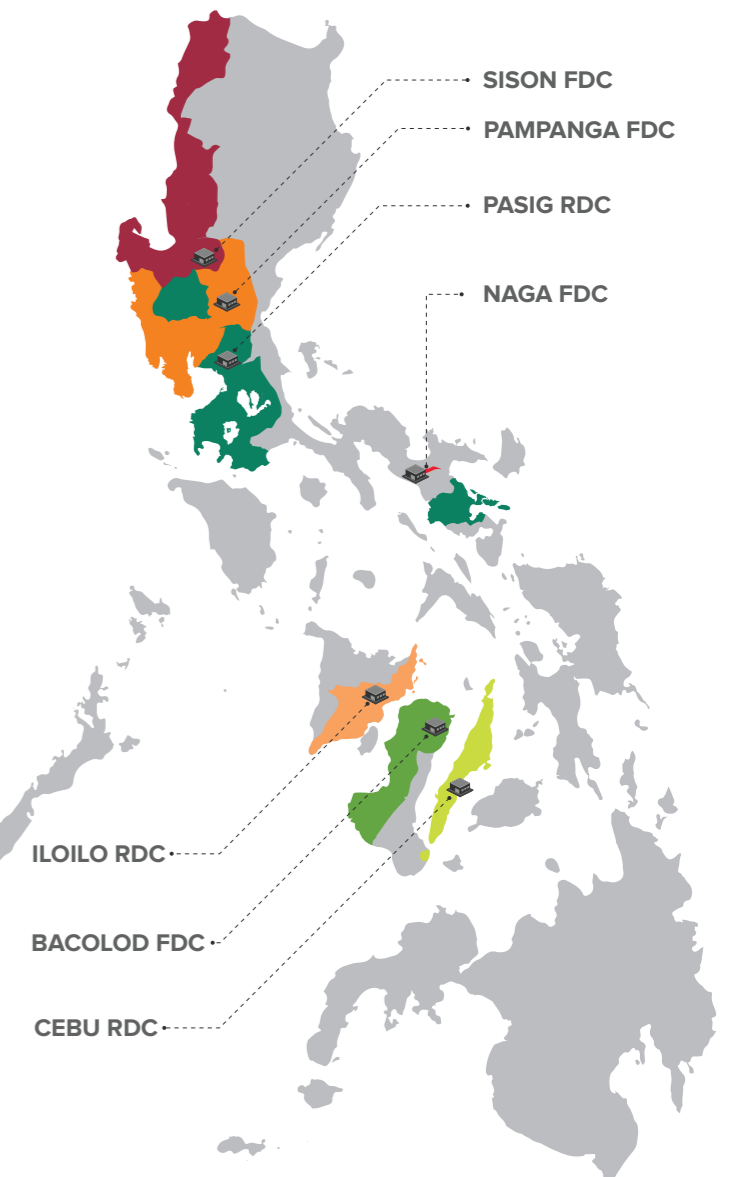
PASIG RDC
areas covered:
Metro Manila
Bulacan
Tarlac
Rizal
Cavite
Laguna
Batangas
Quezon
Albay

NAGA FDC
areas covered:
Albay
Camarines Norte
Camarines Sur

ILOILO RDC
areas covered:
Iloilo

CEBU RDC
areas covered:
Cebu
Dumaguete

BACOLOD FDC
areas covered:
Bacolod
Negros Occidental



REACHING HIGHER

The roots of many trees may actually graft themselves to one another, creating an intricate, interdependent foundation hidden under the ground.

ADAPTING TO UNDERLYING FORCES

As part of 7-Eleven's commitment to offer modern convenience, we have always made a point of evolving alongside our customers' changing needs. Recent market studies suggest that good economic conditions in the Philippines have led to:

- Convenience stores being increasingly viewed as food outlets,
- More customers from lower economic brackets eating out, and
- Customer readiness to upgrade to premium products.

This was substantiated by our own data, which showed a 10% growth in our rice meals category in 2013, when we introduced our Big Time Meal and Breakfast Rice Meal lines.

In light of this, we have pushed our upgrade strategy further, most notably with the introduction of Chef Creations, a premium line of rice meals in partnership with renowned chef Claude Tayag, whose cuisine has been lauded by no less than global tastemaker and celebrity chef, Anthony Bourdain.

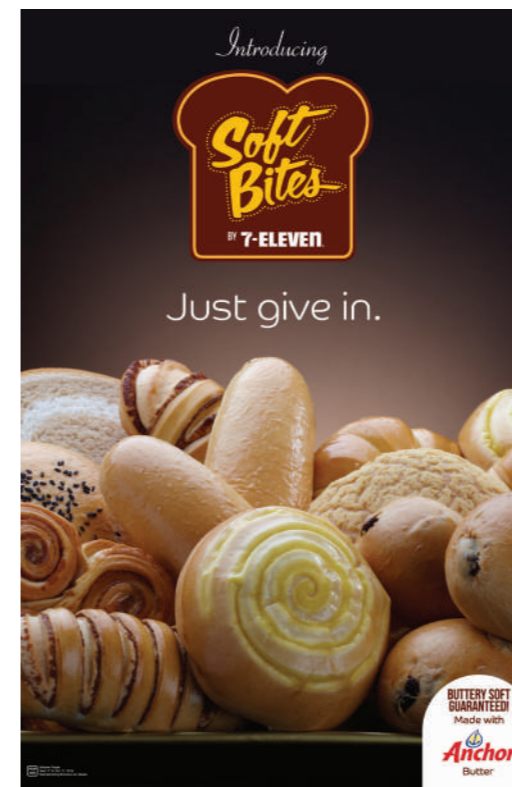
Chef Creations brings together fresh ingredients, quality raw materials, and professional-style preparation. It is the first ready-to-eat rice meal line that comes in top-seal packaging, so that these special meals come to our customers the way Chef Claude intended. Offerings include his own take on Filipino favorites, like Pulled Pork with Adobo Dip, Pork Sinigang sa Kamias, and Pakbet with Bagnet.

Primarily targeting our more than 400 stores in commercial areas, we launched the line with Chef Claude himself with a press briefing at his famed Bale Dutung restaurant – a destination of choice for foodies in Pampanga. Chef Creations generated excitement among customers, garnered favorable reception, and had a positive effect on the rice meal category.

Another major launch was Soft Bites, a significant step up from our previous bread line. Overhauling everything from ingredients to production process, we came up with higher-quality, buttery-soft bread. Soft Bites are affordably priced and



conveniently packaged in single servings, perfect for our on-the-go market. The launch proved successful and contributed positively to our bread category. Offerings include the best-selling Custard Swirl, Rocky Cheese, and Red Bean Bun, all made with fresh Anchor butter.



A complete overhaul of our bread offering resulted in Soft Bites, a line of exceptional-quality, buttery-soft bread at customer-friendly prices.



Multiple products were upgraded, through better ingredients, new packaging, and other improvements.

BLOSSOMING FROM ESTABLISHED FOUNDATIONS

A variety of our other food service products were likewise upgraded, whether through better raw materials, packaging, bigger helpings – as in the case of our literally-named Super Big Bite – or tie-ups with popular brands, such as Spam, Lady's Choice, Purefoods, and Emborg for Crisp Bites Sandwiches; and Del Monte for wraps. Through the improved packaging and product upgrades, sales of these products have increased.

We also launched Japanese Rice snacks with variants such as California Maki, Spam Musubi, and Tuna Mayo Onigiri. These were pilot-tested and well-received in 100 stores, and launched in 186 stores last February 2015.

2015 should see the launch of our new coffee brand, City Blends, which we have been carefully developing, given how refined consumers' tastes have become in terms of coffee. We are confident that we've developed the

perfect quick pick-me-up, and expect to introduce City Blends in 700 stores, particularly within central business districts.

GRAFTING GROWTH OPPORTUNITIES

A year after launching our Every Day! Rewards Card, 7-Eleven launched our Every Day! Rewards app on November 1, 2014. This mobile version lets customers use any portable device – whether smartphone or tablet – as a virtual Every Day! Rewards Card, to:

- Earn points for every purchase;
- Receive news, coupons, and vouchers;
- Browse the rewards catalog, and redeem rewards using their points;
- Check account balance, promo stamps, and raffle entries; and
- Transfer points to friends.

