

# PCSC 2016

## Corporate Social Responsibility Report

# CSR



## About this report

This is the eighth corporate social responsibility (CSR) report issued by President Chain Store Corporation (PCSC) in accordance with the Global Reporting Initiative's core G4 Guidelines. This annual report focuses on sustainable development and explains PCSC's viewpoints on CSR, actions taken, 2016 outcomes with regards to corporate governance, economics, the environment, and society, as well as future plans. Importance and issue analyses (see the chapter on stakeholder engagement) were also used to select critical issues for PCSC in the hopes to create the most benefit for all stakeholders through disclosure, communication, and feedback in order to accomplish our ultimate goal of becoming the greatest retail business.

## Dates, scope, and data included in this report

This report details PCSC's CSR performance for the 2016 calendar year (January 1, 2016 to December 31, 2016) and some of the information herein includes CSR performance before 2016. This report focuses on PCSC (business headquarters and retail locations) and includes green logistics and energy-saving information for four affiliated companies: Uni-President Cold-Chain Corporation, Wisdom Distribution Service Corporation, Retail Support International, and President Logistics International Corporation. Future reports are expected to include data from other affiliated companies in order to exemplify the information integrity of PCSC's value chain. The financial data in this report partially incorporates public information attested by a certified public accountant and are all expressed in New Taiwan Dollars. Other data stems from internal audits and statistics. Data on greenhouse gases was calculated using the most recent carbon emission coefficients reported by Taiwan's Environmental Protection Administration and Bureau of Energy.

## Report certification

PCSC engaged PricewaterhouseCoopers (PwC) Taiwan in limited assurance to draft this report in accordance with the Republic of China Standard on Assurance Engagements Bulletin No. 1 Assurance Engagement Other than Audits or Reviews of Historical Financial Information. The assurance engagement is provided as an appendix to this report.

## Release date

PCSC regularly releases annual CSR reports and discloses them on the company website at [www.7-11.com.tw](http://www.7-11.com.tw).

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## Contact

President Chain Store Corporation

Address: 2F, No. 65 Tung-Hsin Rd Taipei, 110. Taiwan

Phone: 886-2-2747-8711

Website: [www.7-11.com.tw](http://www.7-11.com.tw)

Contact person: PCSC Department of Public Affairs Zhao, Pei-Wen

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# Message from CEO



Chairman of PCSC  
**Lo, Chih-Hsien**



President of PCSC  
**Chen, Jui-Tang**

On September 25, 2015, world leaders gathered at the United Nations headquarters in New York City for the UN Summit on Sustainable Development to discuss issues related to global sustainable development. The leaders acknowledged that common issues must be dealt with if world development is to be sustainable. The document “Transforming Our World: the 2030 Agenda for Sustainable Development”, released at the end of the summit, presented issues faced by all nations and laid out 17 sustainable development goals and 169 targets to serve as guiding principles for cross-national cooperation for member countries over the next 15 years.

The management guidelines of PCSC, a long-time promoter of corporate sustainability, place a balanced emphasis on economic growth, social progress, and environmental protection. In 2016, we also used seven major elements, i.e., people, stores, products, systems, logistics, policies, and culture, as the starting points for realizing our implementation strategies to build a happy enterprise and bring about a better society and a sustainable planet. The implementation strategies mentioned above include a “stable franchise system”, “provide quality, tasty and convenient fresh food service”, “upscale CITY CAFE brand”, “differentiate store format and product mix”, “extend digital platform”, and “stable and fast-growing subsidiaries”.

## Corporate governance and economy

PCSC’s operations continue to grow as we build a sound franchise mechanism. We operate more than 5,100 stores in Taiwan and provide over 30,000 job opportunities, supporting SDG’s “job and economic growth” objectives.

PCSC has been praised for being a transparent and responsible company, having policies based on integrity, an open and diversified corporate culture, rigorous risk control mechanisms; and operation principles that are honest and upright. In 2016, we were ranked among the top 5% in the 3rd Taiwan Corporate Governance Evaluation, nominated for the TWSE Corporate Governance 100 Index and Commonwealth Magazine Corporate Citizen Award, and received Global View’s Corporate Social Responsibility Award. The ratings that PCSC has received locally have been impressive, but we have also received many international awards, including being selected as the constituent stock of FTSE4Good Emerging Index and MSCI Global



Sustainability Indexes, and ranked first place in the retail channel category of Brand Asia. Forbes Magazine even ranked us number 1,832 of the top 2,000 Global Companies.

