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About President Chain Store Corporation (PCSC)



Net profit after taxes reached NT\$**9.086** billion in 2014(Up 13.06% from 2013)



Rate of return on equity in 2014 was **36.16%**



There are **5,040** stores in total by the end of 2014

1.1 Company Scale and Background

The "President Chain Store Corporation" was established in 1978 by Uni-President Enterprises Corp. to introduce an organized, spacious, and bright 7-ELEVEN retail chain to Taiwan. The opening of the first "7-ELEVEN Chang-an Store" in 1980 marked the transformation of small grocery stores into miniature supermarkets. For over 30 years, we have continued to innovate and break down the limitations of space and time to provide consumers with the ultimate convenient and excellent services. We have also opened stores in both urban and rural areas. From bustling cities to distant islands, from high mountains to seaside villages, 7-ELEVEN stores are now common sights throughout Taiwan; they not only provide a warm feeling of a popular neighborhood gathering place, but have also helped bridge the gap between cities and the countryside

Providing the most convenient services has remained our mission throughout all this time. We also strive to fulfill our social responsibility through a corporate culture based on "sincerity, innovations, and sharing." Every 7-ELEVEN employee is encouraged to be passionate about providing services and feel a sense of achievement from the satisfied smiles of customers; this is how PCSC has become Taiwan's No.1 in many different ways. With multiple challenges ahead of us, we know there is still more to do to reinforce the absolute superiority of our brand. We will continue to uphold the spirit of dedication, determination, and persistence in providing consumers with total convenience and groundbreaking new lifestyle trends. At the same time, we will continue to optimize the 7 basic elements of retail, namely people, store, merchandise, systems, logistics, management, and culture. We will focus on our core business and strengthen our foundations with the goal of building a global, diversified business model. We will also leverage our support systems of logistics, intelligence, and administration to create a beautiful and convenient happy space for our customers.

Scale of the Organization



Company name	President Chain Store Corporation
Number of employees	7,843 people
Year established	1978
Chairman	Lo, Chih-Hsien
General Manager	Chen, Jui-Tang
Location of headquarters	2F, No. 65, Dongxing Rd., Xinyi District, Taipei City, Taiwan
Capital	NT\$10.396 billion

(As of December 31, 2014)

Significant Milestones

1. A Solid Business Foundation

The "President Chain Store Corporation" was officially established after raising NT\$190 million in capital

1978



1983

Started 24-hour operations

1997

Public listing of PCSC shares

2000

Perpetual licensing agreement signed with 7-ELEVEN, Inc

2014

First time selection for MSCI Global Sustainability Indexes, and achieved the highest score for corporate governance among companies within the same class

2. Expansion of Store Operations

1980 Opened the first 7-ELEVEN store (Chang-an store)

1995 Opened the 1,000th 7-ELEVEN store (Chien-chen store)

1996 Expansion into Yilan, Hualien, and Taitung, marked the completion of an island-wide convenience store network in Taiwan

1999 Opened the 2,000th 7-ELEVEN store (Yuanjin store); Expanded into Penghu despite the logistics difficulties involved, offshore islands are now the new frontier

2005 Opened the 4,000th 7-ELEVEN store (Fengchi Lake store)

2010 Launched larger stores with space for more product diversity, such as a comfortable dining area to attract shoppers. The 7net online shopping portal was also developed to create a virtual 2nd floor for 24/7 shopping

2014 Opened the 5,000th 7-ELEVEN store (Good Neighbor store)



3. Continuous Service Innovations

2000 Launched E-Service for in-store pickup of purchases from online shops

2004 Introduced the "icash card" based on the e-wallet concept for in-store purchase to satisfy customers' diversified needs

2006 Launched the "ibon kiosk"; it offers 8 major functions including ticketing, bill payments, and printing services, serving as a community service center

2010 Launched the "Easy Delivery" service and became the largest center for online purchases and in-store pick-up services in Taiwan
Launched the "7-Mobile" monthly subscription service targeted at low-volume users, or those who need a second mobile number; this service represented a new form of telecom economy
Launched the 7-SELECT brand for affordable new consumer fashions

2011 7-ELEVEN became the first retail channel in Taiwan to introduce e-invoices across the board

2012 7-ELEVEN became the largest ticketing platform for public transportations in Taiwan. The three major airlines have now signed up with ibon and 90% of domestic airfares can be paid via ibon

2013 Launched the brand of frozen meals, "7-SELECT Homeal", bringing new business opportunities from individual ready-to-eat to family-sized meals. The fresh food program was also expanded to introduce a fresh fruit & vegetable area to more than 1,000 stores throughout Taiwan; this service has blurred the boundary between industries, created specialty stores, and fully integrated our services into consumer lifestyles

2014 Formed the subsidiary "icash Corp." as the owner and operator of the "icash" brand. icash 2.0 will officially become the multi-purpose payment tool that can be used across different industries



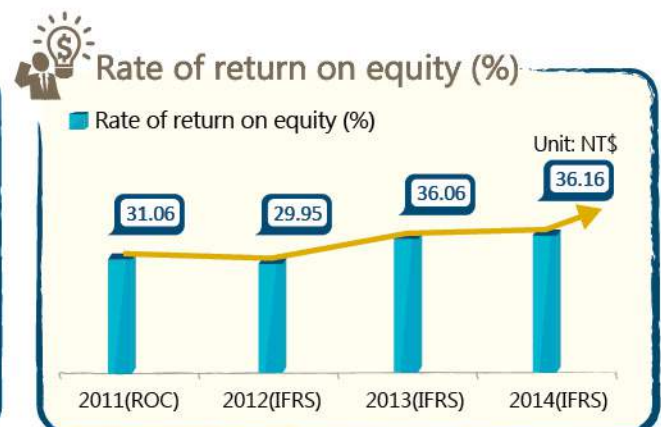
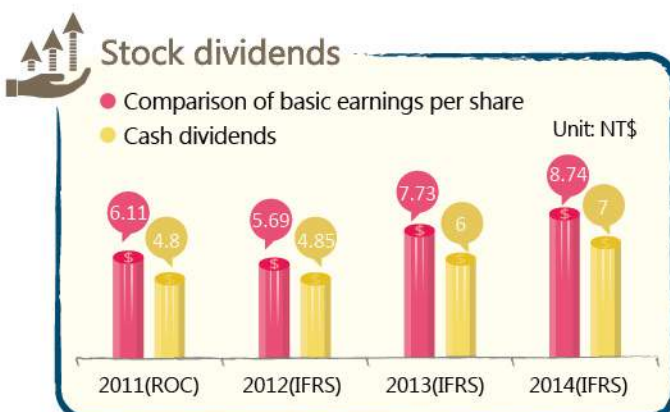
Financial Performance