In less than 2 years, 5 million Every Day! Rewards cards have already been sold, and a total of 24,943 have downloaded the app. The Every Day! Rewards app is available for download for iOS and Android phones.

Users of the app enjoyed its ease of use, and, along with the rest of our customer base, enjoyed and appreciated our many promos, including the Breakfast Campaign, Bearlentimes, *Ambagan Ngayong Pasko*, and – particularly in line with our digital initiative – the e-raffles Fit & Win, and Seven Numbers of Christmas.

Loyal customers can be sure to expect more features and innovations from the Every Day! Rewards program in the near future, as we continue to anticipate their needs.

Through our food service, our loyalty program, and our digital platforms, we continue to innovate to make the 7-Eleven experience ever more rewarding, giving our customers reasons to keep coming back for more.

GROWING TOGETHER

Stronger trees share resources with weaker ones, so that the whole forest becomes healthier.



Top 10 overall Trail 1000 winners, with PSC President & CEO Jose Victor T. Paterno.

NURTURING COMMUNITY HEALTH

At 7-Eleven, we see ourselves as part of the communities we serve, so we always strive to give back, beyond the services our stores have to offer. Part of this ongoing endeavor is creating opportunities for the community to come together and enjoy healthy activities, with the unique added benefits enabled by our relationships with our supplier-partners.

On February 23, 2014, we held our first-ever mountain bike race, Trail 1000, in San Mateo, Rizal. The race followed a single-loop course that features spectacular scenery and is altogether ideal for biking, which was made accessible to the general public on this occasion by the generous cooperation of our partner, Timberland Heights.

Trail 1000 was well-attended by over 1,100 bike-riding enthusiasts, with the top placers proudly taking home medals and cash prizes to commemorate their triumph.

SHARING RESOURCES

January 19, 2014 marked the second installment of our 7-Eleven Run Series, Run 1000. Over 17,000 participants enjoyed not only the fun run itself, but free-flowing freebies from our supplier-partners.

Attendees also appreciated the knowledge that they were helping victims of Super-typhoon Yolanda, since part of the proceeds were donated to the SM Cares Foundation, for use in building homes for those affected by the 2013 calamity.



7-Eleven sponsored the participation of top Run 1000 delegates in the 2014 Seoul Race, where they were again triumphant.



Trail 1000 participants at the starting line and at the expo area.



7-Eleven executives donated Run 1000 proceeds to the SM Cares Foundation, to use in building homes for those affected by Typhoon Yolanda.

Following in the footsteps of its likewise-successful predecessor, Run 1000 showed our support for local athletes, pledging to cover all expenses for the top 3 male and female Filipino placers in the 21k category.

We sent top placers from Run 1000 to the 2014 Seoul Race in South Korea, where Mary Joy Tabal and Mario Maglinao each placed first in their respective categories, while Elmer Sabal came in at third. On top of the trophies, cash, and gift certificates awarded to the delegates by the Seoul organizers, 7-Eleven rewarded their excellence and dedication with an additional Php50,000.

STRENGTHENING OUR POSITION

7-Eleven has been hosting events that promote health and wellness since 2010, starting with our Tour 500 bike race. It has been a consistently-rewarding advocacy – bolstering our brand; reinforcing the bonds among us, our customers, and our partners; opening new avenues to aid the less-fortunate; and even allowing us to help boost Filipino pride.

Philippine Seven Corporation is fully committed to supporting community health and Filipino excellence, so we expect to be holding many more such events in years to come.

BINDING CLOSER

Legacy: an interconnection across time, with a need for those who have come before us and a responsibility to those who come after us.

In 2014, our corporate social responsibility arm, PhilSeven Foundation, Inc. (PFI), continued to carry our binding commitment to truly be part of the communities we serve, nourishing our neighbors and supporting development, well beyond our store walls.

In its fourth year, our Mobile Day Care project provided 300 toddlers with accessible, quality preparatory education, to get them ready and enthusiastic for formal schooling.

Our Operation Bayanihan: Adopt a Day Care program had our company divisions each taking ownership of a specific day care center, with employees going hands-on to clean up, paint, and arrange donated furniture and play areas for the kids. The launching and presentation of the adopted day care centers were done last July 11, 2014, in celebration of 7-Eleven Day.

Our Balik-Eskwela project provided 1,000 students with school bags and supplies, such as notebooks, pencils, writing paper, art paper, coloring books, crayons, and clay.

We consider our time and toil well-spent, ensuring that Filipino youth develop the talent and training to become, in turn, happy, healthy citizens. In these ways and more, 7-Eleven is proud and privileged to contribute not just to the well-being of our communities, but, truly, the future of our nation.



A student receiving school supplies, through Balik-Eskwelang Handog ng 7-Eleven.



Kids ready for big school – thanks to Manila Mobile Day Care – joined by (left to right) DSWD Officers Camilo Marinay and Virgie Rada, as well as DSWD 3rd District Manila Head Nila del Rosario.



Partnership launching and turnover of 10 adopted day care centers in Antipolo City, graced by Antipolo Mayor Casimiro Ynares III & 7-Eleven Executives.



"Balik-Eskwelang Handog ng 7-Eleven" – distribution of school supplies to 1,000 selected Caloocan City day care pupils – graced by Caloocan Mayor Oscar Malapitan & President Jose Victor Paterno.

BOARD OF DIRECTORS & CORPORATE OFFICERS



CHIN-YEN KAO
Honorary Chairman of the Board

R.O.C., 85, Honorary Chairman of the Board of PSC since 2002. He is the Honorary Chairman and Director of Uni-President Enterprises Corporation. He is also a Director of President Chain Store Corporation (PCSC), President Fair Development Corporation, President International Development Corporation, President Chain Store (BVI) Holdings Ltd., Kao Chyuan Investment Co., Ltd., Tainan Spinning Co., Ltd and Ton Yi Industrial Corporation. He holds Honorary PhDs from Lincoln University, USA, Sun Yat-sen University, and National Cheng Kung University.



JOSE VICTOR P. PATERNO
President / CEO and Director

Filipino, 46, Director of PSC since 2005. He served as Vice-President for Operations prior to being appointed as President and CEO of PSC. He is a member of the Executive, Audit and Compensation Committees of PSC. He is also the Chairman and President of Convenience Distribution, Inc. (CDI) and Store Sites Holding, Inc. (SSH) and Chairman and Trustee of PhilSeven Foundation, Inc. (PFI), all are subsidiaries/affiliates of PSC. He chairs Supply Chain Networks, Inc. He is also the President of First MFI Network, Inc., and Director of both Electronic Commerce Payment (EC Pay) Network, Inc., and The Straits Wine Company, Inc. He serves as Board Co-Chair (Retailer) of ECR Philippines. He serves as a VP for National Chapter Development of Philippine Franchise Association. He is a member of Management Association of the Philippines, Makati Business Club, Young Presidents Organization, and Coca-Cola Retailing Research Council. He was a Management Associate of Nestle USA from 1990 to 1993. He received the 2013 CEO Excel Award from International Association of Business Communicators (IABC). He was also awarded as the 2012 Master Entrepreneur by Ernst & Young. He holds a Bachelor of Science in Mechanical Engineering, (Magna Cum Laude) from Lehigh University, Bethlehem Pennsylvania, U.S.A.



