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About President Chain Store Corporation (PCSC)



- In 2015, operating revenue was NT\$**133.41** billion, an increase of **1.6%** compared with 2014.
- Ranked in the top **5%** of the "2nd Corporate Governance Evaluation"
- PCSC was once again selected in the MSCI Global Sustainability Indexes

1.1 Company Scale and Background

Scale of the Organization

Company name	President Chain Store Corporation
Number of employees	8,384
Year established	1978
Chairman	Lo, Chih-Hsien
President	Chen, Jui-Tang
Location of headquarters	2F, No. 65, Dongxing Rd., Xinyi District, Taipei City, Taiwan
Capital	NT\$10.396 billion
Total number of stores	5,028 stores

As of December 31, 2015

Company Overview


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. Stores have been opened in both urban and rural areas. From bustling cities to remote islands, on high mountains and seaside villages, 7-ELEVEN stores are now a common sight 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 the mission of PCSC 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 are fully aware that there is still more we can do to reinforce the absolute superiority of our brand. PCSC 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, strengthen our foundations, and build a perfect fusion of people, store and merchandise with the goal of building a global, diversified business model. We will also leverage our support systems for logistics, intelligence, and administration to create a beautiful and convenient happy space for our customers.

Significant Milestones in 2015


1.

A Solid Business Foundation

 Selected in the Taiwan Corporate Governance **100** Index.




2.

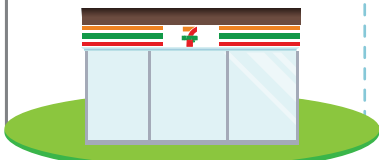
Expansion of Store Operations

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

3.

Continuation of system upgrades

-  The introduction of the self-developed "MAS Raw Material System" and "Laboratory Management System" provide real-time tracking of material suppliers, enhance quality assurance management, and build a comprehensive food safety protection net.
-  "2nd Generation iBon" kiosk software and hardware were introduced across the board to create a new digital lifestyle experience.
-  Launched "iGift" based on the concept of electronic coupons to target the B2C micro-gift market. iBon kiosks and the mobile app served as the two key platforms for creating new a model for giving mobile gifts.



Financial Performance

2015 was a year filled with social unrest and low consumer confidence in Taiwan. The year was also filled with adverse factors such as higher operating costs, intense industry competition, and natural/man-made disasters. Despite the uncertainty in the external business environment, PCSC continued to make satisfying the needs of consumers and franchise partners a top priority. We continued to introduce different products and services in response to the fast-changing consumer market and emerging consumer trends. By maintaining our four key business strategies and continuing to optimize our seven elements, PCSC continued to march forward towards our goal of becoming the most convenient, safe, and happy community service centers in Taiwan.

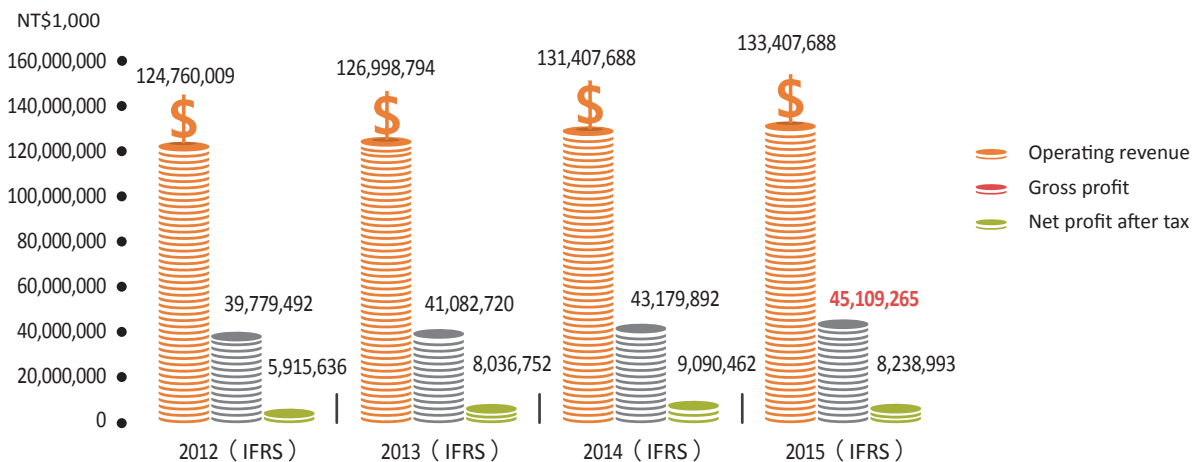
In 2015, PCSC's non-consolidated operating revenue and net profit after tax were NT\$133.41 billion and NT\$8.24 billion, respectively. Income tax amounted to NT\$1.33 billion. PCSC was the only Taiwanese retailer to be included by the accounting firm Deloitte in its 2015 Top 250 Global Powers of Retailing rankings.

It is our responsibility to provide shareholders with a long-term investment value. A stable profit growth means our shareholders are rewarded through a stable dividend policy. In 2015, we issued cash dividends of NT\$7.2 per share, up 2.9% from the NT\$7 issued in 2014. To maintain excellent communication with investors, PCSC organized and attended 4 domestic/international investor conferences in 2015; we also took part in 185 one-on-one investor meetings to help investors understand the future business direction and prospects of PCSC. To support shareholder activism and 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 for disclosing financial data and business prospects, the PCSC corporate website now features an investor's area for disclosures on corporate governance, such as the activities 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 2015. In 2015, PCSC was once again included in the MSCI Global Sustainability Index, achieving the highest score for corporate governance and exceeding the average score of companies in the same class.