As the international economy remained unsettled in 2014, domestic issues such as food safety, rising employee wages, and increasing operating costs have put businesses under even more stress. Despite the unpredictable external business environment, PCSC remained committed to our ideal of providing convenient services to consumers and achieved the breakthrough milestone of 5,000 stores. We also moved into the countryside to support local communities. At the same time, with continuous optimization of our product assortment, our 2014 total consolidated revenue and after-tax net earnings reached new record highs of NT\$208 billion and NT\$9.09 billion, respectively. PCSC, as the only retailer in Taiwan being selected, was named as a top 250 global retailers in 2015 by Deloitte.

It is our responsibility to provide investors with a long-term investment value. With profits continuing to grow steadily, our investors are rewarded through a stable dividend policy as well. In 2014, we issued cash dividends of NT\$7 per share, up 16.7% from NT\$6 issued in 2013. To maintain sound communications with investors, during 2014, PCSC attended 6 local/overseas investor conferences organized by brokers; we also took part in 166 one-to-one investor meetings to help investors understand our future business direction and prospects. To safeguard shareholder rights, we introduced e-voting and voting by poll during shareholders' meetings from 2013 onwards.

Corporate transparency helps stakeholders understand our true value. Aside from hosting investor conferences during which we announce our financial data and business prospects, our corporate website now features an investor's area for disclosures on corporate governance, such as the activities and resolutions of the Remuneration Committee, Audit Committee, and the Board of Directors. PCSC received an A++ rating in the Information Disclosure Review conducted by the Securities and Futures Institute in 2014. We also received the "Most Improved" award in terms of corporate governance score from the Asian Corporate Governance Association among Asian countries in 2014. In addition, PCSC was also included in the MSCI Global Sustainability Indexes for the first time in 2014.

Comparison of financial operating data



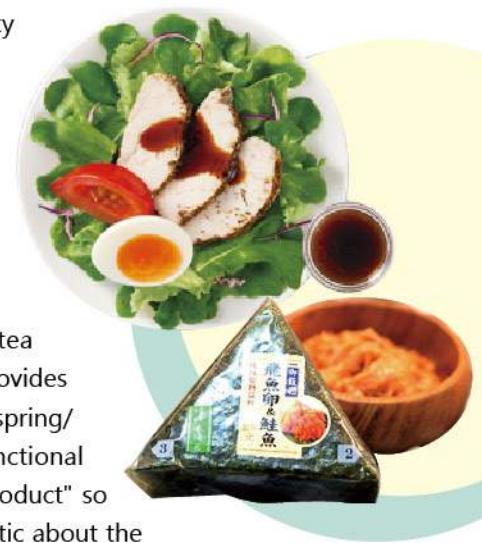
1.2 Our Products and Services

PCSC actively monitors social developments and consumer trends in order to continue developing high-value merchandise and innovative services that satisfy consumer demands. Apart from satisfying customer demands for basic convenience and ensuring the safety of our fresh/fast foods, we strive to deliver excellent and attentive services.

PCSC also aims to become "the most convenient, safe, and happy community service center for customers". Our network covers the entire island of Taiwan, as well as its offshore islands like Penghu, Kinmen, Mazu, Lyudao, and Lanyu. To uphold the corporate philosophy of "where there is customer demand, there is a 7-ELEVEN", we overcame logistical difficulties and expanded stores to remote rural areas and offshore islands. No effort was spared to provide customers with quality lifestyles that are convenient and safe.

▪ Convenient and Safe Products

Since we launched our own 7-SELECT brand in 2007, we have continued to adapt to changes in the local environment and looked to international trends in an effort to develop products tailored to domestic needs. In addition to tea beverages and biscuits, we continue to launch new quality merchandise that provides a variety of products for consumers to choose from. The "extra cool shirts" for spring/summer and "thermal shirts" for fall/winter launched every year push for functional improvements; they also cultivate an impression of "fashion" and "boutique product" so consumers can enjoy high quality at fair prices. In addition, we are also optimistic about the market potential of small families, individualization, and an aging society. We therefore continue to leverage business strategies such as "Trusted Quality," "Buy Nearby" and "Right-sized Packaging" to cultivate the green market. We are constantly upgrading our products such as bento, onigiri, and sandwiches to take advantage of the growing trend of dining out. To satisfy the nutritional needs of the general population, we also developed ready-to-eat products such as boiled corn, purple corn, and warm vegetable salad. That is not all. 7-ELEVEN has developed a wide variety of innovative light meal products to satisfy the demands for eating out and vegetarian diets, bringing the freshest and premium fresh food experiences to the consumers in Taiwan.