JOSE T. PARDO
Chairman of the Board and Independent Director

Filipino, 75, Chairman of the Board and Independent Director since 2015. He chairs PSC's Executive Committee and Nomination & Governance Committee. He is also the Chairman and Independent Director of Philippine Stock Exchange, Philippine Savings Bank, Securities Clearing Corporation of the Philippines, and Bank of Commerce. He serves as Independent Director of JG Summit Holdings, Inc. He sits as Chairman of De La Salle University, Inc., ECOP Councils of Business Leaders, PCCI Council of Business Leaders, Philippine Business Center, Inc., Foundation for Crime Prevention, and Assumption Antipolo. He is also the Co-Chairman of De La Salle Philippines, Vice Chairman of EDSA People Power Commission - Office of the President and a Director of National Grid Corporation of the Philippines and ZNN Radio Veritas. Among his awards are Communication Excellence in Organizations Excel Award by IABC Philippines, The Outstanding Filipino (TOFIL) Award, La Sallian "Masters" Award and Distinguished La Sallian from De La Salle University-Manila, Outstanding Alumnus Awardee from De La Salle University Graduate of School of Business, Man of the Year Awardee 2000 by Catholic Educators Association of the Philippines, Productivity Excellence in Leadership-Industry Sector by Asian Productivity Organization Society of the Philippines, Papal Night of St. Sylvester, Honorary Fellow of Asian Productivity Organization of Tokyo, Japan, The Outstanding Young Men (TOYM) Awardee, President Roxas Memorial Award, Founding Fellow of Development Academy of the Philippines (DAP), Citation as Monetary Board Member by Central Bank of the Philippines, and Outstanding Rotarian Award from Rotary Club District 380. Mr. Pardo earned B.S. in Commerce from De La Salle University-Manila and Doctor of Humanities (Honoris Causa) from Gregoria Araneta University Foundation. He was given an Observation Grant to France on Promotion and Financing of Small and Medium Scale Enterprises and a Fellowship Grant to the United States on the Development of Small Medium Scale Industries.



NAN-BEY LAI
Vice Chairman and Director

R.O.C., 63, Director of PSC since 2010. He was elected as Vice-Chairman as of November 13, 2012. He sits as Chairman of the Compensation Committee of PCSC. He is also the Senior Vice President and Director of PCSC. He is the Chairman of Duskin Serve Taiwan Company, Bank Pro E-Service Technology Co., Ltd, and PCSC (Vietnam) Supermarket Ltd. He is a Director of Books.com Co., Ltd., Mech-President Corporation, President Transnet Corporation, President Collect Services Co., Ltd., Uni-President Department Store Corp., President Organics, Co., President SATO Co., Ltd., Q-ware Systems & Services Corporation, Ren-Hui Investment Corporation, SATO (Shanghai) Catering Mathematics Co., Ltd., and Tong-Ho Development Corporation. He holds a BA from the Department of Business Administration, Tunghai University.



JORGE L. ARANETA
Director

Filipino, 79, Director of PSC since 1988. He serves as Consul Ad Honorem of the Embassy of the Republic of Colombia. He also serves as the Chairman and CEO of Araneta Group (Araneta Center Inc., Philippine Pizza Inc., Progressive Development Corporation, and Uniprom Inc.). He also serves as a Director of Wendy's Philippines. Among his awards are the President's Award as Pioneer of Retail Entertainment by Philippine Retailers Association, UP College of Business Administration 2005 Distinguished Alumni Awardee, Franchisee Awardee of the Year for Philippine Pizza, Inc., Top 5 Best Employer in Asia/Philippines by Hewitt Associates/Wall Street Journal/MAP, David Novak YUM Award, Plaque of Appreciation from Cubao Merchants Association, Plaque of Appreciation for Business Leadership from Upsilon Sigma Phi, Plaque of Merit from Quezon City Chamber of Commerce and Industry, Inc. as Recognized Business Leader of Quezon City, Plaque of Appreciation for Outstanding Contribution from the Consular Corps and Diplomatic Corps of the Philippines, Plaque of Appreciation from De La Salle University on the occasion of the establishment of the Don J. Amado Araneta Distinguished Chair of Financial Management. He holds a degree in Bachelor of Science in Business Administration from the University of the Philippines.



ANTONIO JOSE U. PERIQUET, JR.
Independent Director

Filipino, 53, Independent Director of PSC since 2010. He sits as Chairman of the Audit Committee and Member of the Executive Committee of PSC. He is the Chairman of Pacific Main Holdings, Inc., Campden Hill Group, Inc., and Campden Hill Advisors. He is a Director of The Straits Wine Company, Inc. and Trustee of the Lyceum University of the Philippines. He is also an Independent Director of Ayala Corporation, DMCI Holdings, Inc., Bank of the Philippine Islands, BPI Capital, BPI Family Bank, ABS-CBN Holdings Corp., and Max's Group, Inc. He is a Member of the Deans Global Advisory Council in the Darden School of Business, University of Virginia. He holds a degree in AB Economics from the Ateneo De Manila University, MSc Economics from Oxford University, and an MBA from the University of Virginia.



MICHAEL B. ZALAMEA
Independent Director

Filipino, 50, Independent Director of PSC since 2005. He is a Member of the Executive, Audit, Compensation and Nomination & Governance Committees of PSC. He serves as a Director of Campden Hill Advisors, Inc., Clark Pipeline & Depot Company, Inc., Wespak Holdings, Inc. and The Straits Wine Company, Inc. He is the former Portfolio Manager of Global Fund of American International Group, Inc. He is also a Trustee of The Beacon Academy. He holds a Bachelor of Science in Finance from the Fordham University U.S.A and an MBA from the University of Virginia.



WEN-CHI WU
Director

R.O.C., 45, Director of PSC since 2008. She is the Chief Financial Officer of PCSC. She is also a Director of PCSC Restaurant (Cayman) Holdings, Ltd. and President Investment Trust Corp. She is the Supervisor of Books.com Co., Ltd., Mister Donut Taiwan Corp., President Coffee Corp., Q-ware Systems & Services Corp., President Information Corp., Ren Hui Investment Corp., President Chain Store (Shanghai) Ltd., Shanghai President Starbucks Coffee Corp., President (Shanghai) Health Product Trading Company Ltd., Mech-President Corp., President Collect Services Co., Ltd., Uni-President Department Store Corp., President Pharmaceutical Corp., and President Transnet Corp. She holds a degree from the School of Accountancy in University of Missouri in Columbia.



JUI-TANG CHEN
Director

R.O.C., 57, Director of PSC since 2012. He is the President of PCSC, and Ren-Hui Investments Corp. He is also the Chairman of President Yilan Art and Culture Corp., President Transnet Corp., President Collect Services Co., Ltd., President Coffee Corp., Retail Support International Corp., President Musashino Corp., Ren-Hui Investment Corp., President Chain Store (Shanghai) Ltd. and Shanghai President Starbucks Coffee Corp. He is a Director of PCSC, President Drugstore Business Corp., President Beijing Corp., President Pharmaceutical Corp., Uni-President Department Store Corp., 21 Century Enterprise Co. Ltd., Wisdom Distribution Service Corp., Uni-President Cold-Chain Corp., President Development Corp., President International Development Corp., Shan Dong President Yinzuo Commercial Limited, President (Shanghai) Health Product Training Company Ltd., President Chain Store (BVI) Holdings Ltd., PCSC (China) Drugstore Limited, President Chain Store (Labuan) Holdings, Ltd., President Chain Store (Hong Kong) Holdings Limited, President Coffee (Cayman) Holdings Ltd., Uni-President Logistics (BVI) Holdings, Ltd. and Nanlien International Corp. He holds a BA from the Dept of Economics of the National Taiwan University.



MAO-CHIA CHUNG
Director

R.O.C., 56, Director of PSC since 2012. He is the Senior Vice President of the President's Office of PCSC. He is the Chairman of Capital Inventory Services Corp., President Information Corp., Insurance Brokers Co., Ltd., President Chain Store Good Neighbor Foundation and President (Shanghai) Health Product Trading Company Ltd. He is also a Director of President Drugstore Business Corp., President Being Corp., President Pharmaceutical (Hong Kong) Holdings Ltd., Books.com Co., Ltd., Q-ware Systems & Services Corp., Bank Pro E-Service Technology Co., Ltd., PCSC (China) Drugstore Limited, Presiclerc Limited, PK Venture Capital Corp., President Chain Store (Shanghai) Ltd., President Pharmaceutical Corp., President Transnet Corp., and President Collect Services Co., Ltd. He holds a degree in International Trade from the Department of International Trade of Feng Chia University.



