

2013 PCSC

Corporate Social Responsibility Report



About the Report

This report is the 5th Corporate Social Responsibility (CSR) Report released by PCSC by referring to GRI G3.1 issued by Global Report Initiative (GRI). With “Bringing happiness to our customers anytime” as the main theme, the report presents PCSC’s views and strategies for issues related to CSR, illustrating our achievements in the dimensions of corporate governance, economy, environment and society in 2013 as well as its future planning. Meanwhile, by means of identification and analyses of significant issues (please refer to the Chapter of Stakeholders Communication), we selected significant issues specific to PCSC, hoping that through various forms of disclosure, communication and feedback of information could produce maximum shared value for our stakeholders and our the goal of being a top retailer.

Reporting Period, Scope and Data

Data and contents in the report are based on the statistics of 2013 (from January 1st to December 31st, 2013); information beyond the given period will be noted otherwise. It also covers the future outlooks and opportunities for operation. The performance data in the report focuses on stores in Taiwan, and presents the information regarding energy-saving and carbon-reducing in our four affiliated logistics enterprises, i.e., UPCC, Wisdom Distribution Service Corp., Retail Support International and President Logistics International Corp. It is planned that information about more affiliated companies will be included in the report in the future to present a more detail and comprehensive information about PCSC’s value chains. The report adopts the published statistics that are audited by certified accountants for its financial data, accounted for in the New Taiwan Dollar. As for other data, the report takes the self-inquired and statistical results except the quantification of greenhouse gases which refers to the latest carbon emission factors released by Bureau of Energy, Ministry of Economic Affairs.

Authentication of the Report

The report has been assured by the third party the British Standards Institution (BSI) in terms of the materiality, inclusivity and responsiveness in accordance with AA 1000 AS (2008), which meets the requirements of moderate assurance level for Type I and GRI G3.1 Application Level A+. The Independent Assurance Opinion Statement is attached to the Appendix of the report.

Time of Publication

PCSC will release the CSR report annually on its website www.7-11.com.tw.

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Message from the Chairman



PCSC Chairman
Lo, Chih-Hsien



PCSC President
Chen, Jui-Tang

PCSC has been operating in Taiwan for over 36 years. Thanks to the collective effort of all our staff, we have managed to offer customers a wide range of choices that help make life easier and we promise to further cater to their needs through our reliable service network and convenience stores. Currently, 7-ELEVEN is found in 329 counties and towns across Taiwan and even on offshore islands including Penghu, Kinmen, Green Island and Orchid Island(Lanyu). Therefore, both urban and rural residents can easily access our diverse services and worldwide popular products anytime, anywhere. It is our mission that we can grow from not only being a convenience store chain, but to become an irreplaceable member of the community, making indispensable contributions to the Taiwanese lifestyle. To achieve this mission, we have made a commitment to keep our convenience stores open all year round, with 24-hour cafes, canteens and neighborhood markets. Where there is 7-ELEVEN, there is warmth and light all 24 hours a day.

We believe that our achievement today lies not only in having the largest number of service points in Taiwan, but also and mainly because of the support and trust of our stakeholders. With the steady stream of customers at 7-ELEVEN, our colleagues and suppliers have the opportunity to share their creativity through our service platform. Thanks to the dedicated efforts of our staff and suppliers who handle front line sales and logistics, we are able to efficiently serve our customers all year round. We deeply appreciate their continuous contribution throughout the year, as well as the support and understanding of their families. We are also truly grateful for the support of all our shareholders as we strive to confidently move forward and reach higher goals.

As the leading convenience store in Taiwan, we recognize that while seeking business growth, we should also exert our influence to positively implement our corporate social responsibility, giving back to our stakeholders and guiding the country towards a sustainable society.

Looking back on 2013, despite the unstable micro-environment and economic uncertainty, in which PCSC encountered a constant rise in operating cost and serious competition, the company has remained firm and consistent in keeping its philosophy Focused Operations as well as Persistent and Pragmatic Approach to achieve stable and sustainable growth. PCSC constantly makes improvement and innovation on its seven core elements; namely, people, store, merchandise, system, logistics, management and culture. By doing so, it is able to understand consumption demand and create growth momentum to surge to new heights of revenue and net after tax profit.

To better implement corporate social responsibility, we deeply uphold the company's TK (Tanpin Kanri) principles and expect all departments to be guided by these standards when practicing CSR in their work and setting objectives in the annual implementation of their programs and daily job performance. In addition, we strengthen the communication channels among stakeholders, investors, suppliers, customers, employees and franchisees, to attain a higher degree of satisfaction and create mutual prosperity.