As part of our strategic alliances and consolidation of group resources, we teamed up with COSMED to launch our private brand "UNIDESIGN" to satisfy the various needs of consumers. The brand is targeted at consumers between ages 20 to 39 who value quality and style in their lives. With the brand concept of "living with quality," we expect to grow into a brand with high CP values based on "high quality," "high added-value," and "differentiation". "UNIDESIGN" stands for "U and I" in consumer interaction to "Design" for a better lifestyle; it symbolizes our hope to create a new quality lifestyle together with consumers. In terms of merchandising, 7-ELEVEN has led the way in managing private brands by integrating domestic/overseas manufacturing and design resources, supplemented by international manufacturing/distribution alliances. By incorporating COSMED's five principles of "having large manufacturing distribution partners, using localized formulas, zero additives for a peace of mind, less is more, and environmental protection", leveraging more than 10 years of experiences in developing private brands, long-term research into consumer product usage habits, reducing costs through integration of Uni-President Enterprises Corp.'s group resources and joint purchasing, and working with handpicked major manufacturers to ensure total quality control, our "UNIDESIGN" products

will provide people in Taiwan with an affordable option. We expect our private brand to become a byword for quality throughout local channels.

Looking forward in 2015, PCSC will continue to develop our fresh food services and expand from ready-to-eat/ready-to-drink to fresh/organic fruits and vegetables. We will also continue to build an ingredient traceability mechanism to track all foods "from the farm to the dining table," as our effort to create a comprehensive food safety net for consumers. PCSC sees the trend of e-commerce and will continue to develop digital application services with our extensive physical channel and well-developed logistics network and cash flow system.

■ Convenient and Innovative Services

7-ELEVEN is continuing to weave a close-knit network to provide all kinds of convenient services. Consumers can simply visit a nearby 7-ELEVEN 24-hours a day to satisfy their food, clothing, accommodations, travel, education, and recreational needs. Our mission is to lead new consumer trends and satisfy the needs of the general public. In 2004, PCSC was the first channel to launch an e-wallet service with icash card. Consumers using the card can enjoy the convenience of cashless shopping.

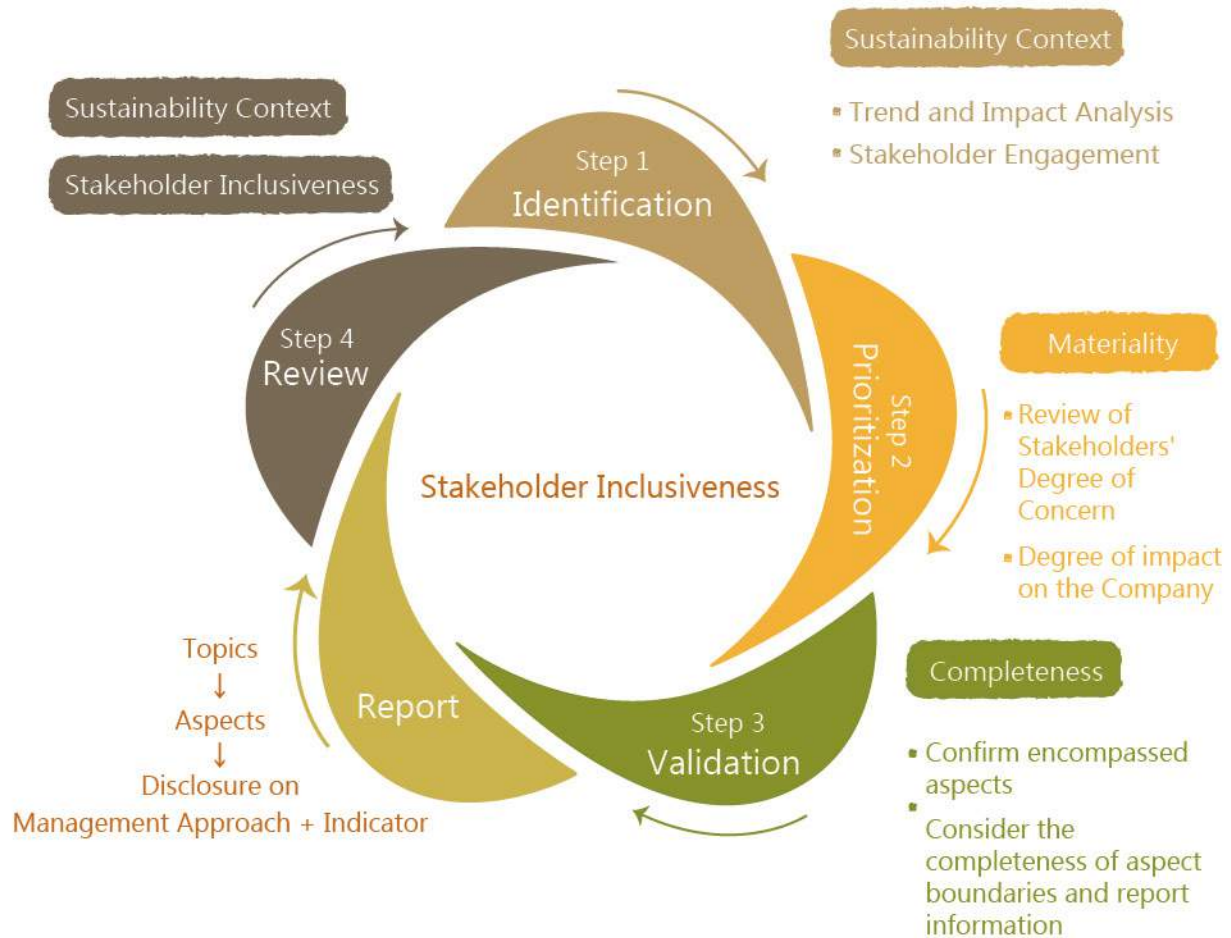
7-ELEVEN introduced bill payment services more than 17 years ago, and our stores now form a national network that collects payments for all kinds of public and private-sector businesses. We make it convenient for people to pay bills and allow the businesses to operate more efficiently. Statistics indicate that our services have become so essential that people in Taiwan now use our bill payment and ibon services more than 22 times a year on average.

