



2014 PCSC

Corporate Social Responsibility Report



About this report

This is the 6th Corporate Social Responsibility (CSR) Report released by PCSC, and was authored in accordance with the Core of the GRI 4.0 guidelines issued by the Global Report Initiative (GRI). This year's report focuses on "narrowing the rural-urban divide" to demonstrate PCSC's views and practices concerning CSR; it also details our accomplishments in the corporate governance, economic, environmental and social aspects during the course of 2014, as well as our plans for the future. At the same time, we used materiality identification and topic analysis (please refer to the chapter of Stakeholder Engagement) to filter out issues important to PCSC. We hope that by disclosing, communicating, and providing feedback through different channels, it will provide the maximum mutual benefits for all stakeholders and help us realize the goal of being the top retailer.



Reporting Period, Scope, and Data

This report discloses our CSR-related performance during 2014 (from January 1, 2014, to December 31, 2014). Some of the data refers to our performance prior to 2014. The scope of this report is centered upon the President Chain Store Corporation (PCSC), including corporate headquarters, stores, and lifestyle centers; it also encompasses information on green logistics, as well as energy-saving and carbon reduction initiatives at four affiliated logistics companies including Uni-President Cold-Chain Corp., Wisdom Distribution Service Corp., Retail Support International and President Logistics International Corp. Data from other affiliated enterprises will be progressively incorporated in future reports to provide a complete picture of the PCSC value chain. The financial data in this report are based on publicly available information certified by accountants, and all figures are presented in NTD; other data were sourced from internal audits and statistics. The quantification of greenhouse gases was calculated using the latest carbon emissions factors released by the Environmental Protection Administration and Bureau of Energy in Taiwan.



Report Authentication

PwC Taiwan was commissioned to conduct independent limited assurance on this report in accordance with the Assurance Standard No. 1 "Assurance Engagement of Examinations or Audits of Non-historical Financial Information" issued by the Accounting Research and Development Foundation. The assurance statement is included in the Appendix.



Date of Publication

PCSC will release its annual CSR report through the corporate website at <http://www.7-11.com.tw>.

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Contents

Message from the Chairman and President

CSR Organization and Strategy 2014 Sustainability Performance

1 About President Chain Store Corporation (PCSC)

- 1.1 Company Scale and Background
- 1.2 Our Products and Services
- 1.3 Corporate Governance
- 1.4 External Recognition
- 1.5 Operating Strategy and Management
- 1.6 Stakeholder Communications and Material Issues

2 A Good Neighbor Who is Always There for You

- 2.1 A Convenient and Sustainable Lifestyle
- 2.2 Strict Enforcement of Product Safety
- 2.3 Sustainable Supply Chain Management
- 2.4 Warm Services, Always Open

3 A Good Neighbor Who Cares for the Environment

- 3.1 Energy Conservation and GHG Reduction
- 3.2 Taiwan's Largest 24/7 Recycling Platform
- 3.3 Green Lifestyle

4 A Good Neighbor Who is Involved with the Local Community

- 4.1 Building a Happy Community
- 4.2 Good Neighbor Foundation
- 4.3 Bringing People Together through Charity

5 A Good Neighbor Who Creates a Friendly Workplace

- 5.1 Implementation of Employee Care
- 5.2 Promote Harmonious Employee and Employer Relations
- 5.3 Worker Safety and Health
- 5.4 Promotion and Rewards

Appendix

- 1 Assurance Checklist
- 2 Limited Assurance Report issued by the Accountant
- 3 GRI 4.0 Indicator Index
- 4 Enhanced Disclosure Under Article 4, Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies

Message from the Chairman and President



Chairman of PCSC
Lo, Chih-Hsien



President of PCSC
Chen, Jui-Tang

From bustling cities to offshore islands, from high mountain tops to seaside villages, 7-ELEVEN stores are common sights throughout Taiwan, and they provide a warm and welcome gathering place in each neighborhood. After 37 years, PCSC continues to develop quality products and introduce innovative marketing campaigns to provide total convenience and become a good neighbor in people's daily lives. We also understand that growing business means growing responsibilities. We have therefore always embraced the philosophy of "sincerity, innovations, and sharing" in order to spread our corporate social responsibility from the "heart", bringing stability and positivity to society.