Advanced and Honest Operations as well as Food Safety Management Practices

Based on existing ethical management practices, we have raised our operations standards in 2013 by promoting the values of honesty and integrity. Specifically, we have adopted self-regulation to ensure the moral integrity of our staff and organization. We have regulatory compliance



controls that promote honesty and prohibit bribery in the workplace. The same compliance and integrity standards apply to our suppliers so as to prevent unethical business activities and maintain mutual trust.

With the increasing number of food safety incidents, we have invested a significant portion of our resources to improving food safety inspection and standards in order to gain public trust and consumer confidence. Aside from strictly requiring PCSC and its suppliers to obtain relevant inspection certificates to ensure product safety, we have also enhanced our inspection capacity at our own laboratory by obtaining the ISO/IEC 17025 international certification. We were able to achieve this goal by maintaining multiple quality control inspections to minimize risks and guarantee food safety. Furthermore, we have remained vigilant and prudent by developing a Work Flow for Product Safety Information Collection, Assessment and Tracking, and by forming a Risk Management Group to handle critical incidents that occur for the first time, as well as assure stakeholders and positively deal with any crisis.

After a series of food safety incidents involving edible oil in 2014, we organized a meeting with directors and colleagues from different departments and decided to create a Risk Management Group to gather information and effectively handle potential crises and problems. To demonstrate our strong sense of responsibility, we choose to immediately withdraw potentially affected products from store shelves as precautionary measure. Our stores would also serve as a primary processing platform. We actively perform our duty as a humble member of the society. We firmly believe that by acting responsibly, we can reassure the public as well as maintain consumer trust and confidence.

Advanced Green Consumption and Environment

By the end of 2013, PCSC has had more than 4,922 stores in Taiwan. As we make life convenient for people, we believe that saving energy and reducing carbon footprint are important to achieve sustainable operations. Hence, we have implemented policies on electricity management, reconfiguration of lighting systems and replacement of fixed-frequency air conditioners with variable frequency ones to reduce greenhouse gas emissions. All these help transform our stores into an environmental and sustainable shopping destination. In 2013, there was 4% more electricity generated per kilowatt-hour than in 2012. In addition, 66% of stores attained the highest three-star green convenience store ranking. These demonstrate our efforts as we strive to use energy effectively in our operations and provide a green and better living environment for everyone.

Innovation in Promoting Social Concern and Employee Care

In the long term, we will continue to address issues related to health, environmental protection, public welfare and the disadvantaged through community services organized by the company's Good Neighbor Foundation. With the support of our chain stores, we are able to hold various community activities and successfully create emotional connection with community residents. Not only are we able to bring happiness, warmth and trust but we also promote CSR among the rural villages. In 2013, we introduced a new social program using film as a tool for raising public awareness. The documentary, Bridge Over Troubled Water, is about children living in rural areas, who learned how to read when libraries were built after the August 8 typhoon. This film helped create public awareness about poverty and the poor. Moreover, it was part of a campaign ("A little goes a long way.") of the Good Neighbor Funfest, in which three participating stores located in Jiasian District in Kaohsiung City, Nantou County and Taoyuan County offered giveaways (e.g. breakfast or Slurpee) for simple achievements like collecting points by reading and running or getting perfect marks in a monthly test. There was also an Open-Air Cinema utilized for promotional and advertising campaigns (e.g. Slurpee, Watching Movies and Running). Films were shown to encourage people to do good deeds everyday and help others in need.