With the rise of e-commerce in Taiwan, PCSC is now actively strengthening our digital application services and leveraging our extensive network of stores to provide people with a more convenient e-commerce transaction service. The ibon kiosks and app have now been overhauled with more than 200 vendors, integrated to supply more than 600 convenience services; this allows consumers to enjoy a variety of convenient and time-saving services. In addition, we offer "Easy Delivery" services to provide the general public with 24-hour package pick-up from a nearby store. More than 4,000 online stores have become our service partners and this has helped spur the growth of many small and medium enterprises, as well as online shopping brands. Easy Delivery is now used more than 110,000 times a day on average, with more than 42 million packages sent every year. Today, 7-ELEVEN's friendly shopping environment and package delivery services, such as Easy Delivery, international delivery, convenient return services, pre-order, DVD rental, home delivery, and DHL services, have constructed a comprehensive, always-open logistic network with secure payment and convenient delivery. This provides people and businesses in Taiwan with timely, convenient, and varied selection of delivery options; it has also stimulated the growth of online shopping and enabled the export of quality Taiwanese products to international markets through 7-ELEVEN's logistics network.



Materiality Assessment Procedures

PCSC communicates with its shareholders through various channels. Issues most important to shareholders are compiled and then assessed based on the principles of sustainability context, level of significance, completeness and stakeholder inclusiveness. The assessment focuses on stakeholders and the material aspects. The process of defining materiality consists of the following:



Step 1 Identification

Members of the CSR Committee use the aspects listed in the GRI G4 Guidelines as the basis to select the 25 CSR issues critical to PCSC. Industry characteristics, international trends, and competitor developments are all taken into consideration. In 2014, we used the selected CSR issues to construct a survey. The survey was sent to the identified stakeholders only, and 84 responses were received. This survey provided us with a better understanding of what the stakeholders cared for the most, and a chance for us to review whether the CSR actions we took were effective in responding to the stakeholders.

Step 2 Prioritization

Survey responses received from the stakeholders can be analyzed to determine the degree of concern for each issue. Teams within the CSR Committee also assessed and discussed the economic, environmental, and social impacts of each issue in order to determine their influences on the Company. Finally, degree of concern and

1.3 Corporate Governance

Transparency and corporate governance are important to PCSC. Improving business integrity has always been one of our longstanding business goals. The following control measures have been adopted to establish a solid governance system under the Board of Directors, to strengthen our monitoring functions, and to enhance our management:

- 1 Audit Committee members have a clear understanding of the company's operations and auditing processes through quarterly Board of Directors meetings and regular audit reports submitted by the auditing units. Various reports and channels (telephone, fax, e-mail, etc.) can be used to communicate with employees, shareholders and accountants.
- 2 The independence of external auditors is internally assessed every year to ensure they are not PCSC directors, supervisors, or shareholders, nor do they receive compensation from or hold stake in the company.
- 3 Internal controls are in place with periodic compliance checks conducted by internal auditors and reported to the Board of Directors; in addition, to ensure the continued effectiveness of the system design, annual reviews and revisions are undertaken to maintain sound corporate governance and risk management.
- 4 PCSC has made "integrity" the foundation of our company policies, corporate culture, and risk management mechanisms to promote honesty, transparency, and accountability; this in turn strengthens our sustainability management and development. We have defined Guidelines of Corporate Governance Practices and Ethical Corporate Management Principles, as well as internal Ethical Management Reporting to promote "Ethical Management" throughout the Company. All employees are encouraged to sign the self-regulation agreement to promote ethical behavior and practices.
- 5 To ensure high ethical standards in all business transactions and protect the common interest of both parties, an anti-corruption affidavit is now included in business contracts. Should any company employee or supplier request improper benefits, verbal or written notifications must be submitted to the PCSC Audit Office immediately. Apart from enforcing ethical behavior through our "Reward and Punishment Guidelines," we also rotate our business representatives regularly to eliminate the possibility of bribery. In 2013, PCSC legal unit added new clauses on business integrity and prevention against bribery to the standard business contract.
- 6 In 2014, the Audit Office followed the Criteria for Establishment of Internal Control Systems by Public Companies in reporting its execution of the internal audit annual inspection plan (covering 94 items). Each company unit was inspected on their internal controls, financial reporting, and operating efficiency. In terms of sales, for example, the audit unit conducted regular risk assessments on the operating data of each store. Stores were then selected for actual audits (store cash management, fund-raising, and procedures for selling/returning goods, etc.) to ensure the appropriateness of accounting operations.

Corporate governance framework





Board of Directors

The PCSC Board consists of 13 directors (including 3 independent directors). The term of office is 3 years, and a list of nominated candidates is submitted to the shareholders for election. The average age of Board of Director members is 59, with one female director. The experience, professional expertise, and salaries of each Board member are disclosed from page 19 to 24 in our 2014 Annual Report. The report can be downloaded from Market Observation Post System or the investors section of our corporate website (<http://www.7-11.com.tw/company/ir/>). According to our "Regulations Governing Procedure for Board of Directors Meetings," if conflict of interest exists for a director or the legal person they represent with a specific matter on the agenda, then the director may state opinions and answer questions, but may not take part in the discussion and voting processes. They should also excuse themselves during the discussion and voting processes and not represent any other director during voting. The Board of Directors meeting must be convened at least 4 times per year, once each quarter, to review the Company's business performance, as well as discuss key development strategies and major investments. Between 2014 and April of 2015 (before the publishing date of the 2014 Annual Report), the Board of Directors met a total of 7 times with an average attendance above 90%.