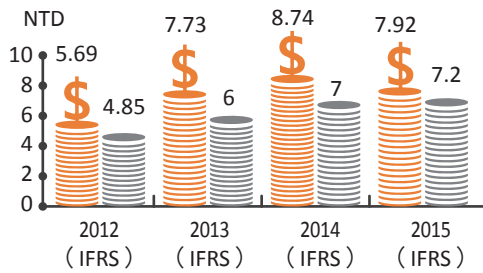
Operating performance



Note: The 2013 edition of IFRS was adopted from 2015 onwards, therefore revisions were made to related items in 2014



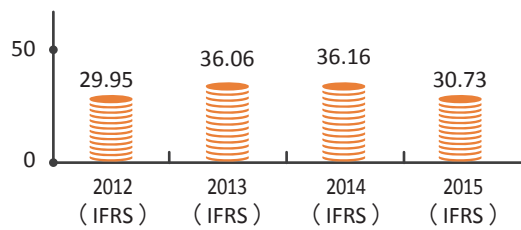
Cash dividends



— Earnings per share — Comparison of cash dividends



ROE



— ROE (%)



About President Chain Store Corporation (PCSC)



A Good Neighbor - Who is Always There for You



A Good Neighbor - Who Cares for the Environment



A Good Neighbor - Who is Involved with the Local Community



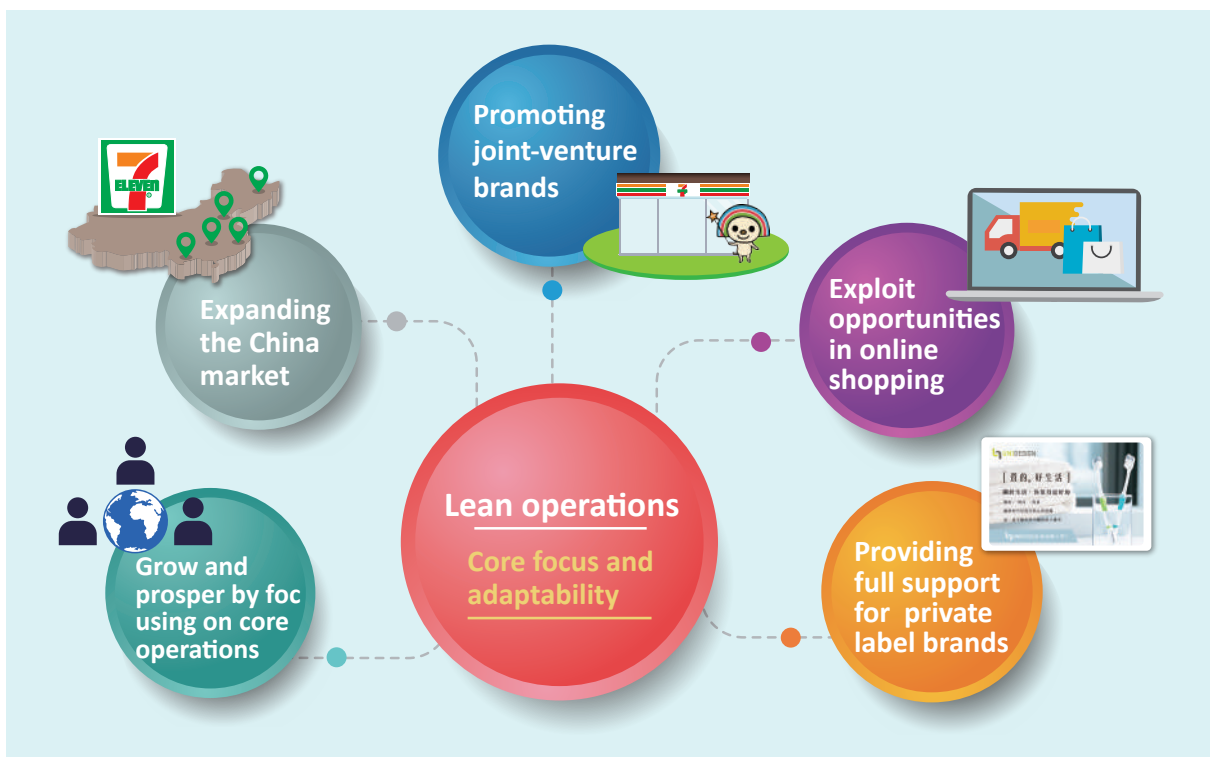
A Good Neighbor - Who Creates a Friendly Workplace

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 demand for basic convenience and ensuring the safety of our fresh/fast foods, we strive to deliver excellent and attentive services.

With becoming the "most convenient, safe, and happy community centers for customers" as our goal, our total number of stores has reached 5,208 in 2015 and our presence have also expanded to 330 townships. We completed our offshore island expansion with the opening of a new store in Lanyu. Our convenient services now reach every part of Taiwan from cities to the countryside so that all residents and customers can enjoy a lifestyle that is convenient and safe.

"Lean operation" is used as the core strategy for realizing stable and sustainable growth. The two key principles of "core focus" and "adaptability" also guide our efforts on the five axes of "growth and prosperity through focus on core operations", "providing full support for private retail brands", "exploiting opportunities in online shopping", "expanding the China market", and "promoting joint-venture brands."



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 2015, PCSC's promotion of "Green Gold" (fresh fruits and vegetables), "Yellow Gold" (bananas, corn), and "Black Gold" (CITY CAFE) achieved great success.

In order to provide the public with high-quality products, PCSC not only engaged in cross-industry cooperation with well-known brands but also supports local purchasing at stable prices from local farmers. By creating a screening mechanism and working with farmers to create products with personalized packaging, this made it convenient for customers to replenish their fruits and vegetables at any time, which in turn created additional value for agricultural specialty products in Taiwan. Constant innovation has enabled PCSC to meet the demands for eating out and enjoying vegetarian diets, bringing Taiwanese consumers the freshest and the highest quality food experience.

Green Gold
Fresh vegetables



Black Gold
City Café



Yellow Gold
Bananas and corn

Green Gold - A Special Column on Organic Vegetables

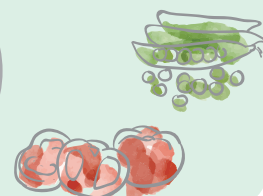


The era of nuclear families, personalization, and an aging society is changing people's shopping habits. "Green Gold" will continue to develop fresh food services by expanding from instant meals/beverages to include fresh/organic fruits and vegetables. We will also continue to build an ingredient tracking mechanism to track all foods "from the farm to the dining table" as part of our push to create a total food safety net for consumers.

PCSC is collaborating with Formosa Vegetable which has both CAS organic and ISO9001 certifications to introduce the Formosa Organic Vegetable Section. The general public can now purchase and cook seasonable vegetables with organic certification and production right from their local stores. The expertise of professional nutritionists at Chang Gung Hospital was also applied to the "Organic Vegetable Box"; each box contains 2 to 3 portions of vegetables tailored to the nutritional needs of "senior citizens", "LOHAS families", and "young children", and they are only available to the public through 7-ELEVEN. We are continuing to create innovative new services that enhance consumer health and convenience. We offer a shopping option consumers can trust.