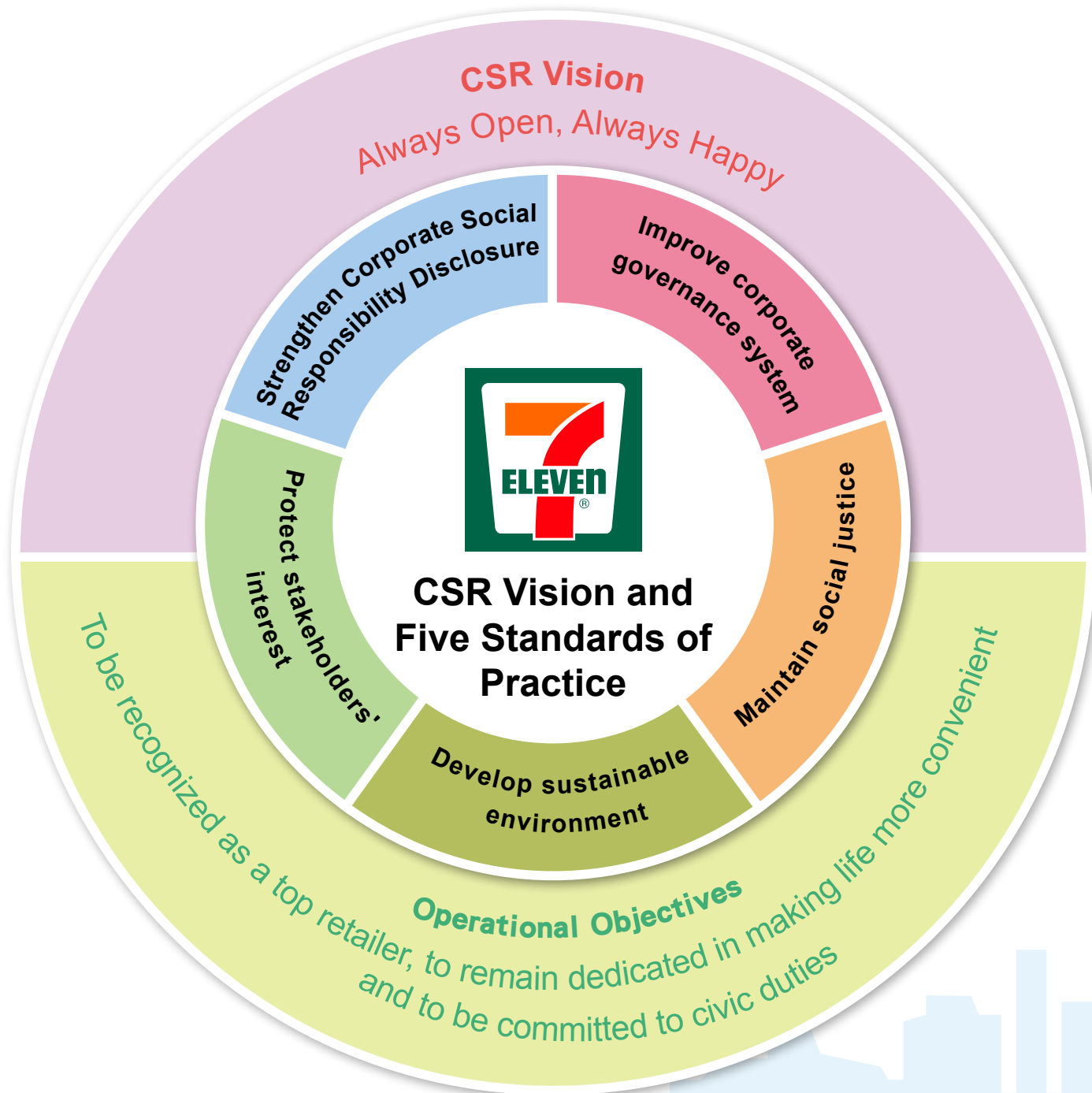
With regard to employee care, we designed a suitable career plan for each staff to create a harmonious and happy working environment. Aside from providing the best education and training system, we also have a competitive compensation and reward plan. We likewise have a "Happy Cooperative" employee care program and launched the unique "Health Passport" to help our staff manage and maintain their health. All these can contribute to a harmonious and safe working environment. We firmly believe that only a happy and content staff can provide customers with the best service.

Going forward, we will further showcase the benefits of our brands, and remain focused on our core business, so as to expand and innovate to boost operations. We will also open more stores across Taiwan and even on offshore islands to achieve our commitment of providing accessible services in both rural and urban areas. Driven by our corporate social responsibility goals over the years, we strive to meet our stakeholders' expectations as we accomplish our mission of being a good neighbor who is "Always Open, Always Happy".

Chairman Lo, Chih-Hsien

President Chen, Jui-Tang

CSR Vision and Strategy



Improvement of Corporate Governance System

Each supervised unit should always check and review CSR results, and constantly make operational improvements.

All staff should practice self-regulation and compliance by upholding the corporate culture of "sincerity, innovation and sharing".

Operating activities must comply with relevant laws and regulations to establish a fair and competitive environment.

Maintain Social Justice

Follow relevant labor laws and protect the interests of employees.

Reduce risks that could undermine employee health and safety; prevent occupational accidents.

Create a better environment that would help in career development and training of employees.

Cooperate with suppliers and improve CSR initiatives.

Participate in activities related to community development and education organized by residents, charitable institutions and local government units.

PCSC has been instrumental in helping the people of Taiwan for more than 36 years. It serves as a good neighbor and partner, providing people with convenient services. It also fulfills its responsibility as a good social citizen by making positive contributions to society.

We are aware of the importance of CSR in our operations and we have made it our mission to lead through innovation amid a changing world, so as to improve the quality of life and realize our goal of becoming a happy business that promotes social security and sustainable development. We have created a CSR committee to effectively incorporate CSR into our operational objectives through departmental integration. With this, we were able to refine and come up with a new PCSC vision: Always Open, Always Happy. In 2012, we established the Practical Rules for PCSC Corporate Social Responsibility as well as the five standard practices and specific directions in the implementation of a bottom-up approach to reach consensus. Through constant hard work, the CSR committee has accomplished its tasks successfully. In 2013, we applied the company's TK concept as a way of incorporating CSR in our business culture. We also expected all departments to be guided by these standards and integrate CSR in their work and daily job performance.

