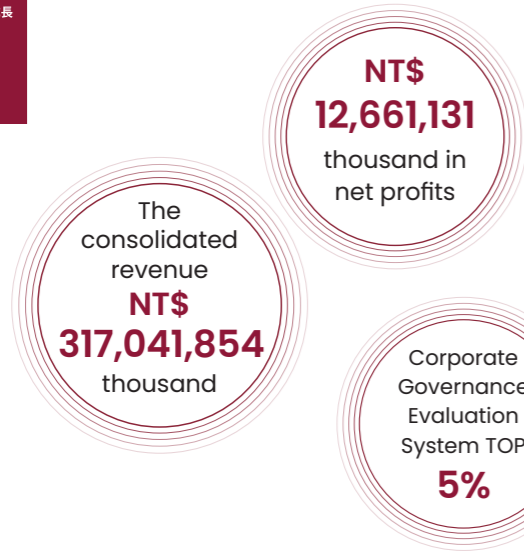
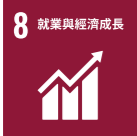


02 Achieving Sustainable Governance

President Chain Store Corporation abides by the principle of ethical corporate management from its internal operations to external value chain to ensure long-lasting and stable operations. In the meantime, President Chain Store Corporation identifies and stays updated with the trends in regulatory revisions, as well as ensuring all operations of the Company's organizations comply with government laws and regulations to uphold the rights and interests of consumers and the Company. Risk management is the key to sustainable operations. To this end, we have set up a dedicated unit for cross-departmental communications to avoid negative impact and increase the value of the Company. In addition, we attach importance to the management and protection of customer privacy, as well as providing better services based on the big data generated from consumption.



The consolidated revenue hit record high at NT\$317,041,854 thousand, with NT\$12,661,131 thousand in net profits that exceed the record of the previous year

President Chain Store Corporation was once again ranked in the top 5% in the 9th Taiwan Corporate Governance Evaluation System as the only listed company in the retail industry to do so for the ninth year running

Corresponding Material Topics

Information Security

Risk Management



Management Policies

Policies and Commitments

- Personal Data Protection Management System and Policy
- President Chain Store Corporation Personal Profile Data Security Maintenance Plan ([Personal Data Protection Handbook](#))
- [President Chain Store Corporation Risk Management Policy](#)