LIEN-TANG HSIEH
Director

R.O.C., 54, Director of PSC since 2012. He is the Vice President of Operations Group of PCSC. He is also a Director of Duskin Serve Taiwan Co., Uni-President Cold-Chain Corp., President Baseball Team Corp., President Information Corp., ICASH Corporation and President Chain Store Good Neighbor Foundation. He is a Supervisor of Capital Inventory Services Corp. He holds a degree from the Department of Business Administration of the Chinese Culture University.



YING-JUNG LEE
Vice-President for Supply Chain

R.O.C., 40, Vice-President for Supply Chain of PSC since August 8, 2014. He has been with PSC since 2010. He is a Member of the Executive and Compensation Committee. He is a Director in Convenience Distribution, Inc., a subsidiary of PSC. He was the Leader of the E-Service Team of Marketing Department of President Chain Store Corporation. He obtained his Bachelor's Degree in Cooperative Economic at Feng-Chia University, Taiwan.



PING-HUNG CHEN
Treasurer / CFO and Vice-President for Finance & Administration

R.O.C., 40, Treasurer/CFO of PSC since 2012. He was appointed as Vice-President for Finance & Administration as of August 8, 2014. He is a Member of the Executive and Compensation Committees of PSC. He is a Director of SSHI and a Trustee of PFI, all are subsidiaries/affiliates of PSC. He is the Head of Investment Management and Investor Relations of PCSC. He is also the Financial Planning Specialist of PCSC. He holds a degree in Economics from Tung Hai University and an MBA from National Kaoshiung First University of Science and Technology.



EVELYN SADSAD-ENRIQUEZ
Corporate Secretary / Compliance Officer

Filipino, 51, Corporate Secretary of PSC since 2004. She is a PSC's Legal and Corporate Services Division Head, Compliance Officer & Non-voting Member of Nomination & Governance Committee. She is Corporate Secretary of CDI, Director & Corporate Secretary of SSHI, and Trustee & Corporate Secretary of PFI, all are subsidiaries/affiliates of PSC. She is the President and Director of Columbia Owners' Association Inc. and Internal Auditor of Good Governance Advocates & Practitioners of the Philippines (GGAPP). She is also Director & Corp. Secretary of Sterling Fluid Systems Enterprises, Inc. (SFSE) and Ferguson Park Tower Condominium Corporation (FPTCC). She holds a degree in BSC Economics from the University of Santo Tomas and Bachelor of Laws (Cum Laude) from the Faculty of Civil Law University of Santo Tomas.



Management Team

Jose Victor P. Paterno
President and CEO

Ying-Jung Lee
Vice President for Supply Chain

Ping-Hung Chen
Treasurer / CFO and
Vice President for Finance and Administration

Liwayway T. Fernandez
Operations Division Head

Francis S. Medina
Business Development Division Head

Jose C. Ang, Jr.
General Merchandise Division Head

Atty. Evelyn S. Enriquez
Legal and Corporate Services Division Head

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

Chao-Shun Tseng
Corporate Planning Head

Eduardo P. Bataclan
Procurement Division Head

Jason Jan G. Ngo
Information Technology Division Head

Emmanuel Lee M. Esguerra
Marketing Communications Division Head

Maria Celina D. De Guzman
Internal Audit Manager

Violeta B. Apolinario
Human Resources and Administration
Division Head

Armi A. Cagasan
Strategic Merchandise Division Head

Board Committees

EXECUTIVE COMMITTEE

Jose T. Pardo
Chairman of the Board and
Executive Committee and
Independent Director

Jose Victor P. Paterno
Member and President / CEO

Antonio Jose U. Periquet, Jr.
Member and Independent Director

Michael B. Zalamea
Member and Independent Director

Ping-Hung Chen
Member and Treasurer / CFO and
Vice President for Finance and
Administration

Ying-Jung Lee
Member and Vice President for
Supply Chain

COMPENSATION COMMITTEE

Nan-Bey Lai
Chairman and Vice Chairman of the
Board

Jose Victor P. Paterno
Member and President / CEO

Michael B. Zalamea
Member and Independent Director

Ping-Hung Chen
Non-voting member / Treasurer /
CFO and Vice President for Finance
and Administration

Ying-Jung Lee
Non-voting member and Vice
President for Supply Chain

AUDIT COMMITTEE

Antonio Jose U. Periquet, Jr.
Chairman and Independent Director

Michael B. Zalamea
Member and Independent Director

Jose Victor P. Paterno
Member and President / CEO

NOMINATION & GOVERNANCE COMMITTEE

Jose T. Pardo
Chairman of the Board and
the Committee and
Independent Director

Michael B. Zalamea
Member and Independent Director

Jose Victor P. Paterno
Member and President / CEO

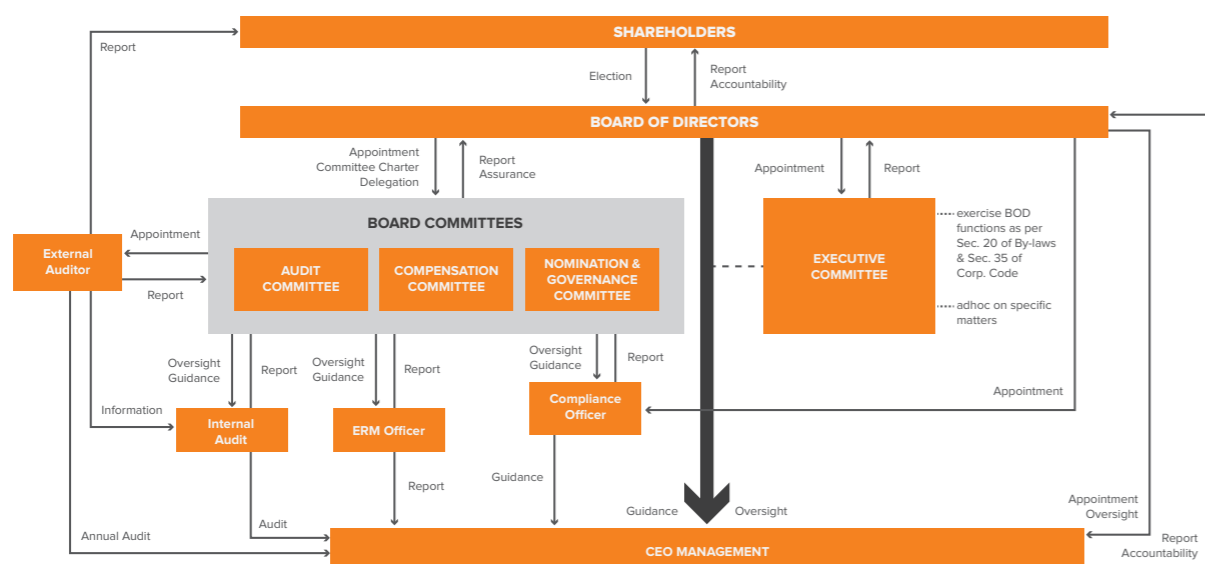
Evelyn S. Enriquez
Non-voting member and Corporate
Secretary

CORPORATE GOVERNANCE

PSC, as the operator of the largest convenience network in the country, recognizes that good corporate governance contributes to corporate efficiencies and increases value for its stakeholders.

GOVERNANCE STRUCTURE

CORPORATE GOVERNANCE FRAMEWORK



BOARD OF DIRECTORS

The Board is predominantly responsible for the governance of the corporation. This responsibility springs from the authority given by the stockholders. Consequently, the Board sets the policies to attain its corporate objectives and provides independent checks on Management. Through the guidance of the Board, PSC is driven to realize its goal of competitiveness, profitability and long-term success consistent with the corporate objectives and in accordance with the best interest of the stockholders and stakeholders.

BOARD RESPONSIBILITIES

The Board exercises their duties and responsibilities as outlined in the CG Manual. It is the Board's responsibility to foster the long-term success of the Corporation.