We are fully aware that the key elements of a successful business come from the choices and trust of stakeholders. With the dedication of all employees and franchisees, the full support of our suppliers and the acceptance of consumers, 7-ELEVEN has surpassed the 5,000-store mark in 2014. This not only paves the way for providing the public with even more convenient services, but also supplies us with the driving force to become the top retailer.

As a key player in Taiwan's convenience store industry, it is essential for us to exert our corporate influence and actively fulfill our corporate social responsibility in order to bring about a sustainable society. We have spared no effort when it comes to corporate governance, social engagement, and environmental protection. We also take part in external assessments to collect feedback and criticism from all external parties. In 2014, we had the honor of being included in the MSCI Global Sustainability Indices, and once again received awards such as the CommonWealth magazine's Benchmark Company and Digital Age magazine's Green Retail Brand. In addition to expressing our appreciation for the support from various sectors, our participation in these awards also helped us identify internal deficiencies for making continuous improvement. To convey PCSC's progress in terms of sustainability to the general public, we are publishing our 6th CSR report this year; it provides not only a regular review of our management performance, but also serves as a tool and media for stakeholder communications.

Enhancing Corporate Governance in Pursuit of Sustainability

PCSC is committed to building a comprehensive corporate governance framework. In addition to improving our business performance, we have also worked hard to improve the transparency and timeliness of our public disclosure in recent years. In 2014, PCSC received the highest "A++" award in the "11th Information Disclosure Review for Listed Companies", making us the only retailer in Taiwan to receive such award; and at the "1st Corporate Governance Evaluation" conducted this year, we were ranked in the top 5% among all TWSE/GTSM-listed companies. Such recognition from the Taiwan Stock Exchange reflected our investment in corporate governance. In terms of CSR governance, we have escalated the level of the Corporate Social Responsibility Committee to ensure better enforcement of management systems and compliance with external trends and regulatory changes. More sustainability topics are now being re-structured and re-grouped under higher

standards. Apart from an emphasis on cross-department cooperation and systematic management of CSR issues, we also placed ourselves in the stakeholders' position when communicating and responding to topics of concern.

Earning Consumer Trust through Food Safety

As the last line of defense, ensuring the safety of what consumers eat is our most basic and critical mission. We have therefore continued to refine our food safety management measures and introduced many new initiatives in 2014. Our quality control system includes a Product Safety Committee where different departments work together each quarter to review and consolidate the safety and quality practices for private label products. A "Product Safety Information Collection, Assessment, and Tracking Procedure" has been established as well to identify serious product safety incidents, customer complaints, and government regulations; this helps us examine potential food safety risks during self-reviews. For logistics system and supply chain management, we introduced primary transportation for the first time where rigorous QC and temperature controls measures are enforced between the supplier and the distribution centers to ensure all products remain fresh and safe. We have also set up a supply chain management team independent of the QA Department to step up audits of private label suppliers. The tiered management and exit mechanism prevent high-risk vendors from entering the PCSC supply chain.

In addition, we set up a quality inspection lab in 2012. We are therefore one of the few retail companies in Taiwan with its own world-class accrediting testing unit. As of 2014, we have a total of 487 standards testing methods on record. Before products are placed on store shelves, our quality inspection lab rigorously sample products and raw materials for any animal drug residue, pesticide, and food additives. We hope that through our layers of checks, a fine safety net can be created to protect consumer rights and interests.

Creating a Good Neighbor Image with Our Stores

For a long time, we have made our stores the place for people to connect and establish relationships with each other, as well as for community activities organized by the PCSC Good Neighbor Foundation. First launched in 2009, "Good Neighbor Funfests" have been hosted nearly 4,000 times and were attended by more than 460,000 people. In 2014, we officially named our 5000th store located in Neimen District, Kaohsiung the "Good Neighbor Store", as we hope this will represent our brand's role as a good neighbor in the community, bridge the service gap between urban and rural areas, and support local development at the same time. In terms of social care, PCSC offered immediate assistance by offering our resources during emergency rescue efforts after the Kaohsiung gas explosion. We also helped disaster victims with fundraising for rebuilding. "OPEN! Cares health stations" were established in rural hospitals. With exciting music, dancing, and interactive games offered by the OPEN! family to provide encouragement for sick children. More than NT\$1 million in materials and manpower were invested to care for more than 1,200 sick children. We have also made our stores the starting point for promoting environmental protection, as well as energy-saving and carbon reduction. Energy-saving designs are now being considered during the initial planning stages of new stores. Existing stores are also aggressively upgrading to high-performance and energy-saving equipment. In 2014, the amount of electricity consumption per square meter of floor area was down 3.6% compared to 2013; this is a clear indication that we are doing all we can to improve energy efficiency at all stores.