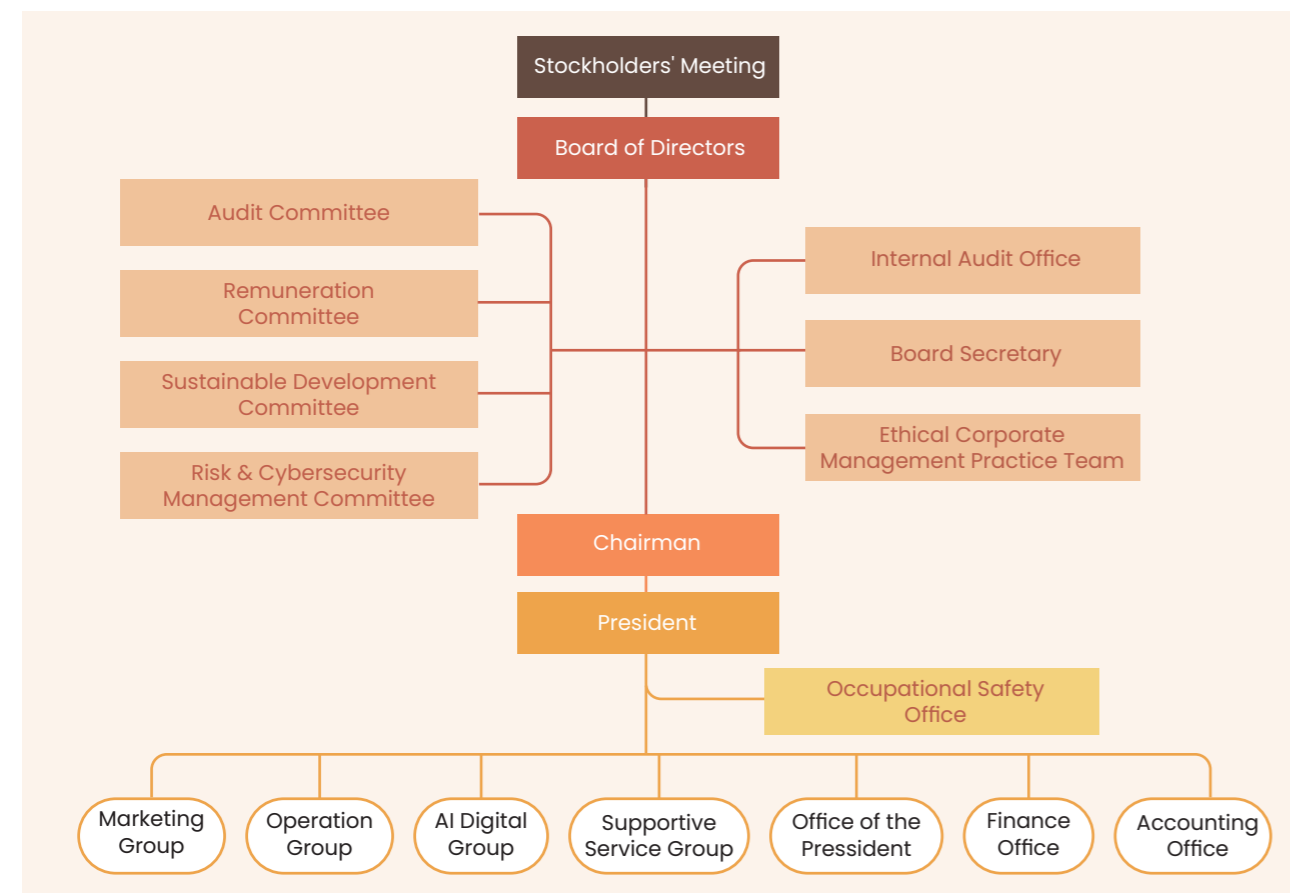
Management Actions

- President Chain Store Corporation has set up a Personal Data Protection Task Force to ensure the safety of consumer data through internal audits and external verification of personal data (Taiwan Personal Data Protection and Administration System, TPIPAS), crisis prevention and education and training.
- President Chain Store Corporation set up a Risk Management Committee to classify various risks and formulate management policies. The Committee monitors and gives feedback on risk identification on a monthly basis, as well as compiling the information of each department every 6 months. Since 2024, regular reporting to the Risk and Cybersecurity Management Committee will be done twice a year. Each dedicated unit offers feedback on risk response measures through a form to realize risk identification, measurement and reporting.
- In November 2023, President Chain Store Corporation's Board of Directors resolved to set up the "Risk and Cybersecurity Management Committee." The "Cybersecurity Committee" and "Risk Management Committee" originally under the "Sustainable Development Committee" would be moved under the "Risk and Cybersecurity Management Committee" to strengthen information security management with more comprehensive control over relevant risks.

2.1 Corporate Governance

Board of Directors

Sound corporate governance is crucial to the sustainable operations of a business. President Chain Store Corporation incorporates corporate governance into the Company's system of operations and with a sound and rigorous corporate governance structure. In addition to clear hierarchical management, it also sets up functional committees or task forces for specific issues to safeguard the rights and interests of stakeholders. To continuously strengthen corporate governance, the Company drafted the "President Chain Store Corporation Corporate Governance Best Practice Principles." In addition to complying with laws and regulations, the document also covers principles such as protecting shareholders' rights, strengthening the functions of the Board of Directors, acting as a supervisor, respecting the rights and interests of stakeholders and improving information transparency.



As the highest governing body of President Chain Store Corporation, the Audit Committee, Remuneration Committee, Sustainable Development Committee and Risk and Cybersecurity Management Committee have been set up under the Board of Directors to enhance financial information disclosure, managerial performance and stability and the Company's sustainable development. To this end, it carries out top-down management and supervision to ensure the sound operations of the Company. President Chain Store Corporation's Board of Directors consists of 13 directors (including 3 independent directors). They are elected through a nomination system and serve a 3-year term, whereby shareholders select names from a list of candidates (Note 1). The Chairman serves as the Chairman of the Board to implement and supervise all company matters without taking up the role as the Company's President. The President Chain Store Corporation board is characterized by diversity. The average age of board members is 64 with 2 female directors included. Their backgrounds range from business administration, economy, marketing, accounting, law to information engineering. Their education, work experience, professional expertise and remuneration can be found on pages 21-29 of the 2023 Annual Report (Note 2). Moreover, education and

training related to risk management and internal control are organized for Directors each year to enhance their judgment and capabilities on risk management events. In 2023, all Directors finished 2 sessions of risk management training course, covering topics such as economy, environment and society. In 2023, each Director received an average of 7.62 hours of training. For detailed information on director training, refer to page 38 of the annual report (Note 2).