The Management reviews yearly the Company's vision and mission during its annual and 3-year planning session and submits the same to the Board and/or the Executive

Committee for review and confirmation. Furthermore, the Board reviews and approves the same every year to set the strategic map and objectives for the year and the next three years.

BOARD STRUCTURE AND COMPOSITION

For the year 2014, eleven (11) qualified members, including two (2) independent directors, were elected by the stockholders during the Annual Stockholders' Meeting (ASM) to serve for a period of one (1) year from election.

Mr. Antonio Jose U. Periquet, Jr. and Mr. Michael B. Zalamea continue to serve as the independent directors in 2014. They possess all the qualifications and none of the disqualifications found in Section 17.2 of the Securities Regulations Code (SRC), and other relevant laws, rules and regulations as well as those outlined in the CG Manual. None of the independent directors owns more than 2% of the outstanding capital stock as shown in the table on Shareholding of Directors and Key Officers.

Shareholding of Directors and Key Officers as of 2014
(As Disclosed to PSE/SEC in 2014)

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Vicente T. Paterno	1,399,822 (R) 36,647,422 (B) 38,047,244	Filipino	0.31% (R) 7.99% (B) 8.30%
Common	Jose Victor P. Paterno	11,983,375 ¹	Filipino	2.61%
Common	Jorge L. Araneta	1 ³	Filipino	0.00%
Common	Diana Pardo-Aguilar	1 ³	Filipino	0.00%
Common	Antonio Jose U. Periquet Jr.	1 ³ 927,006 ² 927,007	Filipino	0.20%
Common	Michael B. Zalamea	1 ³	Filipino	0.00%
Common	Jui-Tang Chen	1 ³	R.O.C.	0.00%
Common	Mao-Chia Chung	1 ³	R.O.C.	0.00%
Common	Nan-Bey Lai	1 ³	R.O.C.	0.00%
Common	Wen-Chi Wu	1 ³	R.O.C.	0.00%
Common	Lien-Tang Hsieh	1 ³	R.O.C.	0.00%
Common	Evelyn Sadsad-Enriquez	3,573 ²	Filipino	0.0008%
Common	Lwayway T. Fernandez	5,104 ²	Filipino	0.0011%

¹ Shares directly owned by Vicente T. Paterno is 1,399,822 which is 0.31%, and he has power of attorney for 36,647,422 shares held by his 5 children including above shares of Jose Victor Paterno - 11,983,375 (2.61%)
² Directly owned shares
³ Qualifying shares

The Chairman of the Board and the President are separate individuals. Mr. Vicente T. Paterno served as the Chairman of the Board until his demise last November 21, 2014 and Mr. Jose Victor P. Paterno serves as PSC President and Chief Executive Officer (CEO). The Vice-Chairman Mr. Nan-Bey Lai assumed the functions and duties of the Office of the Chairman of the Board as Acting Chairman on November 21, 2014.

Attendance of the Board of Directors for 2014				
Director	Position	April 24	July 22	
			AM	PM (Organizational)
Vicente T. Paterno*	Chairman / Director	✓	✓	✓
Nan-Bey Lai	Vice Chairman / Director	✓	✓	✓
Jose Victor P. Paterno	President / Director	✓	✓	✓
Jorge L. Araneta	Director	✗	✓	✓
Diana Pardo-Aguilar	Director	✓	✓	✓
Jui-Tang Chen	Director	✓	✓	✓
Mao-Chia Chung	Director	✓	✗	✓
Lien-Tang Hsieh	Director	✓	✓	✓
Wen-Chi Wu	Director	✓	✓	✓
Michael B. Zalamea	Independent Director	✓	✓	✓
Antonio Jose U. Periquet, Jr.	Independent Director	✓	✓	✓

* Deceased as of November 21, 2014 and disclosure submitted to PSE/SEC on November 21, 2014

PSC embraces board diversity in terms of age, gender, culture and religion. As a matter of practice, there are two female directors and the directors of PSC have diversified business experiences in retail, finance, investment, banking, property, IT & Communications.

BOARD PERFORMANCE

The Board of Directors are expected to attend board meetings held by the Corporation which is scheduled before the start of the financial year. The Chairman, the President and CEO, majority of the directors, and independent directors of PSC attended these meetings. Absence of a director in more than 50% of all the regular and special meetings during his incumbency or any 12 month period during such incumbency is a ground for his temporary disqualification in the succeeding election unless the absence is due to serious illness, death in the immediate family or serious accident. All directors complied with attendance requirement of at least 50% of all board meetings for the year.

BOARD QUORUM

As provided in Section 16 of PSC's Amended By-laws, 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.

In addition, Section 48 of PSC's Amended By-laws provides that the approval of the Board of Directors by at least two-thirds (2/3) 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 (2/3) of the issued and outstanding capital stock of the Corporation shall be required on the following corporate acts:

1. Revision and amendment and/or repeal of any of the provisions of the

2. Area Service and License Agreement ("ASLA") between the Corporation and The Southland Corporation;
3. Shortening of the term, cancellation or termination of the ASLA, or the assignment, transfer or conveyance thereof;
4. Engaging in business other than the Corporation's basic business of convenience stores operation which would generate more than 30% of the Corporation's revenue and income;
5. Change of external auditors

BOARD REMUNERATION

PSC has certain standard arrangements with respect to compensation and profit sharing.

Per diems of Php 7,500.00 (as may be fixed by the Board from time to time) are given for every regular or

special meeting of the Board, Executive Committee and Board Committees attended.

ANNUAL BOARD ASSESSMENT

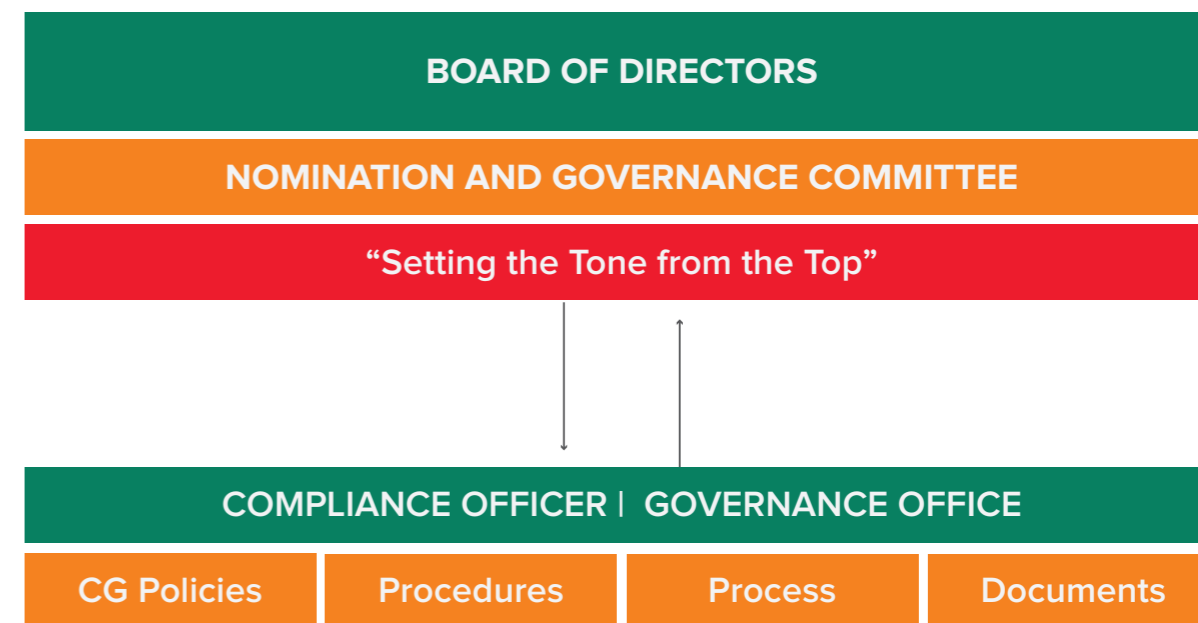
To assess the effectiveness of their performance as a collegial body and as individual members, PSC's Board conducts and accomplishes self-rating surveys yearly. The Audit Committee also appraises their performance by accomplishing a self-assessment worksheet.

