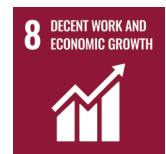


# Sustainable Products and Services



## 2019 Highlights



NT\$ **148,511,000**  
in accumulated  
investment in food  
safety management

**85%** of non-tier one  
suppliers signed code  
of conduct

**6.5** million  
OPEN POINT members  
by 2019

**68%** of purchases  
were made with  
Taiwan area suppliers  
of agricultural  
products

The system warning that alcohol  
and tobacco cannot be sold to  
customers under 18 years of age  
is **100%** online

**100%** of our own brand food  
product supplier and store's  
single-use item suppliers pass the  
supplier evaluation

**98.8%** of stores being graded  
A or B in the Service Excellence  
Rating

PCSC promised to be a benchmarking enterprise in the domestic retail industry. With our four core ideas, "innovation," "convenience," "safety," and "pleasure," as the foundation, we strive to refine our products, innovate our services, fulfill responsible marketing and labeling, maintain a strict standard of food safety, improve our relationships with customers and our privacy managements, optimize our sustainable supply chain managements, and reduce waste of resources, thereby playing a role that meets the needs of people, while providing them convenient, safe and quality services everywhere.



# 3.1 Innovation in Services and Products

As a retail enterprise, PCSC is an important part of people's lives and our products influence how they live. Innovating and continuing to refine our products and services are keys to both maintaining PCSC's competitiveness and looking after our customers.

## Management Approach

PCSC's goal is to provide a variety of innovative and quality products that exceed customers' expectations. Our Integrated Marketing Department is primarily responsible for integrating the Company's internal resources to reinforce its brand recognition and competitiveness.

## Privately-Owned Product Blueprint

For product, services, and innovation, we have a blueprint to expand the market of PCSC's private labeled brand.

Privately-Owned Product Categories	Explanation	Product Examples
Private brand (PB)	A product for which a manufacturer has signed a contract for large quantity purchases or cooperative development of a product with unique specifications.	Oden, cooked rice, fast foods, bread and other fresh food products and CITYCAFE.
Private label (PL)	Private brand products designed in-house by PCSC	iseLect series of frozen reheatable foods and snacks

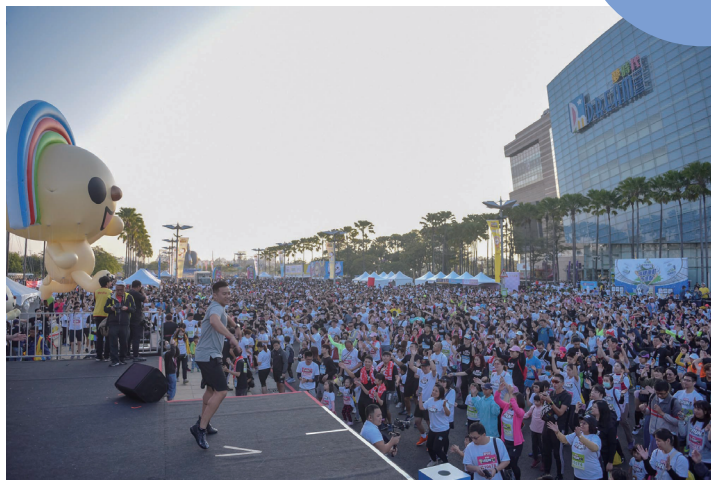


## Major Events in 2019

At the end of 2019, PCSC held "OPEN!RUN" and "OPEN! balloon run," so that together with the public, it could say farewell to 2019 in a vibrant and energetic way as it marched forward into 2020, a new milestone.

### 2019 OPEN!RUN

OPEN!RUN notched up its seventh year. In this year's event, PCSC arranged 3K, 6K, and 11K routes. The 3K and 6K routes were for parents with kids and beginners. The 11K route was designed for advanced runners. On the 11K route, we also invited professional pacers from NIKE to help the contestants achieve their best performances.



### OPEN! balloon run

In 2019, the highly anticipated 14th OPEN! balloon run was held in Kaohsiung's along Shidai Boulevard near Dream Mall, featuring 20 giant cartoon character balloons as well as several new characters. In addition to the widely popular balloons, the 2019 parade had more performers than any other before, including 30 Mini Managers and 40 store managers from 7-11. Uni-President Social Welfare Charity Foundation, which also collaborated in the organizing of the parade, invited children



from remote villages to take part, so that Uni-President could show its concern for the public. That night on the stage, OPEN Chan gave the Mineshine Street Dancing prize for most popular dance group. Performances by technology school, university, and children's teams as well as by the OPEN!Family served as the perfect end to the day's activities.