2016 was a very important year for PCSC. We earned NT\$140,147,135,000 in parent company revenue, NT\$48,083,751,000 in gross profits, NT\$1,276,011,000 in income tax, and NT\$9,836,690,000 in after-tax net profits, and our earnings per share reached NT\$9.46. PCSC's operational performance continued to improve, serving as evidence that we are actively committed to CSR, which is not in conflict with operational growth. On the contrary, the two complement each other. PCSC will continue to uphold these principles and work hard to continue to fulfill our corporate social responsibility.

## Product services

PCSC offers a variety of innovative services based on the needs of customers, supporting SDG's industrial innovation and infrastructure objectives. We strictly manage the quality of the products on our shelves, work to enhance the management of our supply chain, and continue to promote green procurement. These support SDG's responsible consumption and production objectives.

PCSC has continued to strive toward an operational model characterized by increasing internationalization, diversity, and pluralism. Equipped with more than 30 years of experience in the retail business has allowed PCSC to build formidable support systems, including logistics, information, and back-end support, to provide customers more convenient services. To create a quality life experience, PCSC has redefined the convenience store by continuing to create and introduce a wide variety of products, cutting-edge services, and various marketing activities to bring consumers an all-new experience. We have also fulfilled our responsibility as a corporate citizen, employing sustainable operation strategies to bring about a friendly relationship between business and the environment.

To ensure food safety for consumers, PCSC has continued to improve our food safety management, employing a grading evaluation system to manage plants that produce PCSC's own fresh food products. For products that do not carry our brand, PCSC utilizes product safety information tracking and raw material inspection to realize control and management objectives. In 2016, PCSC invested a total of NT\$113 million in food safety.

## Environment sustainability

We at PCSC have been doing our part to realize the Paris Accord 2°C by actively promoting energy savings everywhere from our headquarters to our stores, showing our support of SDG's climate action objectives.

The UN Climate Change Conference Paris 2015 (COP21), held in December 2015, confirmed the objectives and direction of global greenhouse gas reductions when the Kyoto Accord expires. Although Taiwan is not a signatory nation, we are a global citizen. As such, we took the initiative to propose reducing our greenhouse gas emissions by 20% over 2005 by 2030 and by 50% by 2050.

PCSC has in excess of 5,100 stores around Taiwan. As the leader of the retail industry in Taiwan, we emitted almost 600,000 tons of greenhouse gasses every year as we provided high quality products and a comfortable environment for customers. To reduce emissions, PCSC laid out new energy conservation rules for our stores, requiring that high energy efficiency equipment and systems be used when new stores are established and that existent stores are to gradually replace old equipment with high energy efficiency equipment. In addition, the ISO50001 energy management system was incorporated into the headquarters building and certain stores, while software and hardware have been improved to maximize efforts in energy savings and carbon reduction. In 2016, energy use in our stores and headquarters was reduced by 6.47% over 2014, far more than the company's original target of 2%.

In addition to working hard to promote energy conservation and carbon emissions reduction, PCSC also has seen continued progress in green procurement and resource recycling as well as in continued reduction in the use of electricity, water, and paper in our headquarter.

## Community employees

PCSC offers consumers the most convenient means for obtaining safe, healthy food, supporting SDG's objective to reduce poverty. It holds community environmental protection activities, promotes healthy living, assists the disadvantaged, and shows concern for people in remote areas. It provides employees a good work environment, salaries and benefits superior to those of competitors, sound training, education, and promotion systems, supporting SDG's goals for health and welfare, quality education, reduction of inequality, as well as for employment and economic growth.

We at PCSC have made it our mission to become an irreplaceable neighbor that brings happiness and peace of mind. In order to show concern for the public and help the community develop, in addition to promoting the donation of change in its 7-ELEVEN stores to "bring back the love", PCSC has also brought together the President Good Neighbor Foundation and the Millennium Health Foundation to organize a series of organizations and activities, including the Good Neighbor Club, the 7-ELEVEN Millennium Health Stations, the Read-for-Treats Program for rural communities, and the Good Neighbor Classrooms, which work to create happiness for the community, promoting things like community environmentalism, advance a healthy lifestyle, support culture and education, and assist disadvantaged groups.

