



PCSC

2015 CSR

Corporate Social
Responsibility Report

About this Report

This Report is the 7th Corporate Social Responsibility (CSR) Report released by PCSC, and was authored in accordance with the Core of the GRI G4.0 guidelines issued by the Global Report Initiative (GRI). This year's Report focuses on "environmental sustainability" to demonstrate PCSC's views and practices concerning CSR; it details our accomplishments in the corporate governance, economic, environmental and social aspects during the course of 2015, as well as our plans for the future. At the same time, we used materiality identification and topic analysis (please refer to the chapter on Stakeholder Engagement) to establish the issues important to PCSC. Disclosure, communication and feedback through different channels will hopefully maximize the benefit for all stakeholders and help us realize the goal of becoming the top retailer.

Reporting Period, Scope, and Data

This Report discloses our CSR-related performance in 2015 (from January 1, 2015, to December 31, 2015). Some of the data refers to our performance prior to 2015. The scope of this Report is centered upon the President Chain Store Corporation (PCSC), including corporate headquarters, stores, and malls; it also encompasses information on green logistics, as well as energy-saving and carbon reduction initiatives at four affiliated logistics companies including UPCC, 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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Messages from Chairman and President

In recent years, turbulent economic conditions, weak consumer confidence, and rising operational costs resulted in a challenging business environment. President Chain Store Corporation (PCSC) is now in its 38th year of localized management. We employ over 8,300 people at more than 5,000 stores around Taiwan. Our franchise community includes more than 30,000 members. We always think from the customer's perspective about how to provide consumers with convenient services that meet their needs. By remaining true to this philosophy and through the efforts of our business, in 2015 PCSC's revenue and net profit reached NT\$133.4 billion and NT\$8.2 billion respectively, with income tax totaled NT\$1.3 billion. The outstanding performance was recognized by the accounting firm Deloitte as one of the top 250 retailers in 2015. PCSC was the only Taiwanese retailer to be shortlisted and has continued our tradition of excellence amidst great adversity.

In order to achieve sustainable development, it is important to listen to the consumers' voice and continue to innovate to stay ahead of the trend. In addition to conducting market survey at all of our stores throughout Taiwan to collect our customers' voices and converting them into substantial service improvements, since 2013, we have begun collecting stakeholders' opinions and feedbacks systematically. The topics that are important to stakeholders and have great impact on the Company were reviewed and managed. Accountability and compassion were also infused into traditional retail channels to overcome consumer stereotypes and make our stores the indispensable "Good Neighbor" for everyone in Taiwan. In 2016, PCSC set nine key performance indicators with respect to food safety, energy-saving and carbon reduction, occupational health and safety, customer rights and interests, community engagement, and supply chain management, so that PCSC can continue to fulfill its social responsibilities.

The concept of sustainability has built in PCSC's operational strategies, and we provide detailed CSR performance through CSR Report every year. Based on the three CSR core values, happy enterprise, harmonious society, and sustainable planet, we strive to increase shareholder value and employee's benefits, make positive contributions to both society and environment.

A Happy Enterprise

At PCSC, employees are not only important assets but the key to success. That's why we have always committed to providing employees a friendly work environment.

In 2015, we took part in the "Healthy Workplace Certification" program organized by the Health Promotion Administration of the Ministry of Health and Welfare. Our "Happiness Cooperative Society", "My Health Passport", and "Weight Loss for Happiness and Health" initiatives received the "Badge of Accredited Healthy Workplace" award in recognition of our efforts on looking after the health of our employees.

Franchisees are our important partners, so we also value their well-being a lot. Since 2015, PCSC has adjusted the franchise program to increase franchisees' profit-sharing and guaranteed margins. Furthermore, since January of 2016, we have reduced the store renovation and decoration investment costs for franchisees. Through total subsidy around NT\$1.2 billion over two years, we provide franchisees more favorable investment conditions and increase their confidence. In addition, we have set up an education platform for professional development to provide learning opportunities for franchisees. We also organized recreational and health promotion activities for franchisees and spent more than NT\$19.6 million on related activities during 2015.