## 3.2 Customer Health and Safety

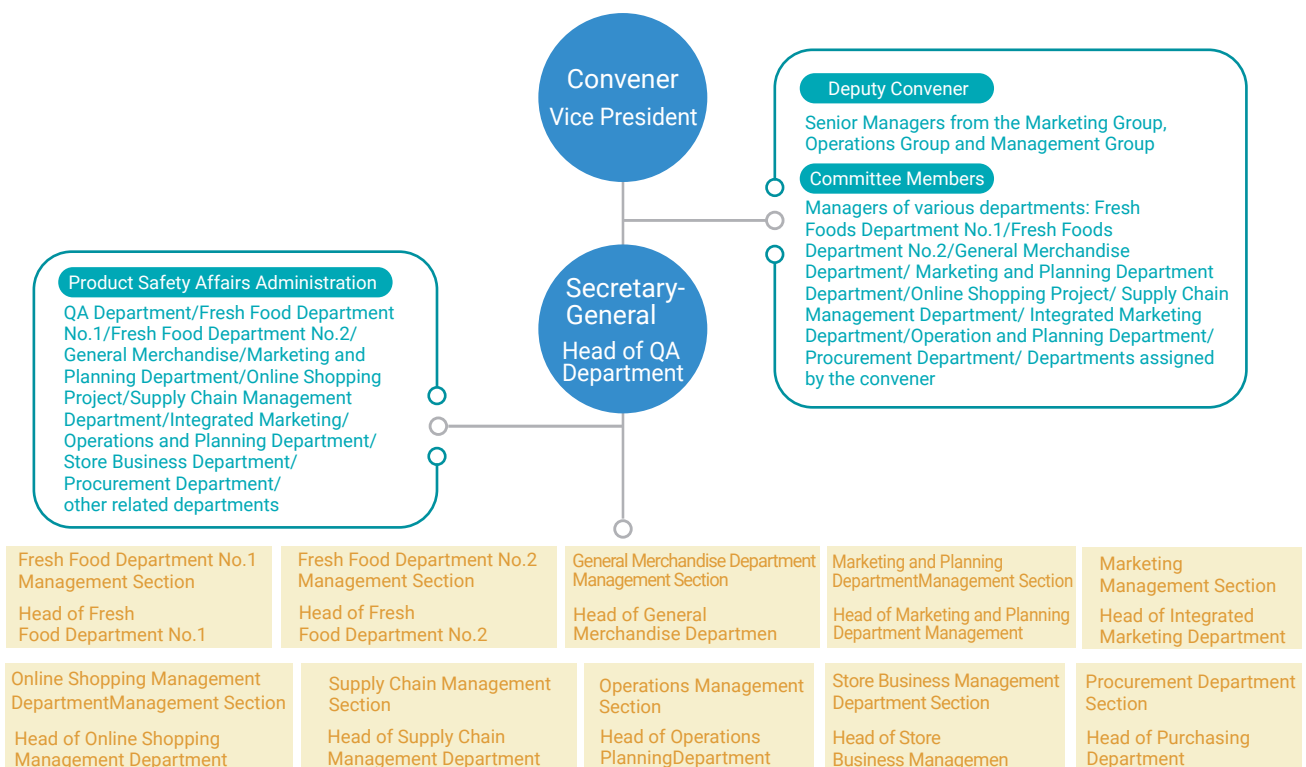
Because our industry is an important part of many people's lives, customer health and safety are PCSC's highest concern and guiding principle. We have implemented a number of management measures to provide safe products and play our part as a member of the community.

### Management Approach

Because product safety is the cornerstone of PCSC operations, we have set regulations for product safety information, raw materials, and quality inspection. PCSC has also established several regulatory mechanisms, such as internal reporting systems, logistics management, and store management, to implement food safety control, ensuring the quality and safety of all of our privately-owned brand product throughout the products life cycle, from manufacturing and shipment to storage and sales. Our accumulated investment in 2019 in product safety management was NT\$148,511,000, surpassing the Company's target of NT\$50,000,000.

### Management Structure: Product Safety Committee

PCSC's Product Safety Committee consists of three main levels. The convener is assigned by the president. The senior managers of the marketing group, operations group and management group serve as co-convener. At the second level, the manager of the Quality Assurance Department serves as the secretary-general, under which the Product Safety Office is tasked with collection of information on overall product safety-related issues. The third level is composed of 10 action teams led by the heads of each department. The Product Safety Committee focuses on safety and quality and has established a management system that covers 100% of the Company's privately-owned products. In 2019, the committee held three meetings, discussing such issues as important announcements and tracking of product safety information, progress on enhanced quality assurance plans, supervision plans for food safety and progress on other initiatives, results of new product reviews, and sharing of raw material sampling management results and product safety news.



Note: The committee's structure was last updated in December 2019. In response to organizational changes, the Commodity Management Department, Marketing Planning Management Department, and Online Shopping Project Department were incorporated into the Product Safety Committee.



## Action Plans

### ► Tracking and responses to product safety information

Staying abreast of the latest product safety information has been key to PCSC's making product quality management a reality. Product safety information is negative reports collected by PCSC on its privately-owned brand products, information on below standard products, and information on regulations promulgated by relevant authorities and issued in other countries.

PCSC gathers and tracks information related to product safety in accordance with our "Product Safety Information Gathering and Review Tracking Standards." The information is handled using layered management. The Standards applies to all PCSC's privately-owned product, covering 100% of PCSC's privately-owned products. In 2019, the Company collected 671 product safety-related memos, including 10 A-level information, 504 B-level information, and 157 L-level information.

A total of one product safety issue remained unresolved in 2019. The amount of caffeine in a randomly tested freshly prepared beverage by the Nantou County Health Bureau exceeded the amount indicated on the label. PCSC has already explained in detail to the Taipei Health Bureau that caffeine amounts can vary and the Taipei Health Bureau did not object to PCSC's explanation. We are currently waiting for relevant authorities to pass amendments to caffeine amount labeling regulations, so that this particular issue can be closed. It is expected to be closed by the end of 2020.



Note: A-, B-, and L-level grades are based on the date that the information was announced internally.

## Material and Quality Assurance System (MAS)

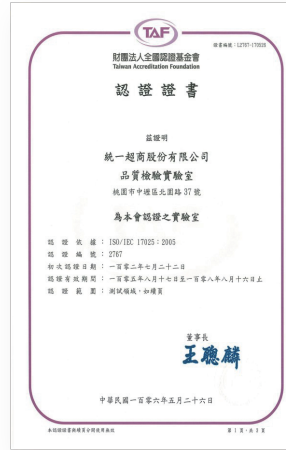
PCSC meets the definition of a vendor of box meals as set forth in Article 9 of the Act Governing Food Safety and Sanitation and set up a traceability system for the meal box category (Note) in accordance with the official document (Food and Drug Administration Document No.1071300516 authorized by Ministry of Health and Welfare on 26 June 2018) promulgated in 2019. In cooperation with the ROC Fresh Foods Development Association, PCSC has set up a Material and Quality Assurance System (MAS). This ensures that product raw materials and suppliers can be tracked and managed. The main document in the MAS system is product specifications document, which records the sources of raw materials and the suppliers. As of 2019, 100% of the Company's privately-owned food products had the corresponding product specification document in the MAS system.