For the coming year, PCSC will continue to embrace our vision of "Friendly 24-hour Service, Happiness is Always Near." We will consolidate the resources of the Group, focus on our core business and hope that even as we pursue innovation and growth, we will also strive to fulfill our corporate social responsibility in our daily operations. What's more, we will leverage the core capabilities of our store operations to do all we can to bridge the gap between Taiwan's rural and urban regions, to build community cohesion, and to help solve social problems such as the aging population and education of disadvantaged children. Our mission is to satisfy all stakeholder expectations and to become the "good neighbor in the community".

Chairman 

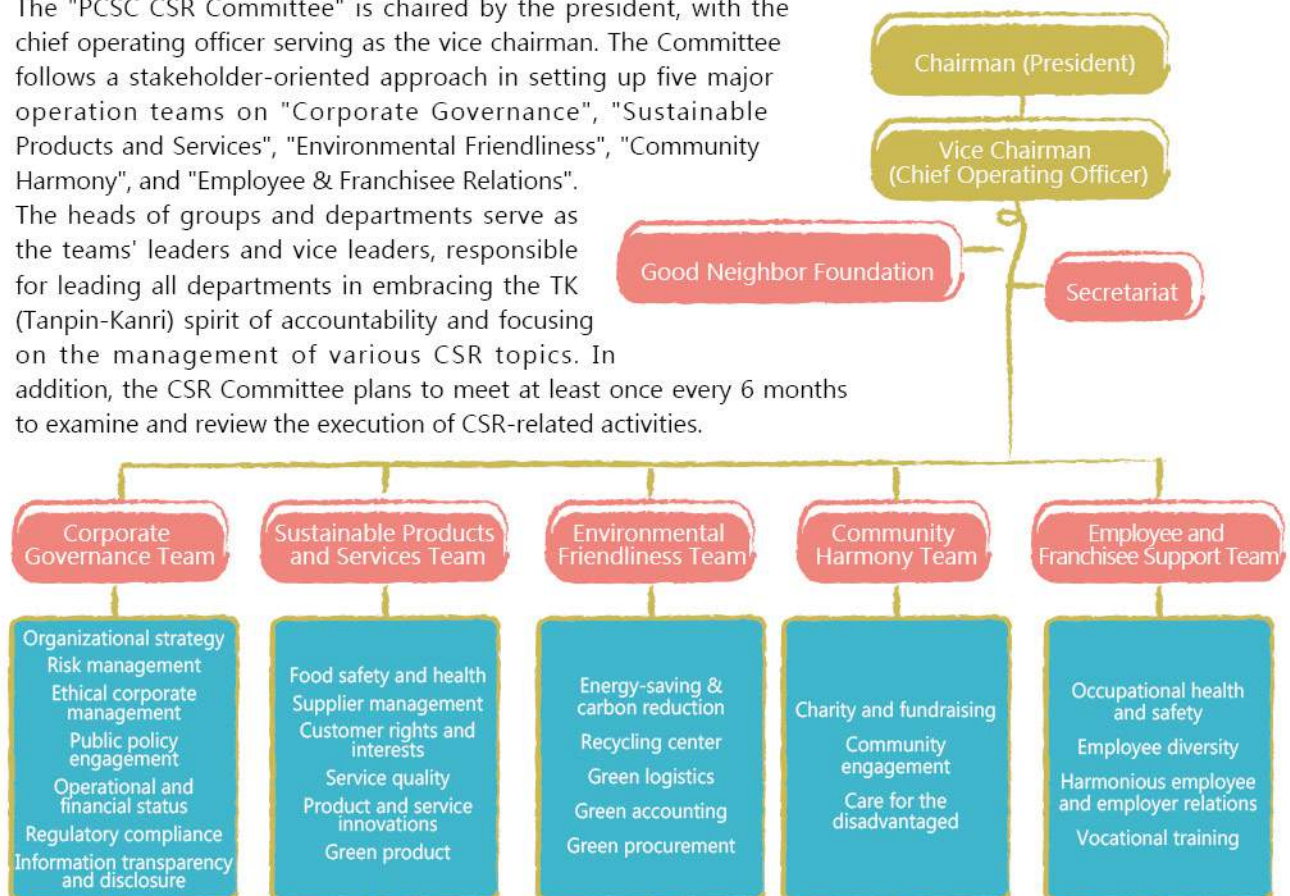
President 

CSR Organization and Strategy

PCSC has been operating in Taiwan for more than 37 years; we have woven the most extensive convenience lifestyle network for the general public through a wide variety of lifestyle solutions. We see ourselves as a good neighbor and a good partner to the community. Apart from providing the most convenient lifestyle services, we also realize that beyond the pursuit of business growth, we should also exert our influence and actively fulfill our corporate social responsibility. By giving back to all stakeholders and providing them with a pillar of support and stability, we can help the nation build a happy and peaceful society. Due to recent international trends, domestic regulations, and adjustments to our internal organization, the "CSR Committee" was restructured and escalated in March of 2015; not only was its management level raised, it is now headed by the president and is responsible for setting the company's annual CSR targets. We hope this will lead all PCSC employees in the full implementation of CSR policy and actions.

Organization of the CSR Committee

The "PCSC CSR Committee" is chaired by the president, with the chief operating officer serving as the vice chairman. The Committee follows a stakeholder-oriented approach in setting up five major operation teams on "Corporate Governance", "Sustainable Products and Services", "Environmental Friendliness", "Community Harmony", and "Employee & Franchisee Relations". The heads of groups and departments serve as the teams' leaders and vice leaders, responsible for leading all departments in embracing the TK (Tanpin-Kanri) spirit of accountability and focusing on the management of various CSR topics. In addition, the CSR Committee plans to meet at least once every 6 months to examine and review the execution of CSR-related activities.