Chairman of PCSC
Lo, Chih-Hsien



President of PCSC
Chen, Jui-Tang

Moreover, "Compliance", "Integrity", and "Transparency" are PCSC's main philosophies. By regular and periodic regulation identification and government policy-related conferences participation, we can track the latest changes of laws and regulations to ensure "compliance"; by comprehensive corporate governance structure and internal control mechanism, combined with intensive education and training program to ensure "integrity"; by diversified communication channels establishment to learn about stakeholders' demands and expectations, combined with the disclosure of environmental, social and corporate governance information through CSR Reports published each year to ensure "transparency". In 2015, PCSC's efforts in corporate governance were recognized again in the top 5% of the listed companies in the 2nd Corporate Governance Evaluation.

Harmonious Society

Protecting the health and safety of our customers is the first priority of PCSC. A number of food safety incidents occurred following the plasticizer scandal in 2011 further aroused the public attention to food safety issues. There have been a number of revisions on food safety laws in recent years, therefore the more comprehensive control mechanisms are now in place. PCSC has also strengthened our product quality assurance system by setting up a "Merchandise Safety Committee" and introducing the Quality Control Laboratory to offer more comprehensive protection.

In 2015, we monitored more than 1,000 product safety information updates, and tested nearly 1,000 products and raw materials. Our material traceability system was also extended from tier-2 to tier-3. More than NT\$100 million was invested in food safety related mechanism, which showed our commitment to safety and health of our customers. PCSC will continue to embrace this philosophy to ensure food quality.

Besides, the "Good Neighbor Foundation", which is established by PCSC 16 years ago, has been active in local communities through continuously improving the quality of life and supporting local culture. The "Good Neighbor Funfest" organized by the Foundation uses a variety of community activities to bring people together, as well as bring warmth and compassion to the society. In 2015, the "Good Neighbor Funfest" focused on the five aspects of "family interaction, caring for the disadvantaged, cultural education, healthy lifestyle, and environmental protection", and organized more than 2,500 events. The "Bring Back the Love" fund-raising campaign leverages the influence of PCSC channels and leads the industry in looking after senior citizens in an aging society. Intensive 7-ELEVEN store network provides disadvantaged senior citizens with assistance on food, healthcare, accommodations, travel, and recreation. Services are incorporated into business operations to implement the philosophy of "charity everywhere". There is more than NT\$392million donation was raised in 2015.

A Sustainable Planet

After the Paris Agreement was passed in 2015, every country took aggressive action to respond to the impact of climate change. To keep the global temperature increases under 2°C, governments began introducing greenhouse gas emission (GHG) caps, emissions trading, and carbon taxes in order to reduce GHG emissions. Businesses face great challenges of these control strategies. As a citizen of the Earth, fighting climate change is PCSC's responsibility. We began introducing energy-saving initiatives at our headquarters building and stores many years ago, which has reduced power consumption by around 6 million kWh per year, the equivalent of more than 3,000 tons of GHG emissions. In 2015, we recognized by MOEA's Bureau of Energy on "ISO50001 Energy Management System" for the service industry. The ISO50001 energy management system was introduced at the headquarters building as well as Li-ang and Song-gao stores in Taipei. We hope through the introduction of systematic and scientific energy management system will lead to greater contributions for energy-saving in the future.