Note: Indicating the products which consist of grains (rice or noodles), processed grains, agriculture, livestock and seafood and which are processed to be served to groups or individuals. Those products are served with clear label or picture of the ingredients and are served by in the way of boxes or large decorative containers. The products can be eaten after brief heating up. Those products do not include the baked items served in the box.



## Quality Testing Laboratory

To manage and stay on top of product quality in a timely manner, PCSC established its own Quality testing laboratory in 2012. This laboratory is certified by TFDA and TAF. After a product is made, the laboratory first samples and tests it with microorganism or chemical methods. This allows us to sell our products in our stores with confidence. As of the end of 2019, the laboratory conducted 593 test items per requirements of CNS or Taiwan Food and Drug Administration. Another 139 conducted test items that follow directives from the above requirements those organization.



TAF certification items	
Scope of microorganisms for ISO/IEC 17025:2005 certification	4 items
TFDA certification items	
Microorganisms	4 items
Colorants	8 items
Ochratoxin A	1 items
Patulin	1 items

In 2019, a total of 810 tests were run on products and raw materials. 805 items passed the test. The passing rate was 99.4%. Four of the five items that did not pass, passed when retested. One product was taken off the shelf, because it did not meet our standards. In addition to dealing with the situation in accordance with our contracts, we also bolstered follow-up inspection and monitoring to ensure the safety of the products we sell. The quality testing laboratory resulted in costs of NT\$35,833,000, including NT\$17,767,000 in outside laboratory fees (note). This is equivalent to 0.023% of the Company's operating revenue.

Note: The quality testing laboratory costs include tests, salaries, depreciation, rentals, equipment repair and maintenance, and miscellaneous purchases.

## Supervisory Mechanisms

### Internal reporting system

PCSC has established an internal product supervision mechanism based on the "Rules for Safety on Own-Brand Products." This mechanism invites employees to come together to play a role in supervising product safety. In cases where employees in logistics, wholly-owned stores, or franchisees have doubts or questions about ads, labeling, or ingredients, they can use this mechanism to provide feedback. Issues raised in this way are forwarded to the Product Safety Committee and the person making the report receives a reward based on the severity of risk involved with the safety issue (see details below). In 2019, a total of one case was referred. It was not given a grade category and NT\$1,000 in reward money was paid out.



## PCSC product safety risk categories

Risk category	Notes on grading
1	<ul style="list-style-type: none"> <li>■ Adding of illegal ingredients or additives, as confirmed by a third-party laboratory, the short-term use or consumption of which would raise concerns about harm to human health.</li> </ul>
2	<ul style="list-style-type: none"> <li>■ Adding of illegal ingredients or additives, as confirmed by a third-party laboratory, the long-term use or consumption of which would raise concerns of harm to human health.</li> </ul>
3	<ul style="list-style-type: none"> <li>■ Legal ingredient, but over label quantity or added to a product to which it should not be added</li> <li>■ Adulterant ingredients.</li> </ul>
4	<ul style="list-style-type: none"> <li>■ False or incomplete labeling or advertisements.</li> </ul>
Not graded	<ul style="list-style-type: none"> <li>■ Cases not meeting the above four standards but for which an opinion is offered, resulting in "major changes" to system or scope after acceptance by the Company.</li> <li>■ Cases not meeting the above four standards but which have constructive or reference value.</li> </ul>

### ► Logistics

After PCSC products and raw materials are manufactured by suppliers or agents, they are shipped to stores by a logistics company. To ensure that the quality of products is maintained and guaranteed throughout the entire process of shipping, storage, and display and to reduce potential risk to products due to temperature, employees, or sanitation, we partner with logistics companies on initial logistics and in-store product management and service audits. Initial logistics involves cooperation on shipping, taking product quality management processes from the store and sending them upstream to reach the supplier at the point where goods are received. This establishes comprehensive quality control. In 2019, the initial logistics mechanism was implemented 100% on products including rice, fresh noodles, salads, cooked vegetables, frozen flavored breads, sweet potatoes, and fresh foods.

### ► Store management

Our stores are our points of service. As such, the quality of service of our stores, product best-by date management, ethical corporate management, and cigarette and alcohol sales audits greatly influence the quality of our delivery. In order to ensure that all of our stores, both self-operated and franchises, provide customers with the same high-level of quality as well as products and services that our customers have come to expect, we have established a variety of store evaluation mechanisms to maintain service quality.

### ► Service excellence assessments

PCSC conducts an annual service excellence assessment on all its directly-owned stores and franchises, examining items including basic service, professional service, comfort of the environment, and appropriateness of responses. The results of the assessment are graded A (excellent), B (meets expectations) or C (needs improvement). In 2019, the Company audited a total of 3,781 storefront operations, or 66.86% of all its stores. 2,460 stores (65%) were rated grade A or excellent. Operations specialists visit stores receiving a grade of C to provide guidance, and hold meetings to draft improvement plans, and to track results. In 2019, 98.8% of stores graded A or B, surpassing our goal (95%) and we will continue to use district consultants to provide guidance and help each gradually reach this goal.

### 2019 annual initial assessment grades



Historic assessment results	2015	2016	2017	2018	2019
A	51.11%	45.06%	41.92%	62.96%	65.1%
B	44.99%	51.12%	53.63%	35.64%	33.7%
C	3.90%	3.82%	4.45%	1.40%	1.2%
Coverage rate	68.26%	67.22%	69.72%	67.83%	66.86%

### ► Quality assurance checks

In addition, a management consulting company was engaged to perform quality assurance audits. In 2019, 98.82% <sup>(Note)</sup> of all stores underwent this audit.

A total of 5,534 stores were checked with a pass rate of 96.43%. PCSC provided concrete suggestions for substandard branches and followed up to ensure that improvements were made.