Independent Directors

PCSC's independent directors are selected based on a candidate nomination system. Current independent directors are assessed by the Board of Directors on whether they satisfy all criteria, and then forwarded to the shareholders' meeting for appointment. On June 21, 2012, the shareholders' meeting voted on the independent director candidates. The selected independent directors were Wen-yu Wang (professor, College of Law, National Taiwan University), Ming-dao Chen (Institute of Finance, Fu Jen Catholic University), and Pei-ji Hsu (Deputy Dean of College of Management, Fu Jen Catholic University). At a minimum, independent directors must qualify as lecturers at a public/private university in business, legal affairs, finance, accounting, or company operations. When the company is deciding on its strategy, they may leverage their expertise and experience to offer suggestions. The Board of Directors should take the opinions of independent directors into consideration during discussions; they must also comply with the conflict of interest regulations and effectively protect company interests.



Remuneration Committee

On August 19, 2011, PCSC established a Remuneration Committee in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter"; its mission is to assist the Board of Directors with executing and assessing the Company's overall compensation and welfare policy, as well as the remuneration of directors and managers. The Committee is made up of the three independent directors, with Independent Director Wen-yu Wang serving as the convener. At least two meetings must be conducted each year. Between 2014 and April of 2015 (before the publishing date of the 2014 Annual Report), the Remuneration Committee met a total of 3 times with an average attendance of 100%.



Audit Committee

On June 21, 2012, PCSC established an Audit Committee in accordance with the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies"; its mission is to assist the Board of Directors with carrying out their supervisory and other duties as set forth in the Company Act, the Securities and Exchange Act, and other related laws. The Committee is made up of the three independent directors, with Independent Director Ming-dao Chen as the convener. At least one meeting must be conducted during each quarter. Between 2014 and April of 2015 (before the publishing date of the 2014 Annual Report), the Audit Committee met a total of 7 times with an average attendance of 100%.



Corporate Social Responsibility Management

A set of CSR guidelines was previously defined by PCSC. To improve our performance and management of CSR, the operation of the "PCSC CSR Committee" was strengthened in 2015. The president serves as the convener, the COO is the deputy convener, and the committee was divided into five teams as "Corporate Governance," "Sustainable Products and Services," "Environmental Friendliness," "Community Harmony," and "Employee and Franchisee Relations". The teams are responsible for establishing CSR policies and systems, the proposal and execution of related management direction and promotion plans, meeting regularly, and reporting to the Board of Directors.

degree of impact ratings are combined for assessment, which was then used to determine the material issues. In 2014, we identified a total of 9 material issues; these include food safety and health, regulatory compliance, ethical corporate management, customer rights and interests, risk management, occupational safety and health, labor/management relations, green logistics, and energy-conservation/carbon reduction.



Material Issue Matrix

Stakeholders' Degree of Concern	High		<ul style="list-style-type: none"> Food safety and health Regulatory compliance 	<ul style="list-style-type: none"> Ethical corporate management Customer rights and interests
	Medium	<ul style="list-style-type: none"> Green product Green accounting 	<ul style="list-style-type: none"> Supplier management Care for the disadvantaged Employee diversity Public policy engagement / vocational training 	<ul style="list-style-type: none"> Service quality Organizational strategy Information transparency and disclosure Operational and financial status Public services and fundraising Product and service innovations Community engagement Green procurement
	Low		<ul style="list-style-type: none"> Recycling center 	<ul style="list-style-type: none"> Risk management Occupational health and safety Harmonious employee and employer relations Green logistics Energy-saving and carbon reduction
		Low	Medium	High
		Impact on the Company		

1.4 External Recognition

PCSC has long worked to maintain a positive, passionate, and energetic brand image. **We have been recognized as a Benchmark Company and ranked No. 1 in the Gold Medal Service Award by the Commonwealth magazine for 20 consecutive years.** We are honored to gain the appreciation and recognition from society. Major CSR awards received from 2014 to May of 2015 are listed below:



2014

- 👍 **《Forbes》** Ranked 1,846th in Global 2000
- 👍 **《CommonWealth Magazine》** "Benchmark Company in Taiwan" among wholesalers and retailers (1 of only 3 perennial winners for 20 consecutive years); 1st place in the convenience store industry, trans-trade and innovation categories of the Gold Medal Service Award; 17th place in the "large enterprise" division of the "CSR Corporate Citizen Award," and a Top 2,000 company
- 👍 **《Commercial Times》** Gold Medal Service Award in the "Convenience Store" category among Taiwan's service industry
- 👍 **Ministry of the Interior** "Distinction Award" in the "2014 Friendly Building Competition - Restaurant Category"
- 👍 **《Business Next》** 2014 Green Brand Award
- 👍 **《Cheers Magazine》** 2014 Top 100 Favorite Corporations of the New Generation
- 👍 **Taiwan Stock Exchange Corporation & Taipei Exchange** Highest "A++" rating in the "11th Information Disclosure Review for Listed Companies"



2015

(as of end of May)

- 👍 **《Cheers Magazine》** 2015 Top 100 Favorite Corporations of the New Generation
- 👍 **《CommonWealth Magazine》** Winner of three Gold Medal Service Awards in the convenience store industry, cross-industry rankings, and the Top Innovator; listed in the Top 2,000 Enterprises in Taiwan
- 👍 **Taiwan Stock Exchange Corporation & Taipei Exchange** Highest "A++" rating in the "12th Information Disclosure Review for Listed Companies"
- 👍 **British Standards Institution (BSI)** AA100 certification and rated as an A+ sustainable enterprise
- 👍 **Deloitte** The only Taiwanese retail company to be included in the 250 largest retailers in the 2015 Global Powers of Retailing
- 👍 **Manager Today** "Grand Prize" in the "retail and wholesale division" of the 2015 Influential Brands
- 👍 **Business Weekly** 1st place in the "Retail" category of the "Survey of the 100 Most Influential Brands"
- 👍 **Corporate Governance Review** Rated in the top 5% of the first corporate governance review hosted by the Taiwan Stock Exchange Corporation & Taipei Exchange

1.5 Operating Strategy and Management

The U.S. economy showed signs of recovery in 2014. A strong U.S. dollar against a weak Yen, Euro, and other types of currencies may lead to the implementation of loose monetary policy in some countries or even an engagement in a devaluation race; this in turn will impact Taiwan's exports and overall economy. Falling international crude oil prices and economic slowdown in China have reinforced the uncertainty of the global economy. In 2014, Taiwan achieved an economic growth of 3.74%, an increase of 2.11% from 2013. In terms of consumer prices, in 2014, the consumer price index grew by 1.2%, a comparably moderate increase.