台塑關係企業



As part of our strategic alliances and consolidation of group resources, we teamed up with COSMED to launch our own "UNIDESIGN" brand to satisfy the various needs of consumers. The brand's concept of "living with quality" will hopefully develop into a brand with high CP values based on "high quality", "high added value", and "feel the difference". "UNIDESIGN" stands for "U and I in consumer interaction" during the "Design of a better lifestyle"; it symbolizes our hope of working with consumers to create a new lifestyle based on quality. In terms of merchandising power, 7-ELEVEN is leading the way due to its experience with managing private brands, such as: The aggressive integration of domestic/overseas manufacturing and design resources as well as international manufacturing/distribution alliances, the five principles of "having large manufacturing distribution partners, using localized formulas, zero additives for a peace of mind, less is more, and environmental protection" from COSMED, as well as more than 10 years of experience in developing private brands, long-term research into consumer product habits, are all combined with Uni-President Enterprises Corporation's collective resources and joint purchasing power to reduce costs and improve competitiveness. Handpicked major domestic/overseas manufacturers ensure total quality control. Our "UNIDESIGN" products will provide citizens of Taiwan with an affordable option and we hope our private brand will become a byword for quality throughout domestic channels.

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.

Mobile payment

The "Beep! Economy" is here. In order to provide consumers with a more versatile and convenient payment experience, we have introduced contactless payment cards such as the icasH 2.0, iPass, and EasyCard along with the "iBon app" which includes a mobile business secretary feature. The opportunities offered by mobile payment have led to PCSC partnering with PChome's Pi payment service and CTBC Bank to launch the "Barcode Payment" service. The general public no longer need to bring their wallets when shopping at 7-ELEVEN stores throughout Taiwan. In a new level of convenience, they can simply show the "Pi Mobile Wallet" app on their smart phone to make payment with the displayed barcode. The partnership not only creates a bridge between online applications and physical retail, but is also the first time that mobile payments can be used at a convenience store in Taiwan; which represented a major breakthrough for Taiwan's mobile payment market.

Environmental response

To provide people in Taiwan with a greater variety of heart-warming services, we responded to developments in online shopping agents and electric vehicles by forming partnerships MYDAY and Gogoro to provide in-store pick-up for overseas online shopping agent services as well as electric vehicle charging services; these will hopefully satisfy people's everyday needs. The partnership with MYDAY required the overcoming of interface and logistics challenges to create an integrated delivery chain from the supplier to the consumer. Consumers can pick-up their orders from selected 7-ELEVEN stores for a safer and more convenient transaction environment. To implement energy-saving and carbon reduction concepts, the first GoStation® battery exchange station was installed at the 7-ELEVEN Rongxin store. Owners of Gogoro Smartscooters now have another place to recharge their batteries and enjoy their rides.

Featured Promotion

To provide customers with a different consumer experience, 7-ELEVEN is working actively on specialty stores that creatively integrate local sights and retail district characteristics into their design; the concept is also being applied at high speed rail stations and department stores. In addition to the pursuit of creative breakthroughs, our store design team is continuing to think of ways to overcome space constraints and create a new store image.

In 2016, PCSC will continue to make "becoming the best retailer with the aim of providing the most convenient lifestyle services and fulfilling our responsibilities as a corporate citizen" our most important mission, and do our best to provide consumers with a convenient lifestyle. The increased importance of food safety in recent years means we will also strive to build a total food safety net for consumers. At the same time, PCSC is taking advantage of e-commerce developments by using our extensive physical channel and comprehensive logistics/cash flow systems to continue developing new digital application services.



1.3 Corporate Governance

Transparency and corporate governance are important to PCSC. Improving ethical corporate management has always been one of our longstanding business goals. The following principles have been adopted to establish a solid corporate governance, enhance the functions of the supervisory committee, and strengthen the structure and operation of the Board:

Audit Committee members comprehend company's operations and auditing processes through quarterly Board meetings and regular audit reports submitted by the auditing units. Various reports and channels (telephone, fax, e-mail, etc.) can be used for communicating with employees, shareholders and accountants.

PCSC's Audit Committee and Board of Directors periodically evaluate the independence of its certified accountants. The Company's accounting department evaluates accountants based on standards derived from the Certified Public Accountant Act and the 10th Code of Ethics for Professional Accountants. Each year, PCSC's external auditors provide PCSC with a Statement of Independence. The external auditing firm also complies with rules for rotating external auditors.

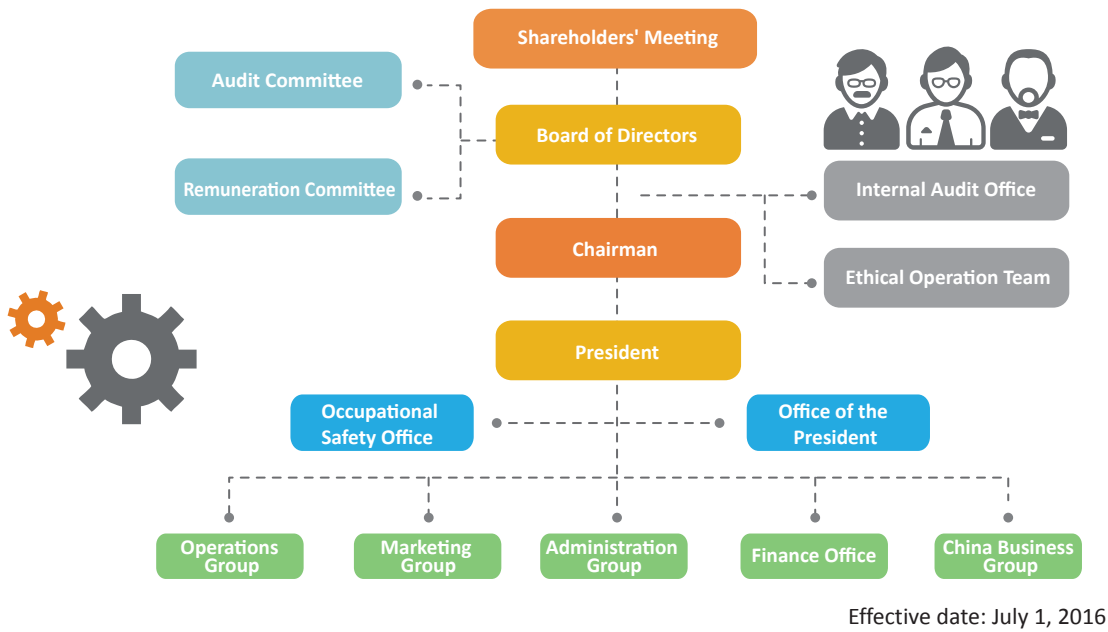
Comprehensive Internal controls are in place at PCSC with regular compliance checks conducted by internal auditors and reported to the Board; to ensure the continued effectiveness of the system design, annual reviews and revisions are undertaken to maintain sound corporate governance and risk management.