Note: A small number of stores closed in early 2019 or opened in late 2019. Consequently, they were not audited in 2019.

### ► QA and Ethical Corporate Management certification training and audits

To maintain the quality of the overall workforce, in addition to the store audits described above, PCSC continually provides quality assurance education and training for both new hires and existing employees. A total of 42,248 people participated in the training in 2019. PCSC hired a management consulting company to audit the quality assurance training certification status of stores, with 98.97% <sup>(Note)</sup> of the stores audited in 2019. There were 46 stores failed to pass. The primary reason for not passing was expiration or loss of certificates. PCSC provided concrete suggestions for substandard branches and followed up to ensure that improvements were made.

Note: A small number of stores closed in early 2019 or opened in late 2019. Consequently, they were not audited in 2019.

### ► Tobacco and alcohol sales audits

Additionally, to implement the law and protect youth and children, we took it upon ourselves to take action. The product system warning language alerting that alcohol and tobacco cannot be sold to customers under 18 years of age was also enhanced, with this system 100% online. The goals set in this area for 2019 were completely met.





## 3.3 Sustainable Supply Chain Management

PCSC does not run any factories itself, as all of its products are manufactured by other companies, therefore, systemized management and auditing of our supply chain is key to consolidating PCSC products. We have four main types of suppliers: Own-brand product manufacturer, suppliers of raw materials through direct transactions, suppliers of egg products, and suppliers of items related to store food safety. We ensure that suppliers adhere to our stringent quality standards using our supplier management rules and evaluation system.



### Supplier Management Rules

In order to stay on keep abreast of and monitor supplier quality, we included a special chapter on “Product Safety Management” to ensure that all suppliers conform to pertinent laws and regulations and to PCSC’s rules in terms of corporate setup, product quality, and testing. A number of the rules are set for suppliers and manufacturers of our privately-owned brand products, based on the nature of each, since these have a more direct impact on our operations and brand. (See details below on “Own-Brand Supplier Management Rules”). These rules clearly require that specific standards be adhered to for product manufacturing, packaging, testing, and appraisal.

Own-brand Supplier Management Rules		
Item	Supplier type	Measures
1	Own-brand product manufacturer	"Rules for Onsite Appraisal of Manufacturers by Own-brand Product Committee"
2	Suppliers of raw materials through direct transactions	"Raw material supplier and raw materials management rules"
3	Suppliers of egg products	"Management and Operations Rules for Professional-Use Egg Product Raw Materials"

Additionally, to improve the quality of suppliers, we do our utmost to ask that suppliers of own-brand products obtain food safety and sanitation management system ISO22000 certification. During 2019, suppliers of privately-owned food products (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products) numbered 50 companies. If calculating using the number of the plants, there were a total of 95 manufacturing sites; among those 49 were manufacturers of privately-owned food products within Taiwan. Of these, 49 manufactures obtained international food safety management system ISO22000 certification. Certification status for 2019 follows:

#### 2019 ISO22000 Certification

Supplier type	Supplier quantity	Amount of factories run by suppliers	Amount of contract factories of suppliers in Taiwan	Number with ISO22000 Certification		Number with ISO22000: 2018 Certification	
				Number	Percentage (Note 1)	Number	Percentage
Privately-owned Food product suppliers	50	95	49	49	100%	0 (Note 2)	0%

Note 1: The number in the denominator position does not include factories run by suppliers abroad.

Note 2: 2019 was used to educate suppliers about our requirements, therefore, in 2019, no food suppliers had completed switching over to the ISO 22000:2018. According to our work progress schedule, we expect to be able to fully realize this objective in 2021.



In addition, we established the "On-site evaluation and management measures for suppliers of food safety related items of stores" to manage and audit the quality of packaging that comes in contact with food products to ensure that minimize all possible food risks.

## Supplier Code of Conduct

As the leader among domestic retailers, PCSC hopes to make itself as the example to spur suppliers to practice corporate social responsibility. In addition to the above management rules and assessment systems, we have also set a "PCSC and PCSC Subsidiaries' Code of Conduct for Supplier," and require all suppliers to sign an "Agreement of the Ethical Corporate Management and the Corporate Social Responsibility." The principles and agreement stipulate that suppliers are not to obtain inappropriate gains through bribery, monopoly, or the giving of gifts, are not to violate labor laws or regulations (including hiring rules, hiring child labors, working conditions, salary and remuneration, occupational safety and health), are to guarantee labor equality, a non-discriminatory workplace, and fundamental human rights, and provide products that conform to environmental protection and food safety laws and regulations to reduce their impact on the environment and human health. As to progress in the signing of the supplier code of conduct, in 2018, PCSC began requiring non-tier 1 suppliers to sign supplier code of conduct and after working hard, 85% of non-tier 1 suppliers had signed the code of conduct contract by the end of 2019, increasing by almost 82% compared with the situation in 2018. It is our hope that by 2021, all of our non-tier 1 suppliers will complete education and training and sign the supplier code of conduct.

For suppliers unwilling to sign the code of conduct, PCSC will examine their existing internal regulations and the scope of commitment. Additionally, they will be required to commit certain important items. If the supplier doesn't agree to all the above requirement, but it is still necessary to purchase the products from those supplier, the supplier will be asked to sign a "Affidavit on the Ethical Corporate Management" to require our supplier to practice corporate social responsibility.

## Supplier education and training

In addition, PCSC's supply chain management department communicates regularly each year with major suppliers of materials for its privately-owned products on the concepts of sustainable procurement and tracing management and asks them to provide us with materials that meet PCSC's sustainable procurement standards. In addition to the signing of contracts, PCSC conducted supplier training, with 85% of non-tier 1 suppliers receiving training in 2019.