5,456 Good Neighbor Funfests were held in 2016, drawing 151,075 participants. The 7-ELEVEN Millennium Health Stations provided the public self-serve blood pressure monitors and waist measurement services, calling on the public to realize the 3Ds of a healthy life, i.e., "Do Control, Do Health Diet, Do Exercise", to help stave off the top three "high" chronic conditions and work together to fight metabolic syndrome. In 2016, a total of 38,287 people took advantage of the health stations that can currently be found in 677 stores. The outstanding performance of other programs, like Teach for Taiwan (TFT) and the Good Neighbor Read-for-Treats Program, are clearly evident as they have expanded in scope in the years since their inception, benefiting an increasing number people each year.

As of the end of 2016, PCSC had a total of 8,099 employees as well as 3,422 franchise owners and their 30,000-plus employees. PCSC believes that "customers can only see PCSC's complete value if we have happy employees. PCSC can only offer quality service and have satisfied consumers if we have satisfied employees". In order to make these beliefs a reality, PCSC has brought together our stores, franchisees, headquarters' support, and corporate affiliate partners to create a healthy workplace and a friendly work environment.

Since the Health Management Program was set up in 2013, PCSC has kept a nurse practitioner on staff to provide health counseling and set up an infirmary in the headquarters building to provide employees such health services as blood pressure monitoring and applying ice to injuries. PCSC also uses health education, such as employee "health passports", an electronic newsletter, and lectures, to encourage employees to manage their own health. In 2016, PCSC won third place in the Taipei City Outstanding Healthy Workplace Competition—the only recipient in the retail industry. In 2016, it also received the ROC Ministry of Health and Welfare's Healthy Workplace Certification and the Health Award for Outstanding Healthy Workplace from the Health Promotion Administration.

In addition to underscoring PCSC's operation principles, making Corporate Social Responsibility a reality is also critical to realizing corporate and national sustainability. PCSC will continue to uphold these principles and to promote concrete measures to create a better future for both us and society as a whole.