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 Corporate Governance Guidelines, Ethical Corporate Management Guidelines, Ethical Corporate Management Procedures, and Code of Conduct; these along with internal regulations such as Ethical Management and Business Confidentiality Guidelines, as well as Incentive and Disciplinary Regulations all form part of the push on "Ethical Management" throughout the Company. All employees are encouraged to sign the self-regulation agreement to promote ethical behavior and practices.

To ensure that business transactions are free from corruption, since 2013, clauses on "business integrity and prevention against bribery" have been added by PCSC to supplier agreements. Suppliers are required to take joint responsibility for preventing unethical business practices and protecting the interests of both parties. Starting from 2016, CSR-related clauses will be added to the contracts of key suppliers. Any supplier that breaches the CSR policy in a way that causes significant environmental and social impact to the source community may have their contracts suspended or terminated at any time.

In 2015, PCSC's 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 89 items). Each company 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 from each store. Stores were then selected for onsite audits (cash management in store, fund-raising, and procedures for selling/returning goods, etc.) to ensure the appropriateness of accounting operations.

Corporate governance framework



Board of Directors

The 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 57, and there are 2 female directors. The experience, professional expertise, and salaries of each Board member are disclosed between pages 17 to 22 of the 2015 Annual Report. The report can be downloaded from the Market Observation Post System or the investors section of our corporate website (<http://www.7-11.com.tw/company/ir/>). According to the "Regulations Governing Procedure for Board of Directors Meetings", if a conflict of interest exists for a director or the legal person they represent with a specific matter on the agenda, then the director may not take part in the discussion and voting. They should also excuse themselves during the discussion and voting process, nor represent any other director during voting. The Board must be convened at least once per quarter to review the Company's business performance, as well as discuss key development strategies and major investment topics. Between 2015 and April of 2016 (before the publishing date of the 2015 Annual Report), the PCSC Board of Directors met a total of 7 times and the average attendance rate exceeded 95.6%.

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, then forwarded to the shareholders' meeting for appointment. On June 18, 2015, the general shareholders' meeting voted on the independent director candidates. The elected independent directors were Wen-yu Wang (professor, College of Law, National Taiwan University), Pei-ji Hsu (Deputy Dean of College of Management, Fu Jen Catholic University), and Ming-dao Chen. At a minimum, independent directors must qualify as lecturers at a public/private university in business, legal affairs, finance, accounting, or company operations. Independent directors may offer suggestions based on their expertise and experience when the Company is making strategic decisions. The Board of Directors may also take the opinions of independent directors into account during discussions; they must also comply with the conflict of interest regulations and effectively protect company interests.

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 Pei-ji Hsu as the convener. The Committee must be convened at least once every quarter. Between 2015 and April of 2016 (before the publishing date of the 2015 Annual Report), the Audit Committee met a total of 7 times with 100% attendance rate for the convener and committee members.

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 2015 and April of 2016 (before the publishing date of the 2015 Annual Report), the Remuneration Committee met a total of 3 times with 100% attendance rate for the convener and committee members.

Ethical corporate management

In response to international trends and regulatory requirements, an "Ethical Operation Team" reporting directly to the Board of Directors was created by PCSC in 2015, to establish a business philosophy based around honesty, transparency, and accountability. The team is responsible for making integrity the foundation of PCSC's policies, corporate culture, and risk management mechanisms in order to ensure the sustainable management and development of the Company by defining the Best Practice Principles and Ethical Corporate Management Operating Procedures, and Code of Conduct. The team is also expected to report to the Board on a regular basis.

An online ethical corporate management course was established as a part of the internal education and training on ethical corporate management. As of December 31, 2015, the course has been completed by 99.6% of all back-office personnel. To promote ethical corporate management outside of the Company, PCSC has introduced clauses on ethics and integrity into supplier contracts. The active prevention mechanisms spell out PCSC's stance on ethical corporate management to enforce our core corporate values.



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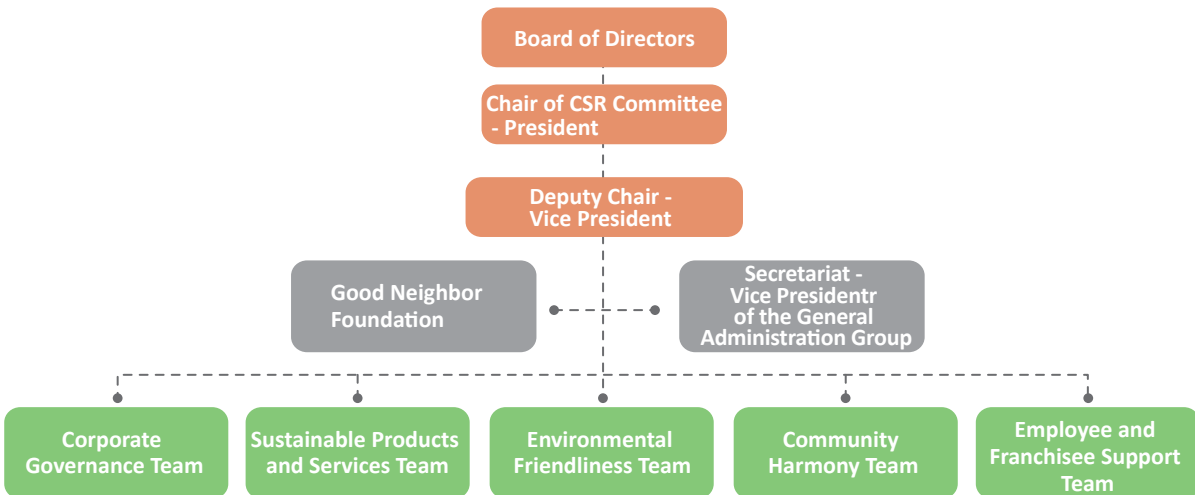
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Corporate Social Responsibility (CSR) Management