As part of our CSR goals, we have organized activities such as education, training, conferences, and experience/knowledge-sharing since 2011 to enhance CSR awareness among coworkers from our different chain stores. The activities instill in them a sense of mission and understanding of the value of giving back to society. We have also launched relevant CSR initiatives like the Good Neighbor Funfest based on the core capacity and services of each store, which allowed customers and neighbors to feel the sincerity, happiness and warmth of PCSC.

As for CSR strategies in the future, we will continuously uphold the principle of self-management in incorporating CSR in the annual business planning and implementation of programs by each department. With the changing times and evolving lifestyles, we need to consider how to maximize our resources and advantages in solving crises caused by climate change, ageing population and economic inequality as part of our medium and long-term CSR objectives and strategies to better meet customer expectations. By doing so, we will be able to fully integrate CSR into our corporate culture and business operations.

Developing a sustainable environment

Observe environmental laws and relevant international regulations to appropriately protect natural environment.

Maximize the efficient use of resources and implement a green procurement program.

Consider ecological processes and reduce environmental impact on the implementation of R&D projects, production and services.

Stakeholders' Interests

Protect stakeholders' interests and address their issues and concerns regarding CSR.

Ensure product and service quality; implement policies that safeguard consumer interests.

Respect and protect the privacy and personal data of consumers.

Corporate Social Responsibility Disclosure

Fully disclose relevant and reliable CSR information.

Provide CSR progress report, including the implementation initiatives and guidelines, as well as stakeholder concerns and issues.

2013 Sustainable Performance

Corporate Governance and Operational Performance

Business Performance



NT\$126.999 billion

Revenue reached NT\$126.999 billion (1.79% increase compared to 2012 figure)



35.85%

Earning per share reached NT\$7.72 (35.85% increase compared to 2012 figure)



NT\$4.2 billion

The total amount of agricultural products reached 56.7 thousand tons (increased by 8.80% compared to 2012 figure)
The procurement amount reached NT\$4.2 billion (20% increase compared to 2012 figure)



49.3%

More than 4,922 stores were opened in Taiwan; market share reached 49.3%, with PCSC attaining No. 1 rank



42 million transactions

The "Easy Delivery" e-commerce system in more than 4,000 online stores enabled many small and medium enterprises to offer delivery service and help online brands grow. More than 110,000 customers use our Easy Delivery service daily, and we have more than 42 million transactions every year.

Corporate Governance

- ▶ Received **A+** in the Information Transparency and Disclosure Ranking among listed companies
- ▶ Laid down stipulations to promote honesty and integrity (i.e. no bribery) in PCSC formal contracts
- ▶ Developed the E-voting system and voting mechanism for the board of directors

Product Performance



100%

Sustainable Supply Chain

100% fresh food and products are strictly required from suppliers based on CSR provision



Food Safety

- PCSC Quality Inspection Laboratory obtained ISO/IEC 17025:2005 certification for assessment of Escherichia coli groups. It also has the capacity to conduct independent chemical examinations on 334 items to strictly check food safety.
- To comply with food safety, we designed a Work Flow for Product Safety Information Collection, Checking and Tracking to enhance crisis management ability.

334 items

Environmental Performance



66%

Energy and Climate Change

- Turnover per kilowatt-hour reached NT\$159 (4% increase compared to 2012 figure)
- 66% of our stores attained the highest three-star green convenience store ranking



65.84%

Green Logistics

- Introduced the Hybrid Electric Vehicle which is estimated to save oil consumption by about 12-20%
- Installation rate of vehicle-mounted (GPS/GPRS) system reached 65.84%, which was estimated to reduce carbon emissions by 1.4 million kilos in 2013.



2,325 tons

Recycling Center

Starting from August 2009 to the end of 2013, the total weight of recycled materials reached 2,325 tons.

Social Performance



575 Sessions

Community Participation

- Held 575 sessions of the Good Neighbor Funfest
- All 589 stores set up the 7-ELEVEN Health Station to provide free products and services, including blood pressure monitoring, waistline measurement and health information.
- Clean Up the World called on 36,982 volunteers to get involved in cleaning activities, with 3,601 bags of garbage collected.



1.766 Billion

Cring for Disadvantaged Groups

- Produced an independent film, Bridge over Troubled Water, to raise public awareness and concern for disadvantaged groups and education in rural areas; the film was nominated in the 50th Golden Horse Award for Best Documentary Film
- Pocket-change donation activities were set up at every store and have raised more than NT\$1.766 billion for 27 years (till February 28th, 2014)



319 Hours

Employee Care

- The first "Health Passport" for employees was launched
- All 370 employee care programs were carried out, with a total hours of 319