# Important issue and stakeholder communication

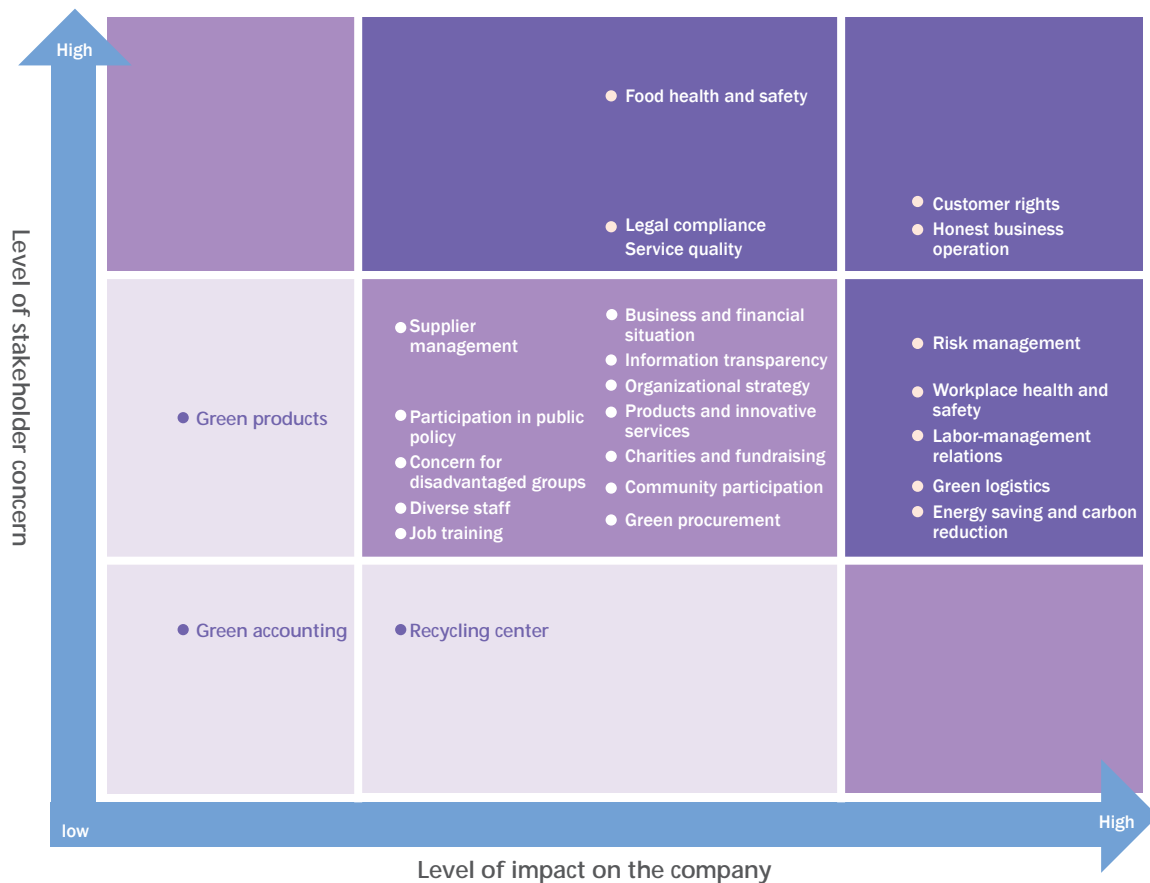


PCSC aims to be the premier joyful company, providing the most convenient services and creating the most benefit for all those involved. As an ideal member of society, PCSC promotes safe communities and continued growth. The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals were drafted at the United Nations Sustainable Development Summit in 2015, outlining matters pertaining to future sustainability for businesses to consider. With each of our retail locations serving as a base for happiness, we hope to integrate our vision, governance, products, and services to improve communication of our CSR performance, coordinate with foreign and domestic capital markets, and inspire our suppliers and customers so that everyone can lead a happier life.

## Importance evaluation

PCSC communicates with stakeholders through various channels, compiling topics of concern and assessing them according to their sustainability, importance, integrity, and stakeholder acceptance. The importance evaluation process is shown below.



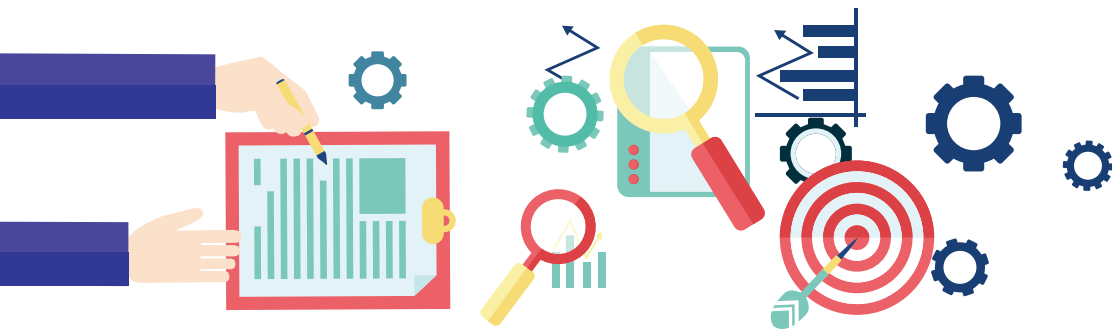


**Scope of Material Issues Identification Chart**

Important issue	Corresponding GRI G4 Guidelines Aspects of consideration	Intra-organizational		Extra-organizational			Chapter
		PCSC	Affiliated logistics companies	Customers	Communities	Suppliers	
Food health and safety	PR: Customer health and safety / product and service labelling	★		★	★	★	2.PCSC's Outstanding Products and Services
Service quality	PR: Product and service labelling	★		★	★	★	2.PCSC's Outstanding Products and Services
Legal compliance	EN: Compliance SO: Compliance PR: Customer health and safety / Marketing Communications / product and service labelling / Compliance	★		★	★		2.PCSC's Outstanding Products and Services
Customer rights	PR: Customer privacy	★		★			2.PCSC's Outstanding Products and Services
Honest business operation	Disclosure of general standards	★		★		★	1.PCSC – A Sustainable Enterprise
Risk management	Disclosure of general standards	★					1.PCSC – A Sustainable Enterprise
Workplace health and safety	LA: Occupational health and safety	★					5.PCSC'S friendly work environment
Labor-management relations	LA: Labor Practices Grievance Mechanisms/non-discrimination / freedom of association and collective bargaining / child labor / forced and compulsory labor / Assessment / Human Rights Grievance Mechanisms	★					5.PCSC'S friendly work environment
Green logistics	EN: Transportation	★	★		★		3.PCSC support for environmental sustainability
Energy saving and carbon reduction	EN: Energy, emissions	★	★		★		3.PCSC support for environmental sustainability