## Supplier appraisal system

PCSC uses the rules mentioned above to undertake periodic evaluations of suppliers of own-brand products, suppliers of raw materials by direct purchase, and suppliers of eggs, establishing different assessment content based on the special characteristics and risks of each supplier type. This tight grasp of the assessment allows us to provide safe and quality food for customers. Our stringent standards enable us to stay on top of product quality and safety on behalf of our customers. Key supplier assessment points, standards, frequency, and results are disclosed below. In response to developments in sustainability, the weighting of ESG-related assessment items to overall assessment numbers will also be disclosed below.

### ► New supplier assessment

We set our standards based on the relevant legal conditions, quality certification, management systems, and plasticity of materials of new suppliers. We also include economic, environmental, and social standards in the assessment system to evaluate and stay on top of supplier quality. Potential suppliers are all required to undergo these assessments and pass before they are accepted as new suppliers. In 2019, a total of 17 new suppliers and manufacturers came on board. All of them passed this assessment.



Manufacturers			
1	Legal conditions	Domestic	Hold legal business registration and factory registration, etc. (Industry type listed on registrations must include processing of product types for outside organizations)
		Foreign	For foreign manufacturers, establishment of the company must conform to relevant laws and regulations in that country.
2	Quality certification	Food product contract manufacturers	Producers in Taiwan are to have ISO22000 Management System Certification. The scope of inspection is to include items that they produce for PCSC. Foreign producers are to have a minimum of HACCP or ISO9001 Management System Certification or some other international food safety system certification.
		Non-food product contract manufacturers	Priority is given to international quality Accreditation / certification, such as ISO9001.
3	Comprehensive management system	Good product quality management, own product testing capabilities, production management, and sanitation management.	

Suppliers of raw materials through direct transactions			
1	Legal conditions	The business registration, factory registration, contract manufacturer qualification checklist, food industry supplier registration number, etc., must conform to legal conditions for registration.	
2	Quality certification	Ideally holds TQF, CAS, ISO22000, HACCP certifications preferred.	

Suppliers of egg products			
1	Quality certification	Egg washing and grading site source for eggs as raw materials must be CAS certified farms and the washing and grading sites must further pass CAS assessment and be qualified (such as said product certification).	
2	Packaging and labeling in conformance	Egg packaging labels should conform to national law and regulations and CAS good agricultural product egg item standards, such as for product name, manufacturer and agent's name, address and telephone number.	
3	Inspection conformance	Eggs are inspected for conformity based on announced national methods with items of inspection including salmonella, 48 veterinary drugs, antibiotics - tetracycline, antibiotics and other metabolites, and chloramphenicol.	

## ► Assessment items

Supplier assessment items are as per the status of each as a manufacturer, supplier of raw materials by direct transaction, egg supplier, or supplier of items for in-store use. The scope includes management systems, environmental sanitation, manufacturing, and quality management systems. The above-described items for inspection ensure that product safety and organizational operations are managed well. Assessment items for different suppliers follows.



Manufacturers



Suppliers of raw materials through direct transactions



Suppliers of egg products



Supplier of items for in-store use

### Assessment items

- Management and laws and regulations
- HACCP (Hazard Analysis Critical Control Point)/Food Product Safety System
- Process product control
- Non-conforming product control and tracing
- Environmental sanitation
- Worker health and safety
- Facilities and equipment
- Vector control
- Food safety/emergency handling
- Testing and measurement
- Storage and shipping
- CSR

### Manufacturing type, trade business type

- Factory equipment and environmental sanitation management
- Employee safety and health management
- Manufacturing process control
- Product quality control
- Raw materials control
- Storage and shipping control
- Customer complaints and continuous improvement
- Relevant scope of established environmental remediation
- Quality and supply capacity assessment

### Raw material basic level farms

- Raw materials control
- Quality and supply capacity
- Factory cleanliness and sanitation
- Manufacturing process control

### Assessment items

- Factory environment
- Factory equipment
- Equipment and packaging materials
- Manufacturing process management
- Product quality management
- Sanitation management
- Shipping management
- Product sampling results
- Raw materials and product audits
- Risk management

### Assessment items

- Management
- Product quality management
- Environmental status
- Product development
- Purchasing and raw materials intake testing
- Production and packaging
- Health, safety, and work conditions
- Finished products
- Storage and shipping
- Customer complaints
- Product specification checks

## ► Conformity standards

Assessment results are scored into four categories: A ( $\geq 90$ ), B (80-89 points), C (70-79 points), D ( $\leq 69$ ). Passing standards are as follows.

Supplier type	Passing standards
Food product manufacturers	B or above (80 or more)
Non-food manufacturers	C or above (70 or more)
Raw materials through direct transaction	
Egg suppliers	
Non-food suppliers	



In the event of failure to meet standards, a penalty will be imposed as per the "Product Quality Guarantee Agreement" or "Supplier Assessment Agreement." At present, new non-food suppliers are required to pass the grade of 70 to safeguard the interests of consumers and the safe use of products. We estimate that by 2022, the minimum passing grade for potential non-food suppliers will be 75 points. This will further improve supplier screening and management. In 2019, newly introduced plants scored over 75 and the average audit score for non-food suppliers was over 80 points.

## ► Frequency of assessment

Frequency of assessment differs and are based on the results of the previous on-site assessment.

### 1. Manufacturers

Contract manufacturers are divided into food product, non-food product, domestic, and international categories and assessment frequency differs by category. PCSC set the "Food Product Manufacturer Risk Grading and Assessment Guide" to serve as a basis for assessing domestic food product manufacturer risk levels. We also completed 2018 own-brand food product manufacturer risk grading for use as reference for determining assessment frequency in 2019. For domestic manufacturers of non-food products, an on-site assessment grade of C or better constitutes a pass. Assessment frequency is once every 12 months and assessment must be completed within the same year. If the assessment results indicate a failure to meet our standards, the case is handled as a failure on the part of domestic food product manufacturers.