In terms of store operations, PCSC philosophy focuses on providing customers with a more comfortable and friendly shopping environment. We continue to enlarge store sizes and cultivating store specialties. At the same time, we penetrate into remote rural areas such as Neimen in Kaohsiung and Lanyu in Taitung, in order to fulfill our pledge on bridging the rural and urban divide in services. For food safety, PCSC expands our fresh fruit and vegetable business. By taking control of the entire process including contract farming, producer management and quality testing laboratories, we have constructed an ingredient traceability mechanism "from the farm to the dining table," to create a comprehensive food safety net for consumers.

▪ Technology and R&D

To understand our customer demands, as well as respond to changing store formats and various formats of competition models, we have continued to integrate many innovative services that improve our overall competitive advantage. We are also involved with reducing our environmental impacts and improving people's lives. In 2014, a total of NT\$144 million was spent on related research and development.

ibon Kiosk Upgrades

The ibon app was launched to integrate mobile barcode bill payment services for cloud printing, game credit purchases, parking fees, and etc. The 2nd generation ibon features an intuitive touch screen interface that allows people to enjoy its convenient and time-saving services "with a touch of their finger."

Media and Digital Operations

Introduced the "Digital Experience Store" business model featuring digital billboards, TVs at the sitting areas, and tablets. A mix of software and hardware digitally enhances consumers' shopping experience in the store.

The Business of Fresh Fruits and Vegetables

Upon observing consumer demands for fresh fruits and vegetables that are easy to carry and consume, we launched a range of personalized fruit selections with different proportions and mix-and-match solutions; this has been extended into new sales methods such as in-store cooking and vacuum-packs, sustaining the continued growth of 7-ELEVEN's fresh fruit and vegetable business.

In the future, PCSC will continue to embrace its mission of "becoming the best retailer, providing the most convenient lifestyle services, and fulfilling our social responsibility". We will do our best to provide consumers with the ultimate convenience, to help franchisees generate steady profits, to establish a fair and friendly workplace for employees, and to create even more value for shareholders. Our aim is to realize the four realms of satisfaction: "customer satisfaction," "partner satisfaction," "shareholder satisfaction" and "society satisfaction."

Step 3 Validation

Once the material issues were identified, our next step was to determine their internal/external impacts on the Company in order to identify the aspects, boundaries, and the reporting period encompassed by the material issues and ensure key CSR information was fully disclosed in the report

Material Issues	Aspects to consider with respect to GRI G4	Internal		External			Chapter of Issue
		PCSC	Logistics affiliate	Customers	Community	Suppliers	
Food Safety and Health	PR: Customer Health and Safety / Product and Service Labeling	v		v	v	v	2. A Good Neighbor Who is Always There for You
Regulatory compliance	PR: Customer Health and Safety/ Marketing Communications/ Product and Service Labeling/ Regulatory Compliance	v		v	v		2. A Good Neighbor Who is Always There for You
Ethical Corporate Management	Disclosure of general standards	v		v		v	1. About President Chain Store Corporation (PCSC)
Customer rights and interests	PR: Customer privacy	v		v			2. A Good Neighbor Who is Always There for You
Risk Management	Disclosure of general standards	v					1. About President Chain Store Corporation (PCSC)
Occupational health and safety	LA: Occupational health and safety	v					5. A Good Neighbor Who Creates a Friendly Workplace
Harmonious employee and employer relations	LA: Labor Practices Grievance Mechanisms/ Non-discrimination/ Freedom of Association and Collective Bargaining/ Child Labor/ Forced or Compulsory Labor/ Assessment/ Human Rights Grievance Mechanisms	v					5. A Good Neighbor Who Creates a Friendly Workplace
Green Logistics	EN: Transportation	v	v		v		3. A Good Neighbor Who Cares for the Environment
Energy-saving and carbon reduction	EN: Energy	v	v		v		3. A Good Neighbor Who Cares for the Environment

◆ Note: Logistics affiliates are Uni-President Cold Chain Corp., Wisdom Distribution Service Corp., Retail Support International, and President Logistics International Corp.

▪ Risk Management

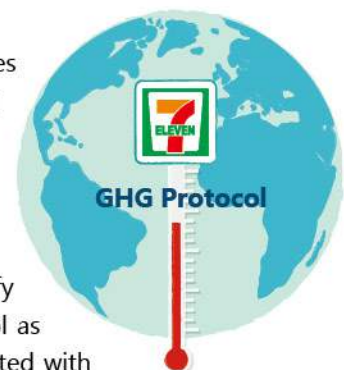
PCSC strives to maintain a comprehensive risk management system that encompasses risks to the entire organization and its subsidiaries. The Board of Directors, managers at all levels, and employees all work together to promote proper risk management. In addition to obeying relevant regulations, with respect to the potential risks we may face during various business activities, PCSC proactively identifies, analyzes, measures, monitors, responds, reports, and improves based on the nature of the risk and its level of significance. This ensures that the company can realize its strategic goals while effectively managing potential risks. The primary risk management organization as well as the units for conducting risk management are as follow:

Risk type	Implementation of risk management	Accountable unit
Strategic operational risks	Each business unit and subsidiary is responsible for the preliminary planning and risk assessment of any new investments or operational decisions. The President's Office conducts periodic analysis of related indicators. Through the quarterly "PCSC and Affiliated Enterprise Networking Event" and periodic themed investment projects, PCSC can engage in the tracking and analysis of operational performance to ensure that each business entity's business strategies satisfy its operating target and business vision	President's Office
Financial, liquidity, and credit risks	The Company's Finance Office has defined various strategies, procedures, and indicators in accordance with laws, policies, and market changes. We regularly analyze and assess changes in related risks and take appropriate response measures to reduce the overall potential risks to the Company.	Finance Office
Market Risk	Each business unit analyzes and assesses major government policies, laws, and technological advancements in Taiwan and overseas. Appropriate responses are taken to reduce future potential business risks. We have also established a cross-division Regulation Identification Team. "Regulation Identification Meetings" are also held regularly to keep track of the latest regulatory changes so that necessary measures can be taken. Department heads have formed "Crisis Response Teams" to effectively control and deal with potential or existing market risks/threats.	Each business unit/Regulation Identification Team/Crisis Response Team

Through risk assessments and regulatory reviews, the Audit Office establishes an annual audit plan and self-inspection procedures/methods. The execution of the audit plan and self-inspections serve to constantly monitor the potential risks mentioned above and regularly report their findings to the Board of Directors.

▪ Climate Change Risk Analysis and Adaptations

During the execution of risk management activities as a part of CSR, PCSC realizes that the increasing severity of global disasters due to climate change has forced national governments to pass mandatory laws on each industry's climate-change related activities; these regulations have become major challenges for businesses. Although no mandatory laws governing the retail industry has been passed in Taiwan, PCSC is a benchmark enterprise whose business is closely intertwined with people's everyday lives. We therefore have an obligation to manage and identify climate change issues and risks. To this end, PCSC has adopted the GHG Protocol as the standard for GHG inventories since 2005; this is used to manage risks associated with GHG emissions and look for suitable reduction opportunities. We hope that strategies such as energy-saving measures, equipment performance improvements, and additional employee trainings at the headquarters and in each store will allow us to transform into a low-carbon enterprise of the future.

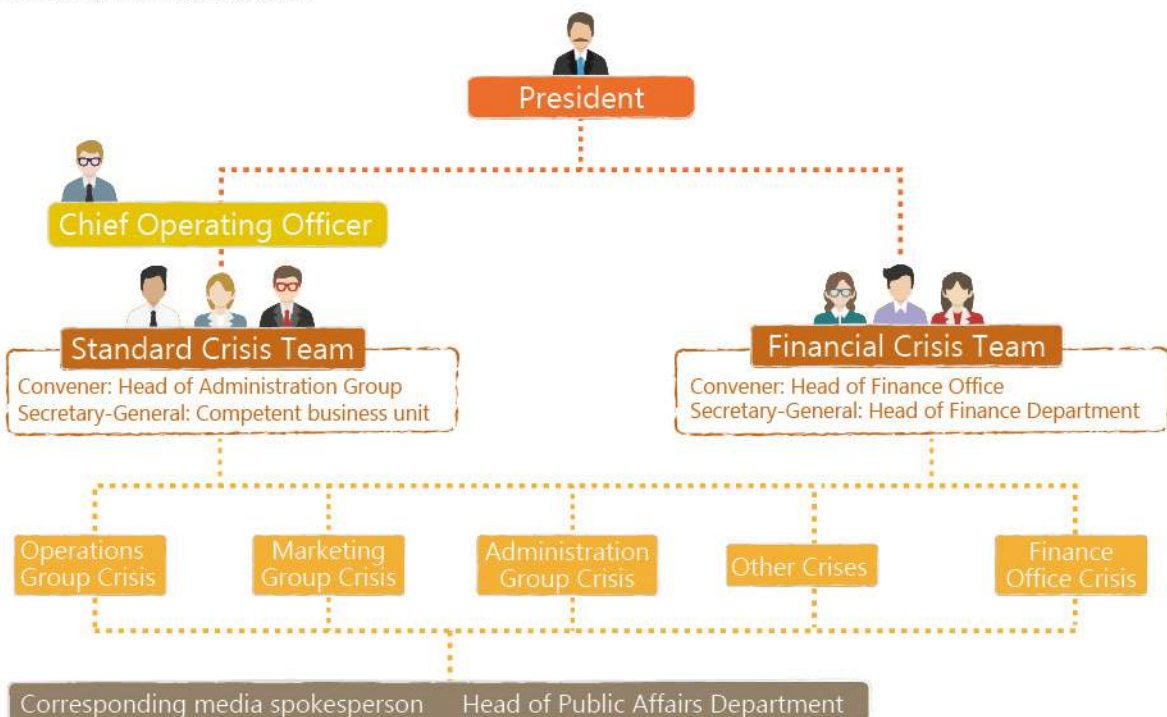


■ Crisis Response Management

A crisis can strike as quickly and as suddenly as lightning. To raise crisis awareness at PCSC, we have set up the cross-departmental "Crisis Management Team" in 2013. "Crisis management" training was conducted at our headquarters in April of 2014 to highlight the prevention, handling, and resolution policies of the Company when faced with a crisis. More than 100 managers and employees participated in the event.

We also referred to the Crisis Handling Principles of Uni-President Enterprises Corp. to compile the 3rd edition of the "Crisis Management Manual," officially published on February 14, 2014. The head of the Administration Group serves as the convener to ensure consistency in actions taken. The head of the unit responsible for the crisis then serves as the secretary-general to guide the actions of each unit. The role of media spokesman is served by the head of Public Affairs Department. The new version of the manual was improved upon and updated using the Crisis Handling Principles from our parent company, Uni-President Enterprises Corp. as a reference. As PCSC reinforces the importance of "accountability" and "independence", the manual puts more emphasis on the organization of crisis task forces, roles and inter-unit horizontal communication mechanisms. To help the responsible unit quickly receive proper guidance during a crisis, the new edition also categorized the different kinds of crisis such as abnormal product quality issue and false advertising; these were then divided by unit types into five major categories: Operations Group Crisis, Marketing Group Crisis, Finance Office Crisis, Administration Group Crisis, and Other Crises.