CSR vision and implementation principles

Since the introduction of CSR, PCSC has incorporated the core CSR ideals into our business targets and distilled them into our CSR vision: "Friendly 24-hour Service, Happiness is Always Near." In 2012, we completed the "CSR Code of Practice" which established the 5 main principles and specific implementation methods in CSR fulfillment in order to create a high-level of consensus from the top-down. As the Taiwan Stock Exchange revised its "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Companies" in 2014, in March of 2015, we updated our "CSR Code of Practice" as well to ensure compliance and to demonstrate PCSC's resolve to promote CSR.

Over the years, PCSC units and stores have incorporated CSR actions into our daily work and services. For example, the Good Neighbor Foundation has developed community services focusing on healthy living, community environmental protection, as well as caring for the disadvantaged and rural regions. Using our stores as a base, we hosted all kinds of community activities to foster a sense of community, bring people happiness, warmth, and trust, as well as spread the concepts of CSR among the local people. For our future CSR strategy, we will continue to strengthen the self-management ability of each department and store. Departments will be required to include CSR into their annual work plan and set up key performance indicators (KPI) on CSR issues. A systematic management mechanism will allow the effective measurement of CSR accomplishments each year and support the sustainable business growth of PCSC.

The 5 Principles of CSR Vision and Practice

Sound corporate governance

- Constantly evaluate CSR results and make continuous improvements. The management is responsible for providing supervision while competent units are responsible for its implementation
- All employees should practice a corporate culture of "Sincerity, Innovations, and Sharing" in accordance with the self-regulation agreement
- Business activities must comply with the relevant laws and regulations in order to create an environment for fair competition

Sustainable Development

- Comply with environmental regulations as well as related international standards and guidelines in order to provide appropriate protection for the natural environment
- Strive to improve the utilization of resources and practice green procurement
- Take ecological impacts into consideration and reduce the environmental impact of business activities such as R&D, production, and services