Comparative table of assessment frequency for domestic food product manufacturer sites

Risk Category	Grade Result	A	B	C	D
		≥ 90 points	90 > points ≥ 80	80 > points ≥ 70	< 70 points
		pass		fail	
Low-risk		12 months	6 months	Suppliers receiving a C are to be assessed once a month and must pass consecutive months. Suppliers not passing two months in a row are to halt production. For those passing assessment, the most recent passing assessment is to serve as the benchmark for determining when the next assessment is to take place.	Suppliers receiving a D are to immediately stop producing for PCSC or be assessed once a month and must pass three months in a row. Suppliers not passing two months in a row are to halt production. For those passing assessment, the most recent passing assessment is to serve as the benchmark for determining when the next assessment is to take place.
Medium-risk		6 months	4 months		

Comparative frequency of assessments of foreign food product manufacturer sites

Assessment grade	Results	Assessment frequency/handling of failing grade
A	Pass	1 assessment/year and assessment must be completed within the same year.
B		
C	Fail	Manufacturer must immediately halt production arrangements and pass a re-assessment within 6 months before resuming production. Otherwise manufacturing on behalf of PCSC must be terminated.
D		

For foreign manufacturers of non-food products, an on-site assessment grade of C or better constitutes a pass. Assessment frequency is once every 24 months and assessment must be completed within the same year. If the assessment result indicates a failure, the manufacturer must immediately halt production arrangements and pass a re-assessment within 6 months before resuming production. Otherwise manufacturing on behalf of PCSC must be terminated.

### 2. Other (raw materials suppliers through direct transactions, egg product suppliers, non-food suppliers)

In addition to manufacturers, suppliers of raw materials through direct transactions, suppliers of egg products, and non-food suppliers are slated for assessment every 3 to 15 months, depending on their assessment grade. If an organization fails, a re-assessment is to be performed until it results in a pass. Follow-up action is to be taken as per relevant rules (such as the "Supplier Assessment Agreement" or the "Product Quality Guarantee Agreement").

## ► Assessment results

PCSC continues to monitor the numbers and passing percentages of supplier audits as a means of quality control and stay on top of risks on the supply chain end. In 2019, there were a total of 50 suppliers of privately-owned food products with whom PCSC had a cooperative relationship <sup>(note 1)</sup> (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products). 100% of those suppliers were audited <sup>(note 2)</sup>; see the table on p.43 for these 50 suppliers. There is a total of 177 audits done. All 177 audits passed, with a compliance rate of 100%. For the non-conforming suppliers, in addition to the sanctions laid out in the "Product Quality Guarantee Agreement," they would be re-audited in accordance with regulations until accomplished the required improvements.

Note 1: Defined as (1) New factory which passes the assessment prior to 2019 and existing suppliers that passed internal submission. (2) New suppliers that successfully passed the introduction assessment during 2019. (3) Those eligible for a halt to assessment in 2019 are also included.

Note 2: Three manufacturers and five suppliers of raw materials through direct transactions ended their transaction and cooperation with PCSC based on last year's supplier assessments, so that they were not required to be audited in 2019 based on the corresponding management rules.

In 2019, there were 14 suppliers of disposable items for in-store use <sup>(note)</sup>, with 100% of them passing audit. See table on p.43 for these 14 suppliers. There is a total of 18 times audits on supplier assessment items, resulting in 18 audit results, with 100% passing rate.

Note: Indicating domestic suppliers of disposable paper cups, bowls and similar items which come into contact with food and are provided to the consumers. Assessment results for 2019 are disclosed in the table below.

Assessment results for 2019 are disclosed in the table below.

	No. of suppliers	Percentage completing audits	No. of audits	No. of passes	Percentage passed
Suppliers of privately-owned food products with whom PCSC had a cooperative relationship (including plants, suppliers of raw materials through direct transactions and suppliers of egg products)	50	100%	177	177	100%
Non-food supplier	14	100%	18	18	100%

In the event that a supplier does not pass, in addition to being fined as per the "Product Quality Guarantee Agreement," the supplier is to undergo re-assessment as per regulations until improvements are complete. PCSC views suppliers producing own-brand products with grades of C or lower as food product manufacturers and grades of D or lower as non-food product manufacturers as "high sustainability risk suppliers." In 2019, no such suppliers of own-brand products failed to reach the required standards.

## ► ESG assessment items

In addition to product quality and health issues, PCSC has responded to trends in sustainable development by integrating ESG (Economics, Social and Governance) into its scope of assessment in the hope that including sustainability indices will serve to combine the efforts of PCSC's supply chain to help make sustainable development a reality. An explanation of the weighting of these in assessment follows.

Supplier types	Economic category weight %	Environmental category weight%	Social category weight%	Other non-ESG category weights %
Non-food product manufacturer	14%	3.1%	13%	69.9%
Food product manufacturer	50%	15%	14%	21%
Farm/processing plant	50%	2%	2%	46%
Raw materials factory type	60.6%	29.6%	4.2%	5.6%
Raw materials trade type	61.1%	24.1%	3.7%	11.1%
Raw materials primary farm type	58%	21%	0%	21%



In supplier ESG assessment trends, PCSC particularly emphasizes "sanitation of operational environment" and "occupational health and hygiene of workers".

Since many of PCSC's privately-owned suppliers are tied to food product manufacturing or raw materials, to ensure that suppliers conform to food product safety laws and regulations and PCSC's own product quality management requirements, sanitation of operational environment has been added to the list of assessment items for suppliers. Furthermore, we stress that suppliers protect workers and their occupational health and hygiene of workers rights, require suppliers to exercise their corporate social responsibility, and not violate the Labor Standards Act. We believe that the occupational health and hygiene of workers on the line can impact product quality, so we urge suppliers to provide healthy, safe work conditions for employees.

PCSC hopes to work hard with its suppliers to implement corporate social responsibility. Through our supplier assessments, monitoring whether they are complying with occupational health and hygiene requirements requested by Labor Standards Act and related regulations and creating positive social impact to protect supply chain workers' lives. In 2019, there were 10 suppliers found non-conforming with ESG criteria, including inaccurate working records, irregular inspection on safe protection facilities and unclear warning signs. All of them have corrected and improved their performance after counseling.