PCSC has established a CSR code of conduct. In order to implement and manage CSR, PCSC established an interdepartmental CSR Committee with the president serving as chairman and a senior vice president Wu, Kuo-Hsuan as vice chairman. The committee is divided up into five major teams, including "Corporate Governance", "Sustainable Products and Services", "Environmentally Friendly", "Coexisting with the Community", and "Employee and Franchisee Relations", responsible for proposing and implementing concrete plans related to CSR policies, systems, or relevant management guidelines and reporting the status on a regular basis to the Board of Directors. Please refer to the PCSC CSR Report for a detailed description of CSR policy effectiveness.

PCSC has included CSR indicators into the common performance of all Team-level executives (changed to department-level in 2016). Topics relating to food safety, labor safety, environmental safety, industrial safety, and compliance are now given priority during performance evaluations.

PCSC CSR Committee



Note: This is the revised organizational structure for 2016

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 also received CSR-related awards from the public and private sector. Major awards received from 2015 to May of 2016 are listed below:



- ★ Ranked 1,842nd in "Forbes" Global 2000
- ★ "Cheers" magazine's Top 100 "Favorite Corporations of the New Generation" in 2015
- ★ 1st place in the convenience store industry, trans-trade and innovation categories of the "CommonWealth" magazine's "CSR Corporate Citizen Award" and "Gold Medal Service Award"; also named as a Top 2000 company
- ★ 1st place in the "Retail" category of the "Business Weekly" magazine's "Survey of the 100 Most Influential Brands"
- ★ 1st place in the convenience store category of the "Commercial Times 2015 in Service Assessment"
- ★ "Grand Prize" winner in the "retail and wholesale division" of the "Manager Today" 2015 Influential Brands
- ★ Presented with Next Media Magazine's "12th Top Service Award"
- ★ Highest possible "A++" rating in the TWSE/TPEX "12th Information Disclosure Review for Listed Companies"
- ★ Ranked in the top 5% of the "1st Corporate Governance Evaluation"
- ★ AA100 certification and A+ sustainable enterprise rating from the British Standards Institution (BSI)
- ★ The only Taiwanese retailer to be included by the accounting firm Deloitte in its 2015 Top 250 Global Powers of Retailing rankings
- ★ The Golden Cup Award at the Taiwan Events Excellence Awards presented to the Good Neighbor Association in 2015 by the "Taiwan Events Association"
- ★ Received ISO50001 energy management system certification, and was the only convenience store chain to receive business assistance during the year



Commercial Times Service Award



12th Top Service Award



Good Neighbor Foundation Golden Cup Award, Taiwan Events Excellence Awards



(as of end of May)

- ★ Nominated for the "Cheers" magazine's "2016 Top 100 Favorite Corporations of the New Generation"
- ★ Named No. 1 in the retail channel category of the "Brand Asia Influential Brands"
- ★ PCSC's charity contributions were recognized with the top award at the "Global Views" CSR Award
- ★ Digital power was crucial to winning the "CommonWealth" magazine's Gold Medal Service Award



Global Views CSR medal

1.5 Operating Strategy and Management

While the global economic recovery has been lukewarm, the US has begun hiking interest rates while international oil prices have fallen and Chinese economic growth has slowed. These factors continue to cast uncertainty on global economic expansion and have impacted Taiwan's exports and overall economy. In 2015, Taiwanese exports fell 10.6% and the economic growth rate stood at only 0.75%, which represents a decrease of 3.17 percentage points from 2014's rate of 3.92%. As for commodity prices, in 2015 the Consumer Price Index (CPI) annual growth rate fell 0.31%. The Company has made efforts to adjust our product mix, improve gross margins, and pursue a diversified marketing strategy to minimize the cost pressure resulting from inflation and mitigate its effects on the Company's operations.

Domestic salaries have yet to see any significant increases, so consumers will continue to economize. At the same time, food safety awareness continues to rise among consumers, while value for money is still important. All businesses in this market must focus on improving product quality management and increasing added value to raise quality and differentiate themselves from the pack. In raw material management for fresh foods, PCSC engages directly with contract farmers and works with local fresh food suppliers to develop new products. At the same time, PCSC has invested immense resources to set up a raw material management system with suppliers to enforce source and food safety risk management. Strict compliance on labeling and honesty in advertising as well as auditing of tier-1 suppliers and tier-2 raw materials are in place in order to improve customer satisfaction. Apart from operating the first world-class quality inspection laboratory in Taiwan's domestic retail industry, PCSC is continuing to refine its self-inspection capability in order to provide consumers with safe, convenient, and delicious fresh food products.





Technology and R&D

To understand our customer demands as well as respond to changing store formats and business models, we have continued to integrate many innovative services that improve our overall competitiveness. We are also involved with reducing our environmental impacts and improving people's lives. In 2015, a total of NT\$149,711,000 was spent on related research and development.

ibon kiosk upgrades:We continually upgrade ibon software to ensure a clear, intuitive user interface and have extended the ibon mobile app barcode scanning feature, so users can first use their mobile device to confirm, then visit their local store to complete the action.

Conveniences: To provide our customers with a wider variety of thoughtful services, 7-ELEVEn has teamed up with MYDAY online overseas shopping service and Gogoro, a brand of battery powered motorcycles. Customers can now pick up their MYDAY purchases or recharge their Gogoro battery at the local 7-ELEVEn, becoming an ever more important part of their lives.

OPENPOINT member loyalty points: In a first for the industry, PCSC introduced a point donation service that enables members to give away their points to other members. This new method of gift-giving can also help to increase the liquidity and use of loyalty points.

Expand equipment to strengthen real-time online services: To provide faster and more stable online ticket purchases and preordering services, which will not be adversely affected by high demand.

Introducing mobile payments: Working with the Pi mobile wallet enables PCSC to offer O2O third party payment services, adding to the variety of ways that customers can pay for purchases.

Upgrade the 7-11 app: To provide consumers with a variety of improved services, the 7-11 app has been significantly upgraded.