Note: Affiliated logistics companies are Uni-President Cold-Chain Corporation, Wisdom Distribution Service Corporation, Retail Support International, and President Logistics International Corporation


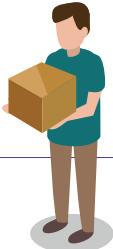



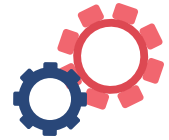





## Stakeholder communication

PCSC stakeholders include investors, suppliers, customers, employees, franchisees, charity groups, government agencies, and communities. We hold ourselves responsible to our stakeholders; thus, we have a page dedicated to stakeholders on our official website (<http://www.7-11.com.tw/communication.asp>) as well as a dedicated mailing address for our stakeholders to contact us and let us know their needs and hopes for PCSC. Other methods of communication open to our stakeholders are detailed below.

### Channels for communication open to PCSC stakeholders

Stakeholder	Main issues	Channels for communication
 <p>Investors</p>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Risk management</li> <li>• Operating and financial highlights</li> <li>• Dividend policies</li> </ul>	<ul style="list-style-type: none"> <li>• Annual general shareholders' meeting</li> <li>• Regular financial reports/annual reports</li> <li>• Information disclosed online</li> <li>• Analyst and investor conference, one-on-one meetings</li> <li>• TWSE Market Observation Post System</li> <li>• Reply inquiries of investors and analysts via telephone and e-mail</li> </ul>
 <p>Suppliers</p>	<ul style="list-style-type: none"> <li>• Green procurement</li> <li>• Green products</li> <li>• Supplier management</li> <li>• Local procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Regular manufacturer meetings</li> <li>• Regular supplier meetings</li> <li>• Guidance/audit management</li> </ul>
 <p>Customers</p>	<ul style="list-style-type: none"> <li>• Product health and safety</li> <li>• Product and service innovation</li> <li>• Service quality</li> <li>• Customer privacy</li> </ul>	<ul style="list-style-type: none"> <li>• Joint Services Center contacts</li> <li>• Satisfaction surveys</li> </ul>



Stakeholder	Main issues	Channels for communication
 <p>Employees</p>	<ul style="list-style-type: none"> <li>• Workplace health and safety</li> <li>• Labor-management relations</li> <li>• Training and education</li> <li>• Employee diversity and equality</li> </ul>	<ul style="list-style-type: none"> <li>• Regular labor-management meetings</li> <li>• Employee Welfare Committee</li> <li>• Dedicated labor dispute email address</li> <li>• Internal suggestion system</li> <li>• Happiness cooperative</li> </ul>
 <p>Franchisees</p>	<ul style="list-style-type: none"> <li>• Training and education</li> <li>• Workplace health and safety</li> <li>• Product and service innovation</li> <li>• Marketing communications</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated franchisee website</li> <li>• Weekly district consultant visitations</li> <li>• Monthly publications</li> <li>• Franchisee meetings</li> <li>• Satisfaction surveys</li> </ul>
 <p>Charity groups</p>	<ul style="list-style-type: none"> <li>• Community work</li> <li>• Charities and fundraising</li> </ul>	<ul style="list-style-type: none"> <li>• Annual CSR reports</li> <li>• Responding to social charity events/proposals</li> <li>• PCSC Good Neighbor Foundation</li> <li>• Quarterly “Bring Back Love” fundraising event</li> <li>• Fundraiser proposal/review meetings</li> </ul>
 <p>Government agencies</p>	<ul style="list-style-type: none"> <li>• Product health and safety</li> <li>• Legal compliance</li> <li>• Participation in public policies</li> </ul>	<ul style="list-style-type: none"> <li>• Regular regulation reviews</li> <li>• Cooperation with relevant institutions</li> </ul>
 <p>Communities</p>	<ul style="list-style-type: none"> <li>• Energy saving and carbon reduction</li> <li>• Community work</li> <li>• Legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Good Neighbor Festival</li> <li>• Annual CSR reports</li> <li>• Joint Services Center contacts</li> </ul>