## Major Partners

### ► Key suppliers

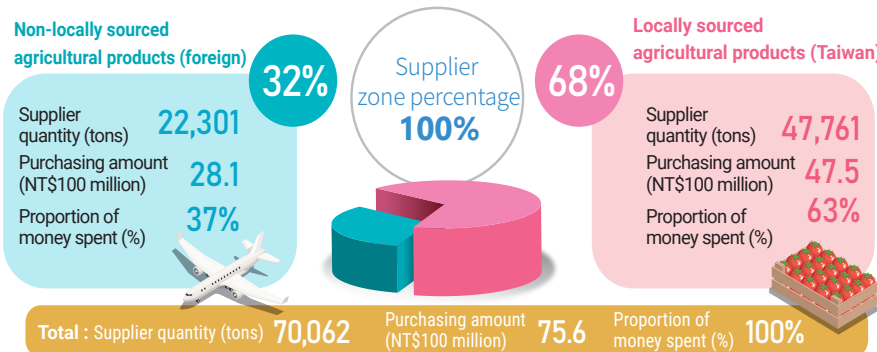
If viewed from a wider perspective, PCSC has three types of suppliers: privately-owned product contractors, non-privately-owned-brand suppliers, and other suppliers. Among these, privately-owned-brand suppliers have the closest relationship with PCSC and PCSC also has a correspondingly greater responsibility. From our own-brand product contractors, PCSC identifies "key suppliers" based on procurement amounts and product types. We increase our control and tracking of key supplier to fulfill our responsibility for our customers.

There were 17 key suppliers in 2019 defined as follows:

	Definition of a key supplier	Number of key suppliers in 2019
Procurement department	Purchasing amount > NT\$30 million and of packaging and items directly related to food products in store	2
Key tier 1	Privately-owned brand product transaction amount for previous year among five top suppliers	5
Key non-tier 1	PB raw materials supplier with transaction amount for previous year among top 10 suppliers	10

### ► Local partners

Supporting local products not only helps make environmental sustainability a reality by reducing carbon footprints, it also serves to support society as it benefits economically those locals involved in agricultural industry. In 2019, 70,000 tons of agricultural products valued at NT\$7.6 billion were used, including rice, chicken, pork, eggs, vegetables and fruit. 68% of purchases were made with Taiwan area suppliers of agricultural products at a value of NT\$4.75 billion. This was 63% of the entire purchasing budget.





## ► Elite Logisticians

Behind our renowned service is a group of tireless logisticians who deliver the goods in fair weather or foul. As we uphold our principle of caring for society, PCSC is deeply aware that ensuring the health and welfare of our logisticians is tantamount to ensuring the health and welfare of their families. With that in mind, we work tirelessly to improve and optimize personal welfare, driving safety, and labor-saving operations. To show our appreciation for their hard work, we also provide complimentary beverages, incentive bonuses, and have a contract renewal

bonus incentive program. To enhance safety, deliveries to stores in remote mountainous areas are only made during the day to reduce the risks involved in nighttime delivery. In the area of operations, requiring logisticians to swipe cards when they arrive at each branch has been replaced with GPS systems to determine vehicles location, allowing logisticians to cut out time wasted as they wait to swipe their cards, while reducing any traffic infractions.



To thank our logisticians for their outstanding performance and the successful completion of their logistics duties, PCSC held the "2019 PCSC Elite Logisticians Recognition Ceremony" on May 17 in the Fullon Hotel Lihpao Land. Attendees were from four companies: Chiehsheng, Chiehmeng, Tongchang, and Dachih. 79 of the 2,069 outstanding logisticians present were recognized for their professionalism. To rise to the top, awardees were required to not have any customer complaints or major violations in the year and had to be leaders in terms of scores on various measures of safety, service, and operations.

PCSC dedicated a night to honoring our elite logisticians. The next day, we treated them and their family to the Lihpao Resort, so they could enjoy some quality time with friends and family. We are sure they will remember this for years to come.

## 3.4 Customer Relations Management

PCSC is an inseparable part of the lives of those who live on this land. Our products and operational activities influence the health and safety of customers. How we manage customer data is important to their privacy. Our customer membership systems and preferential programs can help them with their purchases. We at PCSC, therefore, take utmost care in managing food safety and product labeling, in the timely handling of customer suggestions and grievances, in the protection of personal information, and in the designing of our membership programs.

### Management Approach

PCSC is inextricably linked to its customers through its product supply, store services, member system, and complaint handling mechanism. Our customer relationship management includes, but is not limited to, the following four areas: compliant and clear product labeling, a robust complaint handling mechanism, protection of customers' personal data, and the OPEN POINT member relationship system. The first two help us carry out our responsibility in the area of products and services, while the latter two are ways we respond to our customers.





Cooperation between our digital services department, general services center, integrated marketing department, and legal department, plus a solid digital system and data security training ensure that consumer rights are spotlighted and protected at PCSC.

## Product Labeling

Transparent product labeling is key to PCSC's promise to safeguard the rights and health of its customers. In our "Product Safety Management" rules, we clarify that "product labels of new suppliers' products must conform to Commodity Labeling Act, Act Governing Food Safety and Sanitation or relevant government laws and regulations." We also require suppliers to sign an agreement guaranteeing that the ingredients, manufacturing, labeling and advertisements for their products all conform to relevant laws and regulations.

In addition to screening potential new suppliers, product labels are the items that the logistics center must check upon receiving a shipment (including bar codes, expiration dates, and Chinese labeling). PCSC also uses its "Packaging Internal Control Design System" to keep abreast of the information on our privately-owned brand product labels. This ensures that all products have clear label information from manufacturing to shipping to final sale in the store. We had no product labeling violations in 2019.