Looking to 2016, a year likely full of changes, global and local economic environments will continue to pose challenges. Nonetheless, PCSC will maintain integrity and honesty in our business operations, while developing the seven key building elements of our company: people, stores, products, systems, logistics, policies, and culture. Through structural changes, PCSC expects to create sustainable growth. 7-ELEVEn Taiwan will utilize its advantages of proximity and convenience, in coordination with PCSC's resources, to launch differentiated products and services.

PCSC is "determined to become an outstanding retailer by offering convenient services and being a good corporate citizen". We strive to make life more convenient for all our customers, ensure steady profitability of our franchisees, create a friendly and fair work environment for our employees and increase shareholder value. Our ultimate goal is to ensure the satisfaction of our customers, business partners, shareholders and society.



Risk management

PCSC endeavors to maintain a comprehensive risk management system that works to manage risks for the entire organization including consolidated subsidiaries. The Board of Directors, managers at all levels, and employees work together to promote proper implementation of risk management.

In addition to observing relevant regulations, PCSC identifies, analyzes, measures, monitors, responds to, reports, and mitigates all potential risks that could arise from operating activities based on the characteristics and impact of such risks. While working to achieve PCSC's strategic goals, we can also effectively maintain and control potential risk.

The Company's primary risk management structure and the various business units responsible for risk management and its implementation are discussed below:

Risk management table

Risk type	Implementation of risk management	Accountable unit
Strategic and operational risks	Each business unit and subsidiary is responsible for the planning and risk assessment of any new investments or operational decisions. PCSC's Office of the President regularly conducts related indicator analysis and tracks performance at the PCSC and affiliated enterprises quarterly meetings and regularly scheduled themed project operation reviews for key affiliated enterprises. Appropriate adjustments to operational strategy are made in accordance with changes in market competition and consumer trends to ensure each business entity's strategy is in line with its operational goals and strategic vision.	Office of the President
Financial, liquidity, and credit risks	To respond to changes in related regulations, policies, and the market, PCSC's Finance Office defines a range of strategies, procedures, and indicators to perform regularly-scheduled analysis and evaluation of changes in risk status and respond appropriately in order to mitigate potential risks for the entire company.	Finance Office
Market risks	Each business unit analyses and assesses major government policies, laws, and technological advances both in Taiwan and abroad and formulates appropriate response measures to reduce potential future risks. In addition, PCSC established an inter-division Regulation Identification Team and holds regular Regulation Identification Meetings to track the latest changes in laws and regulations and formulate appropriate responses. Also, the Crisis Management Team, made up of division managers, was established effectively control and manage any potential or existing market risks and crises.	Each business unit/Regulation Identification Committee/Crisis Response Team

Through risk assessment and regulatory reviews, the Internal Audit Office draws up an annual audit plan and selfinspection procedures and methods, which, when implemented, help to control aforementioned risks. The results of these inspections shall be reported periodically to the Board of Directors.

Climate Change Risk Analysis and Adaptations

During the execution of CSR risk management activities, PCSC realized 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 daily 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. Through strategies such as energy-saving measures, equipment performance improvements, and additional employee training at the headquarters/at each store, PCSC now aims to become a low-carbon enterprise.



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A Good Neighbor Who Creates a Friendly Workplace

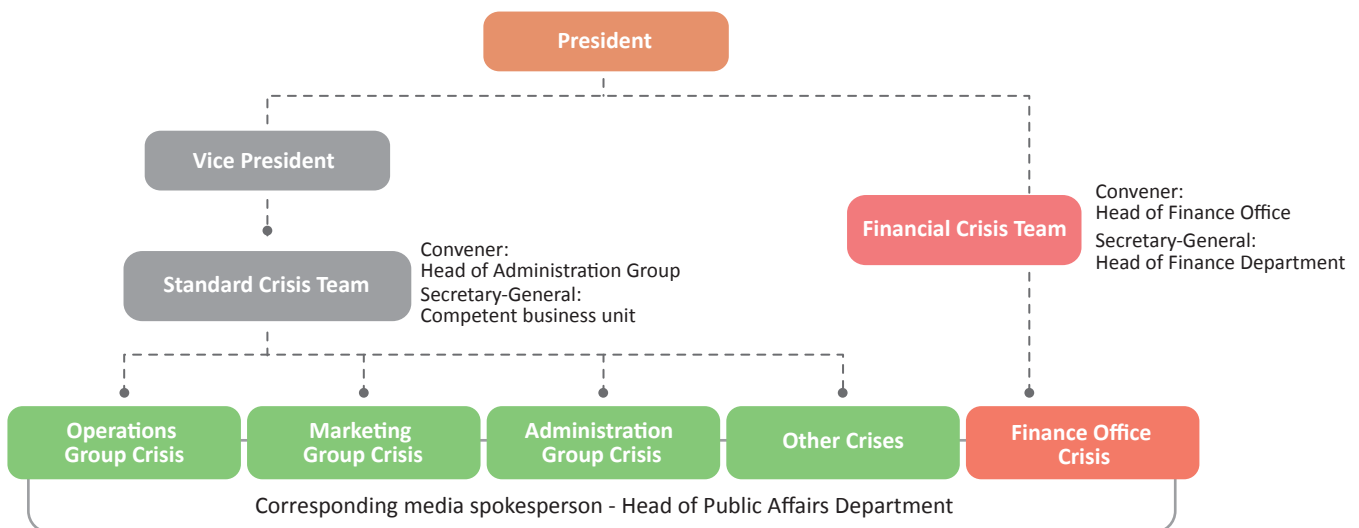
Crisis Response Management

A crisis can strike as quickly and as suddenly as lightning. To improve crisis awareness at PCSC, a cross-departmental "Crisis Management Team" was established in 2013. "Crisis management" training was conducted at our headquarters in 2015 to highlight the prevention, handling, and resolution policies of the Company when faced with a crisis.

PCSC also followed the example set by our parent company, Uni-President Enterprises, and published its 3rd edition of "PCSC Crisis Management Handbook" on February 14, 2014. The head of 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 manual's structure was strengthened and revised in accordance with the Crisis Handling Principles from our parent company, Uni-President Enterprises Corp. Particular emphasis was given to the spirit of "accountability" and "independence" so the organization of crisis task forces, roles and inter-unit horizontal communication mechanisms were all covered in detail; to help the responsible unit quickly receive proper guidance during a crisis, crises were also divided into different categories such as product quality problems and false advertising; these were then divided by unit types into five main categories: Operations Group Crisis, Marketing Group Crisis, Finance Office Crisis, Administration Group Crisis, and Other Crises.