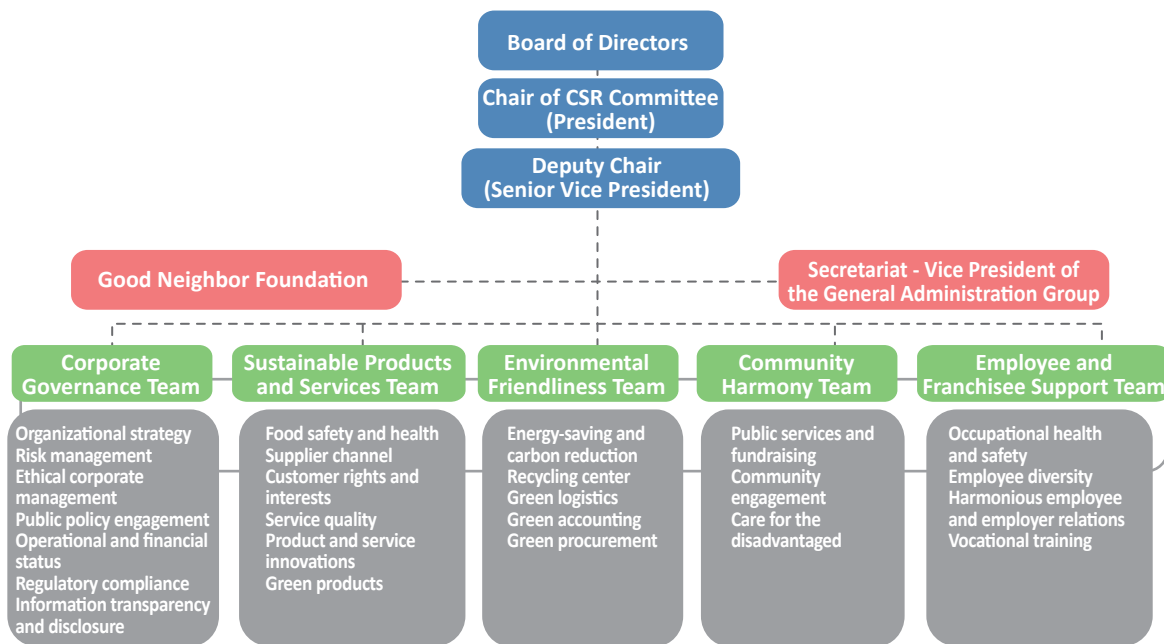
The goal of PCSC is to become the best enterprise that brings happiness to our franchisees and employees. We work actively to incorporate CSR into our core operations and strive to make every 7-ELEVEN store a community center. We are confident that through dedication and integrity in business management, we can bring consumers a "convenient, safe, and fun" lifestyle, and make PCSC a trustful, sustainable enterprise.

CSR Organization and Strategy

In pursuit of business growth, PCSC strives to fulfill the corporate social responsibility on sustainable development through the economic and social progress. As a responsible corporate citizen, PCSC contributes to the national economy by improving the quality of life for its employees, surrounding communities, and society as a whole; these help to build competitive advantages based around CSR. The cross-departmental "PCSC CSR Committee" was established to oversee the execution and management of CSR. The Committee is responsible for developing and implementing CSR policies, systems, related management directives, and actual execution plans; it also reports regularly to the Board.

Organization of the CSR Committee

The "PCSC CSR Committee" is chaired by the president, with the vice president serving as the deputy 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 deputy leaders responsible for leading all departments in embracing the TK (Tanpin Kanri) spirit of accountability, as well as 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 as well as report to the Board.



Note: This is the revised organizational structure for 2016

CSR Vision, the Three Themes and Implementation Principles

PCSC has incorporated the CSR core philosophy into our business targets. The "Uni-President CSR Code of Practice" approved by the Board of Directors in March of 2013 has been used to gradually define the three themes and five principles of CSR promotion, which has created a high-level consensus from the top-down. In March of 2015, we updated our "CSR Code of Practice" to reflect the revisions made by the Taiwan Stock Exchange to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-listed Companies" in order to ensure compliance and to demonstrate PCSC's resolve in promoting CSR.

Over the years, various PCSC departments and stores have incorporated CSR actions into their daily work and

services. For example, the Good Neighbor Foundation is focused on community services, rural education, and caring for the disadvantaged. Using our stores as gathering points, we hosted various activities to foster a sense of community; bringing people happiness, warmth, and trust, as well as spread CSR concepts among the local people. In the future, we will continue to strengthen self-management capabilities by incorporating CSR into the annual work plan and define key performance indicators (KPI). A systematic management mechanism will be used to review the results from each year to pursue sustainable business growth.