Board Assessment

The Board assesses their performance yearly as a whole and as a collegial body through completion of a self-rating form. They evaluate themselves based on 13 questions covering topics from knowledge of the company's beliefs, values, philosophy, mission, strategic plan and business plan to the performance of their duties,

BOARD COMMITTEES

EXECUTIVE	
Members	Functions
<p>Chairman: Jose T. Pardo Members: Jose Victor P. Paterno, Antonio Jose U. Periquet, Jr., Michael B. Zalamea, Ping-Hung Chen, Ying-Jung Lee</p> <p><small>¹Assumed office on January 20, 2015 ²Appointed ExCom member on January 20, 2015</small></p>	<p>Acts on specific matters as may be delegated to it by the Board, except with respect to: (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. 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.</p>
AUDIT	
Members	Functions
<p>Chairman: Antonio Jose U. Periquet, Jr. Members: Jose Victor P. Paterno, Michael B. Zalamea ³</p> <p><small>³Appointed ExCom member on January 20, 2015</small></p>	<p>Assists the Board in the performance of its oversight responsibility for the financial reporting process, 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; and performs oversight functions over the Corporation's internal and external auditors.</p>
COMPENSATION	
Members	Functions
<p>Chairman: Nan-Bey Lai Members: Jose Victor P. Paterno, Michael B. Zalamea, Ying-Jung Lee (Non-voting), Ping-Hung Chen (Non-voting)</p>	<p>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.</p>
NOMINATION & GOVERNANCE	
Members	Functions
<p>Chairman: Jose T. Pardo⁴ Members: Jose Victor Paterno⁵, Antonio Jose U. Periquet, Jr., Michael B. Zalamea⁶, Evelyn Sadsad-Enriquez (Non-voting)</p> <p><small>⁴Assumed office on January 20, 2015 ⁵Appointed NomGov member on January 20, 2015 ⁶Appointed NomGov member on January 20, 2015</small></p>	<p>Reviews and evaluates the qualifications of all persons nominated to the Board that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. It also oversees the development and implementation of corporate governance principles and policies as part of its governance functions.</p>



responsibilities and functions. Rating shall be from 1- Not Performing to 5- Outstanding Performance.

The Board also answers a separate self-rating form to evaluate their individual performance. For the board of directors, rating shall be from 1- Not Performing to 5- Outstanding Performance. For the individual directors, rating is either SA - Strongly Agree, A - Agree, N - Neither Agree Nor Disagree, D - Disagree and SD - Strongly Disagree.

Board Committee Assessment

The Audit Committee Members also evaluate their yearly performance through accomplishing a self assessment worksheet in accordance with the Audit Committee Charter. They evaluate themselves based on questions which fall under their responsibilities under the Charter such as Setting of Committee Structure and Operation, Oversight on Financial Reporting and Disclosures, Oversight on Risk Management and Internal Controls, and Oversight on External Audit. Rating is either YES or NO. Once a YES rating is given, the reference document shall be cited and in case of a NO rating, the action needed shall be indicated. The results of the Board and Board Committee assessment/survey are compiled by the Compliance Officer and are reported during the Nomination & Governance Committee Meeting immediately following the completion of the assessment/survey.

DISCLOSURE AND COMPLIANCE

GOVERNANCE AND COMPLIANCE PROGRAM

In order to regularly improve and sustain its good corporate governance practices, PSC continues to be transparent by disclosing all compliance reports to SEC

and PSE. It also constantly monitors and reviews the developments on Good Corporate Governance Practices and the regulatory requirements in connection with these practices.

PSC has consistently complied with the disclosure and reportorial requirements of both SEC and PSE, which included the following:

- Annual Report (17-A) together with the consolidated audited financial statements
- Definitive Information Statement
- Certification of attendance at board meetings by the directors and PSC's compliance with its Manual of Corporate Governance
- Clarifications on news articles referred to or as requested by PSE; disclosure requirements on changes in beneficial ownership of securities under the SRC, and the reporting of trading transactions of directors and concerned officers of the Corporation by the Compliance Officer
- Certification and submission of regular periodic reports involving financial statements, disclosure of material information and events
- Annual Corporate Governance Report (ACGR) and changes in the ACGR
- Regulations and circulars passed by SEC and PSE from time to time and other regulatory requirements prescribed by regulatory agencies
- Minimum Public Float pursuant to PSE Memorandum

All the foregoing reports were disclosed to and are available in the web page of the said regulatory institutions - namely, SEC (www.sec.gov.ph) and PSE (www.pse.gov.ph and <http://edge.pse.com.ph>) – and at the PSC website (www.7-eleven.com.ph).

COMPANY POLICIES, PROCESSES AND PRACTICES

CORPORATE GOVERNANCE MANUAL

PSC CG Manual encapsulates PSC's corporate governance policies, governance structure, qualifications and disqualifications of directors and the duties and functions of directors, compliance officer and the corporate secretary. It also contains provisions on governance self-rating, disclosure and transparency, and commitment to good corporate governance. It was approved and adopted on August 2002. This was further amended pursuant to SEC Memorandum Circular No. 6, Series of 2009 and Circular No. 9, Series of 2014. The amendments were approved on July 29, 2010 and July 22, 2014, respectively. The manual can be downloaded from PSC's website www.7-eleven.com.ph and is also available in its intranet system.

CODE OF CONDUCT AND BUSINESS ETHICS

With the core values of teamwork, integrity, reliability, customer focus and data driven as basis, PSC Code of Conduct and Business Ethics (CCBE) contains principles and standards of action guiding the employees, directors, and officers towards their relationship to their position, fellow employees and the Corporation's resources. The Code can be downloaded from PSC's website www.7-eleven.com.ph and is also available in its intranet system.

POLICIES

Below are policies that support PSC's aim to strengthen good governance practices within the organization.

Name of Director / Officer	Date of Training	Program	Name of Training Institution
Jose Victor P. Paterno	July 21, 2014	Creating Advantage Through Governance	SGV & Company
Jorge L. Araneta	January 14, 2015	Creating Advantage Through Governance	SGV & Company
Diana Pardo-Aguilar	April 29, 2014	Corporate Governance	ROAM, Inc.
Jui-Tang Chen	July 21, 2014	Creating Advantage Through Governance	SGV & Company
Mao-Chia Chung	November 27, 2014	Creating Advantage Through Governance	SGV & Company
Lien-Tang Hsieh	July 21, 2014	Creating Advantage Through Governance	SGV & Company
Nan-Bey Lai	July 21, 2014	Creating Advantage Through Governance	SGV & Company
Wen-Chi Wu	July 21, 2014	Creating Advantage Through Governance	SGV & Company
Antonio Jose U. Periquet, Jr.	July 21, 2014	Creating Advantage Through Governance	SGV & Company
Michael B. Zalamea	July 21, 2014	Creating Advantage Through Governance	SGV & Company

Reportorial Compliance - effective January 1, 2014 - PSC ensures that reportorial compliance reports required by the Securities and Exchange Commission, 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.

Whistle blowing – effective October 01, 2013 - The policy applies to all employees of PSC and its subsidiaries, service providers and suppliers, their agents and employees. It encourages the use of PSC’s internal mechanisms for reporting whistle-blowing matters in a responsible and effective manner. The main objective of the Whistle blowing Policy is to establish the proper channel for reporting of violations of the Code of Conduct and Business Ethics and other related policies and procedures. An independent committee known as the Committee on Conduct is tasked to handle reports of such violations.

Illegal/unethical conduct shall be reported in writing either anonymously or otherwise depending on the whistleblower’s discretion. Modes of reporting can be through a letter, e-mail or other means established by the company. All reports are treated with

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, violation of procedure and policy. The whistle-blower 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 in the PSC’s Employee’s Handbook.

Insider Trading (Trading Block-outs) - effective January 1, 2013 – Policy restricts the trading of shares by PSC directors, executives, officers and employees who possessed material non-public information from taking advantage of the same, to the damage of the Company and the investing public. Covered persons are prohibited from trading within five (5) trading days before and within three (3) trading days after the submission of structured and non-structured disclosures. Any transaction involving corporate shares done must be reported to the Corporate Secretary within three (3) calendar days from the trading day.