Crisis management must adapt to current developments and the core objective must be "honesty." Communication must be expanded to include all employees, customers, news media, and the general public to strengthen internal morale and build up outside trust. To make the new manual more practical, we invited the heads of each unit to discuss the content and take part in exercises on the handling of key events such as "food safety." Through exercises are random intervals, crisis awareness can be instilled in PCSC employees so they can respond in a timely manner to any crisis and turn them into opportunities. They will also reduce the impact of the crisis on company operations and revenues, while protecting the interests of all stakeholders.

Organization of the Crisis Team






Note: This is the revised organizational structure for 2016

1.6 Stakeholder Communications and Material Issues

PCSC stakeholders include investors, suppliers, employees, franchisees, charities, government organizations, and local communities. PCSC must be held accountable to its stakeholders, and a stakeholder area (<http://www.7-11.com.tw/communication.asp>) has been set up on the PCSC corporate website. A physical mailbox is also available. A variety of different methods and channels are used to learn about stakeholder requirements and their expectations of PCSC. Other methods and channels of communication for stakeholders are described below.

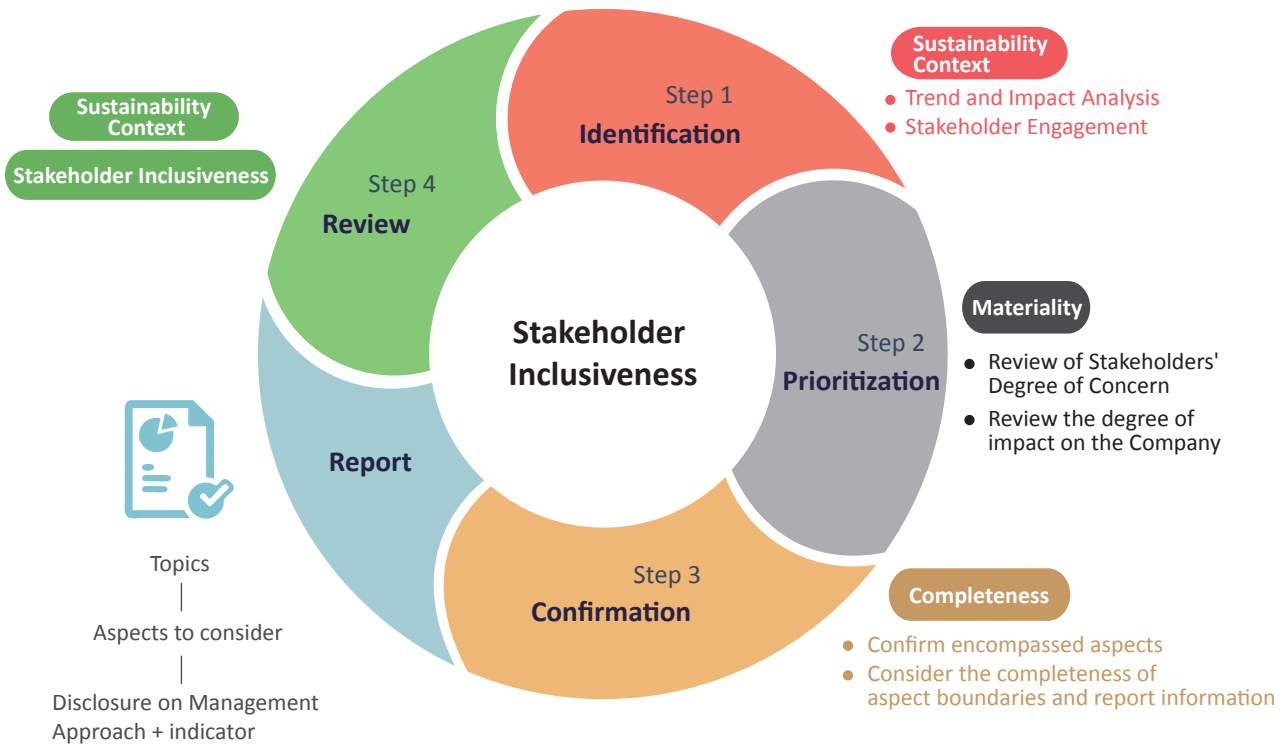
 **Table of communication channels between PCSC and its stakeholders**

Stakeholders	Topics of Concern	Communication channel
Investors/shareholders 	<ul style="list-style-type: none"> Corporate Governance Risk management Operational and financial status Divided Policy 	<ul style="list-style-type: none"> Annual Shareholders' Meeting Regular publication of financial statements/ annual reports Disclosure through corporate website Legal person conference TWSE Market Observation Post System website Answering questions from investors and analysts via phone or e-mail
Suppliers 	<ul style="list-style-type: none"> Green procurement Green products Supplier management Local purchase 	<ul style="list-style-type: none"> Regular merchants' friendly association Regular 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"> Service window at Joint Services Center Satisfaction survey
Employees 	<ul style="list-style-type: none"> Occupational health and safety Harmonious employee and employer relations Training development and education Employee diversity and equality 	<ul style="list-style-type: none"> Regular employer-employee meetings Staff Welfare Committee Employee complaints e-mail box Internal proposal system Happiness Cooperative Society
Franchisee 	<ul style="list-style-type: none"> Training development and education Occupational health and safety Product and service innovations Marketing communications 	<ul style="list-style-type: none"> Dedicated franchising website Weekly visit by regional advisor Regular monthly publications Franchisee discussion forum Satisfaction survey
Public interest groups 	<ul style="list-style-type: none"> Community care Public services and fundraising 	<ul style="list-style-type: none"> Annual CSR Report Support for charity events/initiatives Good Neighbor Foundation Quarterly charity fundraiser Fund-raising proposal/ Review meeting

Stakeholders	Topics of Concern	Communication channel
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 systems
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 Service window at Joint Services Center

Materiality Assessment Procedures

PCSC communicates with its shareholders through various channels. Issues most important to shareholders are compiled and assessed based on sustainability, materiality, completeness, and stakeholder inclusiveness. The assessments look mainly at stakeholders and the material aspects. The flow of materiality analysis consists of the following:

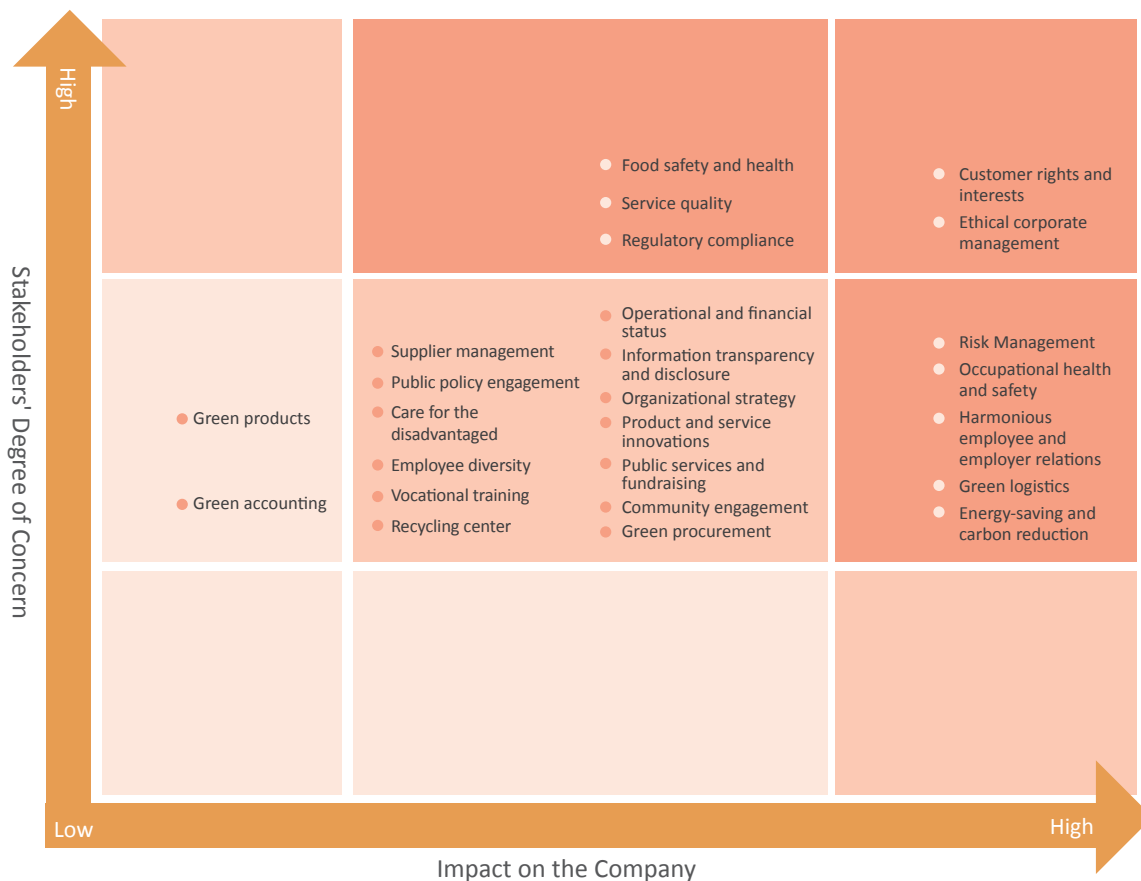


Step 1 Identification

Members of the CSR Committee use the aspects listed in GRI G4 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 2015, we used the selected CSR issues to construct a survey, which was sent out to various identified stakeholders; a total of 106 responses were received. The survey gave us a better understanding of what topics the stakeholders were most concerned with; it also let us determine whether our CSR actions were effective in addressing stakeholder expectations.

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 effects on the Company. Finally, the degree of concern and degree of impact were assessed together to determine the material issues. In 2015, we identified a total of 10 material issues; these included food safety and health, service quality, regulatory compliance, customer rights and interests, ethical corporate management, risk management, occupational health and safety, harmonious employee and employer relations, green logistics, and energy-saving and carbon reduction.



Step 3 Confirmation

Once the material issues were identified, the next step was to determine their internal/external impacts on the Company; this is to identify the aspects encompassed by the material issues and ensure that key CSR information is fully disclosed in the Report.

Scope of Material Issues Identification Chart

Material Issues	Aspects to consider with respect to GRI G4	Internal		External			Chapter of Topics
		President Chain Store Corp.	PCSC logistics affiliate	Customers	Community	Suppliers	
Food safety and health	PR: Customer health and safety	◆		◆	◆	◆	2. A Good Neighbor Who is Always There for You
Service quality	PR: Product and Service Labeling	◆		◆	◆	◆	2. A Good Neighbor Who is Always There for You
Regulatory compliance	PR: (Regulatory) compliance EN: (Regulatory) compliance	◆		◆	◆		2. A Good Neighbor Who is Always There for You 3. A Good Neighbor Who Cares for the Environment
Customer rights and interests	PR: Customer privacy	◆		◆			2. A Good Neighbor Who is Always There for You
Ethical corporate management	General disclosure	◆		◆		◆	1. About President Chain Store Corporation (PCSC)
Risk management	General disclosure	◆					1. About President Chain Store Corporation (PCSC)
Occupational health and safety	LA: Occupational health and safety	◆					5. A Good Neighbor Who Creates a Friendly Workplace
Harmonious employee and employer relations	LA: Labor-Management relations/Labor Practices Grievance Mechanisms/Freedom of Association and Collective Bargaining/Forced or Compulsory Labor/Assessment/Human Rights Grievance Mechanisms	◆					5. A Good Neighbor Who Creates a Friendly Workplace
Green logistics	EN: Transportation	◆	◆		◆		3. A Good Neighbor Who Cares for the Environment
Energy-saving and carbon reduction	EN: Energy, emissions	◆	◆		◆		3. A Good Neighbor Who Cares for the Environment

Note: Logistics affiliates are UPCC, Wisdom Distribution Service Corp., Retail Support, and President Logistics International Corp.












Step 4 Review

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

Participation in External Organizations

PCSC actively participates in industry association events. Through regular and random meetings held by each industry association, the members grow closer together to increase cooperation and networking between peers.

Participation in External Public Organizations

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