Maintaining Social Justice

- Comply with labor laws and protect the legal rights and interests of employees
- Strive to prevent work-related injuries by eliminating risks to employee safety and health
- Create a positive environment for employees' career development and establish an effective professional training plan
- Work with suppliers to improve CSR
- Participate in activities related to community development and education sponsored by non-profit organizations, charities, and local governments in order to promote community development

Protect the rights and interests of stakeholders

- Respect the rights and interests of stakeholders and respond to the material CSR topics they are concerned about
- Enforce the consumer rights policy by ensuring the quality of products and services
- Respect the privacy of consumers and protect their personal information

Strengthen CSR disclosure

- Full disclosure of important and reliable CSR-related information
- Report on the progress of CSR implementation including various outcomes of CSR initiatives, topics of concern for stakeholders, as well as the CSR system and its action plans



2014 Sustainability Performance



Corporate Governance and Business Performance

■ Business Performance

NT\$ **131.33** billion

Up to NT\$131.33 billion in revenue, a 3.41% increase from 2013

13.07%

Earnings per share of NT\$8.74, a 13.07% increase from 2013

5,000 stores

The number of stores surpassed the 5,000 mark for the first time. The 5000th store was named the "Good Neighbor Store"; its purpose is to bridge the service gap between urban and rural regions

42 million pieces

The "Easy Delivery" e-commerce service used by more than 4,000 online stores helped to generate economic growth for many small and medium enterprises, as well as online shopping brands. More than 110,000 people used the Easy Delivery service every day with more than 42 million pieces delivered each year

■ Corporate Governance

- ✓ Received from the Taiwan Stock Exchange Corporation & Taipei Exchange the highest "A++" rating in the "11th Information Disclosure Review for Listed Companies"
- ✓ PCSC was selected in the MSCI Global Sustainability Indexes for the first time
- ✓ Ranked in the top 5% of the "1st Corporate Governance Evaluation"

Environmental Performance

■ Energy-saving and carbon reduction

Reduction of **3.6%**

The electricity intensity in 2014 was 1,130 kWh/m², a reduction of 3.6% compared to 2013

72.1%

72.1% of our stores have received the highest 3-star Green Convenience Store Class Certification

■ Green logistics

11%

Began testing hybrid vehicles, based on actual mileage calculations, hybrid vehicles used 11% less fuel than conventional diesel trucks

Reduction of **0.77%**

Apart from freezer and refrigerated trucks, 100% of all other trucks have been equipped with the onboard GPS/GPRS system. In 2014, carbon emission averaged 48.2 kg, down 0.77% from 2013



Social Performance Indicators

Community engagement

1,296 sessions

Hosted 1,296 "Good Neighbor Funfest" events

Care for the disadvantaged

Continued from 2013, the New Jiaxian Store drew public attention to topics including rural education and disadvantaged individuals through its in-depth reading campaign and "Bridge over Troubled Water" mini-documentary. In 2014, PCSC worked together with Teach for Taiwan to support the cause by recruiting young outstanding teachers with diverse education and professional backgrounds to teach in remote rural regions with limited resources.

NT\$ **125.38** million

In 2014, charity donations through ibon reached NT\$125.38 million

Employee Care

In 2014, apart from continuing to provide the "Health Management Program" launched in 2013, rehabilitation services were also introduced this year along with the purchasing of automated external defibrillators (AED).

178.6 hours

A total of 222 care cases (103 cases from stores) were carried out in 2014, involving 178.6 hours of support services. A total of 1,371 hours of support services have been provided as of 2014



Product Performance Indicators

Food Safety

- Established the Product Safety Committee to ensure strict monitoring of food safety through the combined efforts of various departments
- Established the Material and Quality Assurance System (MAS) to provide a voluntary raw material traceability up to tier-2 suppliers
- Sold 501.35 tons of fresh vegetables with TAP certification issued by the Council of Agriculture, which accounted for 82% of all fresh vegetables sold

Sustainable Supply Chain

93 suppliers

Conduct on-site reviews on food safety, environmental safety, and labor safety for private brand product raw material suppliers and contract manufacturers. A total of 93 suppliers were evaluated