Crisis management is more than just "dealing with the media"; it involves approach adjustment based on the actual situation. "Honesty" is the core objective when communicating with all employees, customers, news media, and the general public; this helps to strengthen internal morale and also win the trust of others from outside the company. To make the new manual more practical, we invited the heads of each unit to review the content and perform practical drills. After much consideration, key indicator items such as "food safety" handling procedures were established, and these response measures were used for random training and promoting crisis awareness. When faced with risks, we will be able to respond in time and turn crisis into opportunities, which also reduces the impacts of the crisis on company operations and revenue while protecting the interests of all stakeholders.



Step 4 Review

Once the report has been compiled, various teams from the CSR Committee conducted a final inspection and review to ensure that the CSR information and accomplishments were not improperly or incorrectly expressed. The results of materiality identification and stakeholders' feedback will also serve as an important reference for next year's report.

■ Participation in External Organizations

PCSC actively participates in industry association events. Through periodic or aperiodic meetings held by each industry association, members communicate with each other regularly to enhance cooperation and networking between peers. We promote industry cooperation through different associations and alliances to foster communication between members to support the sustainable development of the industry.

External Organization Membership	
Taiwan Events Association	Audit Bureau of Circulations
Marketing Communications Executives International	The Business Council for Sustainable Development of Taiwan
Taipei City Department Stores and Commercial Association	Taiwan Coalition of Service Industries
Chinese National Association of Industry and Commerce, Taiwan	Chinese Non-store Commerce Association
Taiwan Delica Foods	Taiwan Chain Stores and Franchise Association
Zero Energy Building Technology Alliance	Chinese Non-Store Retailer Association

1.6 Stakeholder Communications and Material Issues

PCSC stakeholders include investors, suppliers, customers, employees, franchisees, charities, government organizations, and local communities. We are held accountable to our stakeholders, so we use a variety of methods and channels to learn about their requirements and expectations of PCSC. The methods and channels of communication for stakeholders are described below.

Table of communication channels between PCSC and its stakeholders

Stakeholders	Issues of Concern	Communication Channel
 Investors	<ul style="list-style-type: none"> » Corporate Governance » Risk Management » Operational and financial status » Dividend Policy 	<ul style="list-style-type: none"> » Annual shareholders' meeting » Periodic publication of financial statements/ annual reports » Information Disclosure through the official website » Legal person conference » TSE Market Observation Post System website » Answer questions from investors and analysts via phone or e-mail
 Suppliers	<ul style="list-style-type: none"> » Green Procurement » Green Product » Supplier Management » Local purchase 	<ul style="list-style-type: none"> » Periodic suppliers' friendly association » Periodic suppliers' conference » Counseling/Audit Management
 Customer	<ul style="list-style-type: none"> » Product health and safety » Product and service innovations » Service quality » Customer privacy 	<ul style="list-style-type: none"> » Customer Service Center » Satisfaction survey
 Employees	<ul style="list-style-type: none"> » Workplace health and safety » Labor/management relations » Training development and education » Employee diversity and equality 	<ul style="list-style-type: none"> » Periodic employer-employee meetings » Staff Welfare Committee » Employee complaints e-mail box » Internal proposal system » Happiness Co-operative Society
 Franchisee	<ul style="list-style-type: none"> » Training development and education » Workplace health and safety » Product and service innovations » Marketing Communication 	<ul style="list-style-type: none"> » Dedicated franchising website » Weekly visit by operation field consultant » Periodic monthly publications » Franchisee discussion forum » Satisfaction survey
 Public Interest Group	<ul style="list-style-type: none"> » Community care » Public services and fundraising 	<ul style="list-style-type: none"> » Annual CSR report » Response to social activities / advocacies » Good Neighbor Foundation » Quarterly charity fundraising of Finding Love Back » Fund-raising proposal/ Review meeting
 Government agencies	<ul style="list-style-type: none"> » Product health and safety » Regulatory compliance » Public policy engagement 	<ul style="list-style-type: none"> » Periodic compliance inspections » Promote in accordance with relevant policies
 Local community	<ul style="list-style-type: none"> » Energy-saving and carbon reduction » Community care » Regulatory compliance 	<ul style="list-style-type: none"> » Good Neighbor Funfest » Annual CSR report » Customer Service Center

■ Establishing an internal monitoring mechanism for product safety

To encourage and enlist the company employees' help with ensuring product safety, we have established the "Proprietary Products Safety Assurance Guidelines" in 2014, and announced its implementation in April of 2015. If any of our back-office personnel, store personnel, or franchise owners have any concerns regarding the advertising, labeling, and ingredients used in any PCSC-developed food and non-food products, or feel that there is any conflict with the law, they may report the matter to the PCSC Audit Office by phone, letter, or e-mail. Absolute protection and high incentives are provided to the whistle-blower based on the level of risk. If verified to be true by the Product Safety Committee, monetary rewards up to NT\$5 million will be awarded.

Product safety incident risk classification table

Risk level	Description	Examples
Level 1	Addition of prohibited ingredients and additives that has been inspected by third parties and confirmed to pose an immediate danger to human health after short-term use (consumption)	Addition of melamine to "baby formula"
Level 2	Addition of prohibited ingredients and additives that has been inspected by third parties and confirmed to pose danger to human health after long-term use (consumption)	Addition of maleic acid to "oden"
Level 3	Excessive use of a legal ingredient; or apply to an inappropriate product; or falsified ingredients	Addition of copper chlorophyll to "oil products"
Level 4	False or incomplete labeling and advertising	"Peach Tea" contains no peach and only spices
Other	Does not fall under any of the four levels described above, but is of contributive nature or should be considered	Certain "City Cafe" stores did not provide red/yellow/green labels to indicate caffeine content