Conflict of Interest - effective on August 1, 2011 - 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 interest of the Company, all employees are required to disassociate themselves

from any engagements that may compromise the company’s interest and should there be any appearance of conflicting interest, to disclose the same to proper authorities in the Company.

In order to achieve these ends, all employees are required to fill-out the Employee’s Disclosure and other Related Endeavors Form on the first day of work. All contracts with PSC Franchisees, Non-Trade and Trade Suppliers, Contractors and Service Providers also undergo review and accreditation process. Solicitations, unless allowed by Company Policies, and accepting bribes and kickbacks are prohibited.

Related Party Transactions - effective November 1, 2004 – The policy on RPTs ensures that all company dealings are done at arms’ length basis, that is, these transactions are priced in such a manner similar to what independent parties would normally agree. 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 Purchasing Committee. The Audit 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 Company in mind.

PRACTICES

The Institute of Corporate Directors recognized the CG efforts of the Corporation by awarding PSC as a Silver Awardee of the 2011 Corporate Governance Scorecard. To keep informed on recent CG developments, PSC joined membership in Good Governance Advocates and Practitioners of the Philippines (GGAPP), an organization that promotes good governance. The Company is also a signatory to the Integrity Initiative Campaign.

To ensure that all directors in the company have working knowledge of PSC and its operations, the company established an orientation program for new directors. This program includes information regarding the Company’s business overview, update and retail exposure of 7-Eleven Philippines C-store operation, and corporate governance. Furthermore, PSC also provides continuing education on Corporate Governance (CG). Over the years, the board of directors and key officers have attended several CG trainings. To the left is a table containing the list of CG trainings the BOD have attended for 2014.

RISK MANAGEMENT

PSC recognizes that risk management is an integral part of sound management practice and good corporate governance as it improves decision-making and enhances outcomes and accountability. PSC acknowledges its responsibility to manage risks and supports a structured, systematic and focused approach to managing them by approval of the risk management strategy.

The top risks in retail industry to which PSC belongs include economic slowdown, increase in completion and brand reputation. Meanwhile, the main risks arising from the Company’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 preapproves 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 Committee regarding the direction, scope and coordination of audit and any related activities.

The PSC Board of Directors or Executive Committee, via the Audit Committee, oversees the establishment and implementation

of the risk management system and annually reviews the effectiveness of the system. In particular the Audit Committee considers on a regular basis 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; and
- Timely remedial action is undertaken to redress areas of weakness.

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

STAKEHOLDERS

PSC works together with the stakeholders in developing governance programs. It takes measures to preserve and protect their rights as mandated by relevant laws and internal policies.

INVESTORS

PSC respects the rights of shareholders to vote, to inspect corporate books and records, to gain access to relevant information, right to dividends, pre-emptive right and appraisal rights, all in accordance with the Corporation Code. In accordance with their right to vote and in compliance with applicable laws, notices were provided to shareholders at least 15 business days prior to the holding of the ASM. The notice contains the date, time, venue and agenda of the meeting. ASM was held in a venue that is accessible to shareholders as part of efforts to remove unnecessary costs and other administrative impediments to the stockholder’s participation in the conduct of the annual and special stockholder’s meetings. During the ASM, shareholders are given the opportunity to ask questions that are relevant to the corporation’ operations, performance, and prospects.

Shareholders are also given updates of the corporate events and operations of the Corporation through the PSC website. SEC and PSE structured and unstructured disclosures/reports are also uploaded in the website for shareholder’s’ perusal. Shareholder’s

queries maybe coursed through email at psc-corp@7-eleven.com.ph. Investor queries can be e-mailed to investor-relations@7-eleven.com.ph.

Dividend Policy
PSC considers the benefit of its shareholders as one of its priority management policies. It aims to sustain revenue stream 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.

CUSTOMERS

PSC remains committed in providing excellent customer service in all of its business endeavors. This commitment is embodied in one of PSC’s core values, which is to be “Customer-Focused”. Following this mandate, the Corporation strives to put its customers first. To support this policy, PSC constantly increases and improves the assortment and quality of its products. For 2014, PSC introduced Chef Creations Meal by Chef Claude Tayag, Japanese Rice Snacks and Soft Bites among others.

PSC also regularly takes part of the Guest Experience Monitoring (GEM), an initiative of Seven-Eleven, Inc. (SEI) where a third-party evaluates PSC and conducts a “mystery shopper” survey. PSC and other 7-eleven stores are evaluated and receive ratings based on different criteria including Customer Service. For 2014, PSC received a 92.34 overall rating which is significantly higher than the overall score of 82.27 of its counterparts.

PSC’s efforts to improve its customer service did not go unnoticed. In 2010, 83 PSC Stores in the National Capital Region (NCR) became the recipient of the Department of Trade & Industry’s (DTI) Golden Seal “Bagwis” Awards. DTI Bagwis is a “Certified Establishment Program (Bagwis Awards) 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.”

To attain customer satisfaction, the Corporation also improves its processes and customer service with the creation of different programs such as the 7-Eleven Every Day! Reward Cards, variance of Breakfast Combo promos and redeemable items upon

earning rewards points. This year, to enhance rewards cards experience for customers, PSC launched the Every Day! Rewards mobile application for Android and IOS which customers may download for free and use to redeem their points and redeem their rewards. The Corporation also has an existing customer care hotline and a dedicated e-mail customer care@7-eleven.com.ph for customer complaints, concerns and feedback. It also continues to monitor its social media accounts for any feedback regarding its products and services.

CREDITORS

Consistent with the values espoused by the company, employees, directors and officers conduct themselves with integrity in dealing with business partners including its creditors. Recognizing their contribution in the expansion of its business, PSC respects the rights of its creditors. In order to safeguard these rights, PSC strives to comply with all agreements and covenants with its creditors and ensures faithful compliance with all applicable laws, regulations and best business practices.

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 Securities and Exchange Commission, 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.

SUPPLIERS

PSC works with various suppliers in accordance with PSC's policies on accreditation of suppliers. PSC evaluates goods and services provided by its suppliers based on the quality, pricing and trading terms, payment conditions, and distribution channels to ensure that they are fit for the purpose they were procured with the best value available. Accreditation is valid for one (1) year from date of acceptance; thereafter supplier/s may file for re-accreditation).

PSC employs a third party procurement validator for its supplies. Suppliers are also subject to regular inspection for quality control and evaluated based on standard requirements and criteria such as good manufacturing practices, sanitation, and product quality control.

EMPLOYEES

PSC values its employees and their contribution to achieving the corporate objectives. It respects their rights to self-organization, safe working conditions and work-life balance.

The company had a manpower complement of 4,164 personnel, 902 of whom are regular employees, 153 contractual/probationary and 3,109 cooperative members to augment temporary needs during peak hours or season in the stores and the support services units. There is no existing labor union in the company and collective bargaining agreement. There is a PSC Employees Council which communicates to management the employees concerns. There has been no strike or threat to strike from the employees for the past three years.

The Company has a Retirement Benefit Plan which aims to provide, through a retirement fund, for the payment of retirement, disability, death or separation benefits to its employees or their beneficiaries as the case may be. Further, in accordance with employees' benefits program, the Company provides health and life insurance coverage, wellness program, and work leaves under the law and company policies. The company provides all regular employees with Health Insurance where they are eligible for in-patient care, out-patient care, emergency care, dental care, surgical procedures and other sophisticated procedures and maternity benefits. Employees are also covered with Group Life and Accident Insurance Plan which serves as protection in case of death, whether natural cause or accident, and dismemberment. Wellness program are also provided to the employees to further improve health and fitness among them thereby increasing productivity in the workplace. Target Incentive for Support Personnel and Annual Performance Bonus were granted based on achievement rate of target pre-tax income. These are provided to regular employees and executive officers of the Company. This is PSC's rewards policy that accounts for the performance of the company beyond short-term financial measures. To validate if above benefits are aligned with the employees' needs, an employee satisfaction survey for all position levels is being conducted annually.