## Complaint Mechanism

PCSC established a "General Services Center" to act as complaint conduit for internal and external issues involving products and services. Consumers can use a telephone hotline or e-mail to present their complaints or suggestions to the general services center. The Center creates a file for each issue and in cases that require follow-up, cases are only closed after customers receive information on how PCSC responded to and handled the issue. In 2019, the general services center handled 1,746 e-mailed cases and 116,402 phone calls from consumers. Some 89.7% of these could be handled immediately online. There were no major issues in 2019. Of those that had to be referred out, 100% were tracked and resolved.

## Data Security Management

PCSC strives to utilize the power of digital technology. We provide consumers with digital convenient services, including 7-11 online shopping, ibon, OPEN E-Wallet, icashPay, icash 2.0, OPEN POINT APP and Myship, so that consumers can have full access to financial service, product service and information service to deal with many aspects of life tasks.

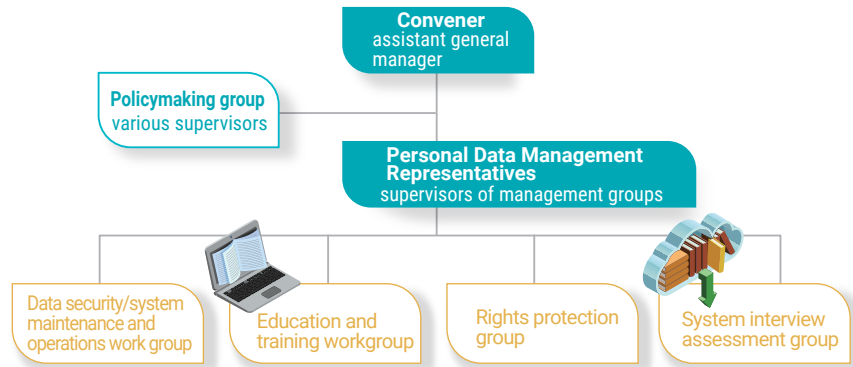
An inextricable part of all of that digitalized technology is the personal data of many customers. PCSC established a work group, a reporting system, as well as training and internal audits as concrete means for safeguarding their personal data.

The interdepartmental workgroup, "Personal Data Protection Plan Workgroup," regularly carries out personal data checks, risk analyses, systems assessments, internal reports revision, data destruction, as well as education and training. In its monthly reports, it details the confirmed results of the previous month. We systematized our training, completing 100% of internal training online. In addition to also integrating personal data risk management into the overall business risk management and audit mechanism, PCSC set up internal data security management reporting for all its departments and has added clauses concerning data security to all its contracts with external suppliers to ensure that all operating units and suppliers conform to the Company's personal data security policy. PCSC has also set up an internal assessment program and external verification system and helps departments to write corrective and prevention measures or steps for improvement in cases where assessments or audits show deficiencies. These are kept as a record of the improvements made. For employees who violate the Company's management principles concerning the security of personal data, relevant sanctions have been established as well.



To provide customers with comprehensive personal data protection, PCSC has also set up personal data issue reporting and contact windows that correspond to our various personal data collection channels.

### PCSC's Personal Data Protection Work Group structure



Identity	Point of contact in place for escalation of privacy issues	
Consumers	The Joint Service Center	<ul style="list-style-type: none"> <li>■ Tel : 0800-008711</li> <li>■ Email : public@mail.7-11.com.tw</li> </ul>
Non-consumers	All the departments within PCSC have respective point of contact in place for escalation of privacy issues	Because there are many departments within PCSC, it is hardly possible to list every point of contact in place for escalation of privacy issues. Those points of contact are also windows for handling and responding privacy issues. The processed cases will be reported to the Personal Data Protection Plan Workgroup as a record.

In 2014, PCSC first obtained TPIPAS certification. In 2018, the Company updated its certification. It did not update in 2019, because certification from 2018 was still valid. In 2019, there were no instances of PCSC personnel infringing on customer privacy.

## OPEN POINT Member System

PCSC has become an important part of the lives of consumers and hopes to provide them better service through our OPEN POINT membership system. As of the end of 2019, we had 6.5 million OPEN POINT members using the full range of OPEN POINT digital service functions, which include the OPEN POINT APP, OPEN E-Wallet, e-commerce payment icashPay, ibon APP digital services (such as courier services and events), ibon wifi access, 7-ELEVEN monthly receipt lotteries, 7-ELEVEN contributor platform, and various events. In 2019, an average of nearly two million people used these services each month, more than twice the number that used them in 2018. As to usage rate, OPEN POINT APP's annual opening rate has grown, attracting over 1.6 million people to use it each month. In the future, OPEN POINT membership will expand beyond 7-ELEVEN digital services to encompass the entire PCSC group and provide more customers with excellent services.

In 2019, PCSC saw a number of innovations and breakthroughs in convenient payments. We increased the number of fields in which OPEN wallet can be used, increased electronic payment functions and accumulated points for different payments to icashPay. In addition, members can use icashPay to store value, make payments, transfer money, and accumulate points. In 2019, OPEN wallet quickly rose to become the third most popular of 7-ELEVEN mobile payment bar code identification tools.

In addition to setting up membership systems, we have a Customer Relationship Management (CRM) system based on the OPEN POINT member database. Using this digital system, current customer information includes member characteristics and loyalty status, analysis of new product potential and potential buyer segments, which are used to design "member priority" and "members only" events to meet the needs of our customers. Using big data, membership contributions increased significantly in 2019, growing by some 76% over 2018.

PCSC will continue to refine our membership operations. We will further integrate the group's internal existing membership system and use strategic partnerships to bring in internal and external information sources to establish a more attractive membership ecosystem, while continuing to promote the expansion of OPEN POINT membership numbers and enhancing customer loyalty and increasing the number of people coming in. We anticipate that memberships will increase in 2020 by 66% over 2019 as we strive to meet our target of 10 million.