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 environment

- Comply with environmental regulations as well as related international standards and guidelines 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

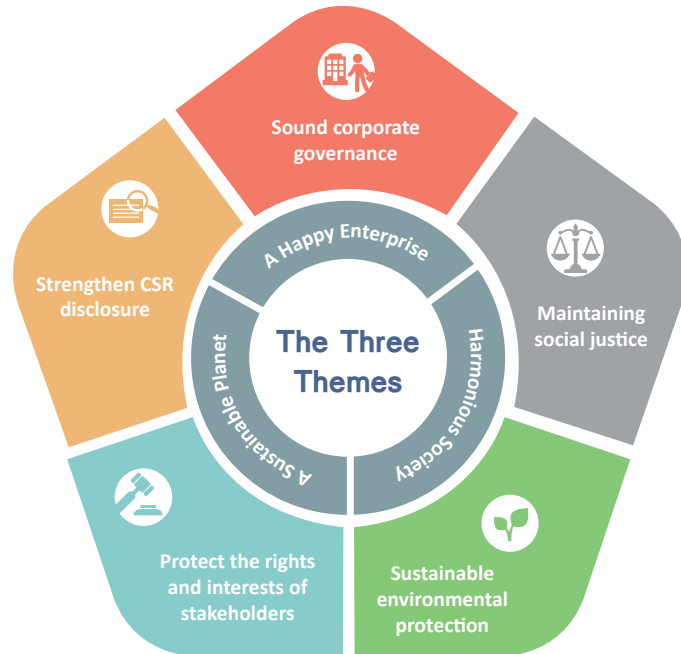
- Comply with labor laws and protect the legal rights and interests of employees
- Strive to prevent work-related injuries by eliminating risks to employee safety and health
- Create a positive environment for employees' career development and establish an effective professional training plan
- Work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

Protect the rights and interests of stakeholders

- Respect the rights and interests of stakeholders and respond to their CSR topics of concern
- 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



2015 Sustainability Performance

Corporate Governance and Business Performance

Business Performance

NT\$133.41 billion

- NT\$133.41 billion in operating revenue, an increase of 1.6% from 2014

2.9%

- Cash dividend of NT\$7.2 per share, up 2.9% from 2014

250 stores

- Established a strategic alliance with Formosa Vegetable to introduce a "Formosa Organic Vegetable Section" in up to 250 stores

Corporate Governance

- Highest rating of "A++" in the TWSE/TPEX "12th Information Disclosure Review for Listed Companies"
- PCSC was included in the MSCI Global Sustainability Indexes once again
- Ranked in the top 5% of the "2nd Corporate Governance Evaluation"
- Selected in the Taiwan Corporate Governance 100 Index.



Environmental Performance

Energy-saving and carbon reduction

Reduction of **2.74%**

- The electricity consumption intensity of stores was 1,099 kWh/m², a reduction of 2.74% compared to 2014

Reduction of **1.86 metric tons**

- Replaced 42 outdated logistic vehicles (Emission Control Phases 3 and 4) which reduced CO emissions by a total of 1.86 metric tons (1,855 kg)
- 8F of the headquarters building as well as Li-ang and Song-gao stores have achieved ISO50001 energy management system certification

Green procurement

- Purchased **143,739** kg of eco-friendly stone paper
- Purchased **55,744** kg of PLA bio-plastic
- Purchased **12,045** kg of FSC certified paper

Green accounting

- Invested NT\$917,993 thousand on environmental protection assets and expenses

Community Performance Indicators

Community engagement

2,543 sessions

- Hosted 2,543 "Good Neighbor Funfest" events

Employee Care

- The Health Management Program increased doctor service hours at clinics to 32 hours per month. The nursing staff will also be increased to four.
- A total of 281 care cases (155 cases from stores) were carried out and 239 hours of support services were provided

Care for the disadvantaged

NT\$ 3.92 billion

- Raised NT\$3.92 billion in charitable donations
- Continued collaborating with Teach for Taiwan during 2015 to support 27 teachers at 13 schools in Taitung/Tainan.
- The "Millennium i-Health" health record cloud platform went live in September of 2015

Product Performance Indicators

Food Safety

- Announced and implemented the "Privately Owned Products Safety Assurance Guidelines" to establish an internal product monitoring mechanism
- A total of NT\$18,202,266 was spent on testing raw materials/additives and store merchandise

High-quality store services **pass rate 97.5%**

- Conducted 21,771 store audits with 21,225 passing the audit, a pass rate of 97.5%.
- A total of 9,560 people completed store quality assurance training