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 to them in line with the Company's succession planning program.

In-house trainings are also provided by the Company to employees with specialist and rank and file level. These trainings are designed to augment and develop the employee skills and competencies.

THE COMMUNITY

PSC reaches out to the communities where 7-Eleven stores are situated and partner with them in providing Disaster Relief Assistance, Supplemental Feeding Program, Balik-Eskwela Assistance, Adopt-a-Day Care Program, Medical Missions, Mobile Day Care assistance, and Christmas Caravan. These programs are implemented through the PhilSeven Foundation, Inc. (PFI), where PSC pledged half of 1% of its annual net income before tax as a yearly donation to support CSR activities.

To know more about PFI's activities, please refer to the Corporate Social Responsibility of this book, "Binding Closer" and their website <http://www.philseven.com/>.

COMPANY WEBSITE

With the aim to provide information to and engage its stakeholders, PSC maintains and updates its website www.7-eleven.com.ph where separate links are dedicated to Corporate Governance, Company Disclosures and Investor Relations. The links contains information required under SEC Memorandum Circular 11-2014 and includes all disclosures submitted to PSE and SEC and other information that investors, shareholders and stakeholder may require. PSC also maintains social media accounts at <https://www.facebook.com/711philippines>.

AUDIT COMMITTEE REPORT

The Board of Directors Philippine Seven Corporation

Further to our compliance with applicable corporate governance laws and rules, we confirm for the year 2014 that:

1. The Audit Committee is composed of three (3) directors, including the Chairman who is an independent director;
2. The Committee had two (2) meetings during the year. 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, 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 discussed with SGV & Co. all the items required to be discussed by the prevailing applicable Auditing Standard, including the required communications to the Audit 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;
5. 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, 2014 with the PSC's management and with SGV. SGV has expressed its opinion on PSC's conformity with Philippine Financial Reporting Standards (PFRS);
6. Based on the foregoing but subject to the limitations of the Committee's role as encompassed in our Audit 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, 2014 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.


ANTONIO JOSE U. PERIQUET, JR.
Chairman and Independent Director


JOSE VICTOR P. PATERNO
Member and Director/President


*DIANA PARDO-AGUILAR
Member and Director
*Resigned as of January 20, 2015

EXCERPTS OF FINANCIAL STATEMENTS

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 29 and 30)	1,241,685,743	973,002,633
Short-term investment (Notes 4, 29 and 30)	10,884,130	10,810,229
Receivables (Notes 5, 29 and 30)	589,387,141	468,845,049
Inventories (Note 6)	1,165,094,076	900,849,891
Prepayments and other current assets (Note 7)	358,396,530	270,748,698
Total Current Assets	3,365,447,620	2,624,256,500
Noncurrent Assets		
Property and equipment (Note 8)	3,558,089,998	2,746,672,621
Deposits (Notes 9, 29 and 30)	460,528,797	313,888,467
Deferred income tax assets - net (Note 27)	79,238,167	63,203,127
Goodwill and other noncurrent assets (Notes 10, 29 and 30)	419,000,444	276,692,257
Total Noncurrent Assets	4,516,857,406	3,400,456,472
TOTAL ASSETS	7,882,305,026	6,024,712,972
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 11, 29 and 30)	750,000,000	560,000,000
Accounts payable and accrued expenses (Notes 12, 29 and 30)	2,445,160,713	1,872,703,489
Income tax payable	176,425,816	109,792,774
Other current liabilities (Notes 13 and 25)	853,722,638	634,006,329
Total Current Liabilities	4,225,309,167	3,176,502,592
Noncurrent Liabilities		
Deposits payable (Note 14)	234,502,609	202,888,935
Net retirement obligations (Note 24)	100,404,074	96,481,142
Cumulative redeemable preferred shares (Note 15)	6,000,000	6,000,000
Deferred revenue - net of current portion (Note 16)	26,552,651	1,607,183
Total Noncurrent Liabilities	367,459,334	306,977,260
Total Liabilities	4,592,768,501	3,483,479,852

(Forward)

Please refer to the companion book for the complete set of the 2014 Audited Financial Statements

	December 31	
	2014	2013
Equity		
Common stock (Notes 17 and 31) - 1 par value		
Authorized -600,000,000 shares		
Issued - 459,121,573 shares	459,121,573	459,121,573
Additional paid-in capital (Note 31)	293,525,037	293,525,037
Retained earnings (Notes 17 and 31)	2,546,335,563	1,810,521,305
Other comprehensive income (loss):		
Remeasurements loss on net retirement obligations- net of deferred income tax asset	(25,041,697)	(22,241,444)
Revaluation increment on land -net of deferred income tax liability (Notes 8 and 27)	18,519,295	3,229,895
	3,292,459,771	2,544,156,366
Cost of 686,250 shares held in treasury (Note 17)	(2,923,246)	(2,923,246)
Total Equity	3,289,536,525	2,541,233,120
TOTAL LIABILITIES AND EQUITY	7,882,305,026	6,024,712,972

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Revenue from merchandise sales	17,107,375,250	14,133,649,192	11,713,760,468
Franchise revenue (Note 32)	1,647,589,963	1,367,253,289	683,572,827
Marketing income (Note 20)	463,413,150	380,793,855	405,856,204
Rental income (Note 26)	51,118,568	48,341,871	45,751,718
Commission income (Note 32)	39,214,967	43,402,035	67,396,391
Interest income (Note 22)	5,741,549	7,165,804	5,377,093
Other income	353,231,243	214,886,062	123,025,663
	19,667,684,690	16,195,492,108	13,044,740,364
EXPENSES			
Cost of merchandise sales (Note 18)	12,861,596,475	10,661,629,518	8,553,239,221
General and administrative expenses (Note 19)	5,516,373,836	4,520,385,066	3,784,875,178
Interest expense (Note 21)	16,195,818	16,247,890	16,596,830
Other expenses	18,249,864	13,799,871	14,595,186
	18,412,415,993	15,212,062,345	12,369,306,415
INCOME BEFORE INCOME TAX	1,255,268,697	983,429,763	675,433,949
PROVISION FOR INCOME TAX (Note 27)	381,923,842	300,802,114	210,257,926
NET INCOME	873,344,855	682,627,649	465,176,023
OTHER COMPREHENSIVE INCOME (LOSS) NOT TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Revaluation increment on land-net of tax (Note 8)	15,289,400	-	-
Remeasurement loss on net retirement obligations	(2,800,253)	(10,696,341)	(430,788)
TOTAL COMPREHENSIVE INCOME	885,834,002	671,931,308	464,745,235
BASIC/DILUTED EARNINGS	1.91	1.49	1.01

See accompanying Notes to Consolidated Financial Statements.

Please refer to the companion book for the complete set of the 2014 Audited Financial Statements

7-ELEVEN STORES WORLDWIDE

Stores	2014	2013	2012
7-Eleven, Inc. (1)	8,297	8,292	8,118
Hawaii	60	59	59
Mexico	1,851	1,690	1,498
NA Totals/Averages	10,208	10,041	9,675
Denmark	190	196	197
Norway	155	157	159
Sweden	192	189	187
Europe Totals/Averages	537	542	543
Australia	611	595	595
Beijing	175	150	200
Chengdu	66	79	85
Chongqing	10	2	-
Hong Kong	921	916	915
Indonesia	187	143	94
Japan	17,206	16,020	14,807
Korea	7,231	7,160	7,202
Macau	45	44	42
Malaysia	1,745	1,557	1,407
Philippines	1,282	1,009	829
Qingdao	25	28	-
Shanghai	76	75	84
Singapore	493	537	570
So. China	686	647	587
Taiwan	5,040	4,922	4,852
Thailand	8,150	7,411	6,794
Tianjin	60	56	-
Asia Totals/Averages	44,009	41,351	39,063
Totals / Averages	54,754	51,934	49,281

Source: 7-Eleven International December 2014 Snapshot Summary

CORPORATE INFORMATION

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Sycip Gorres Velayo & Company

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