Note 1: The nomination and selection process of functional committee members can be downloaded from [the Company's investor relations website](#).
 Note 2: The Annual Report can be downloaded from the Market Observation Post System or [the Company's investor relations website](#).

In order to ensure the independence of the board, per the regulations set forth in the "Regulation Governing Procedure for Board of Directors Meetings," if Board members or the corporation they represent have interest in a matter before the Board which could adversely impact Company interests, they can state their opinions and provide consultations but are not permitted to participate in discussion or voting. They must recuse themselves during discussion and voting, and they are prohibited from serving as proxy for other directors (Note). The Board of Directors must convene at least once every quarter to discuss the Company's business performance and development strategies as well as major investment issues. In 2023, the Board convened 7 times with an average attendance rate of 100%.

Note: The independence of the Board can be found on page 24 of the 2023 Annual Report, downloadable from [the Company's investor relations website](#).

Functional Committee

In order to improve the supervisory function and strengthen the Company's management, the President Chain Store Corporation Board of Directors has set up an Audit Committee, a Remuneration Committee and a Sustainable Development Committee. The Risk and Cybersecurity Management Committee was set up in November 2023 following the board resolution, with the Risk Management Committee and Cybersecurity Committee underneath, functioning independently to formulate regulations for the organization. Functional committees are responsible for the discussions of the Company's major proposals and issues such as economy, environment, society, human rights, risks and cyber security. For the members of each committee, resolutions and relevant information, refer to President Chain Store Corporation's website. (Note 1)

Note 1: The description of functional committees can be found on [the President Chain Store Corporation's website](#).

Remuneration System for Directors and Senior Management

President Chain Store Corporation has a clear and reasonable remuneration policy for directors and managers. According to Article 32 of the Company's Articles of Incorporation, no more than 2% of the current year's profits will be appropriated as the directors' remuneration, and a reasonable remuneration will be assessed and given in consideration of the directors' contribution to the Company's operations, continuing education and sustainable management. The remuneration is reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is adjusted according to the actual operating conditions and laws to maintain the balance between the Company's sustainable operations and risk control. The salary of the Company's senior executives is based on personal performance, including financial indicators such as the Company's profitability, to evaluate their contribution to the overall operations while taking into consideration the market salary level and the Company's operating performance. The bonus distribution is based on the Company's bonus and performance management methods, as well as factoring the Company's annual operating performance and individual performance. The carbon reduction ESG performance (obtaining third-party verification and tracking emission intensity) was incorporated in 2023, linking to the rewards and remuneration of senior management, including the President and senior executives. The annual target is reducing emission intensity by 1% per NT\$ million of revenue each year, passing the verification of ISO14064-1 greenhouse and ISO50001 energy management system. One point was added to the total performance score if all KPIs were met.

President Chain Store Corporation has set forth the "Rules for Performance Evaluation of Board of Directors" to implement corporate governance and enhance the functions of the Company's Board of Directors and functional committees, as well as setting performance targets to enhance operational efficiency. A number of indicators that have been selected are highly linked to corporate governance and corporate sustainable development so as to ensure the Company's sustainable operations. In 2023, it was assessed that the Board of Directors, individual board members and each functional committee have a good grasp of the Company and the committee's goals and tasks, which meet the Company's operational needs, effectively promote the Company's sustainable operations, social responsibilities, risk management and long-term strategic development, as well as realizing the spirit of corporate governance.

Ethical Corporate Management

Ethical management is one of the most significant guiding principles for President Chain Store Corporation. President Chain Store Corporation established its "Ethical Corporate Management Practice Team" under the Board of Directors, as well as drafting the "Corporate Governance Best Practice Principles," "Ethical Corporate Management Best Practice Principles," and "Ethical Corporate Management Operating Procedures and Code of Conduct" to serve as the base for promoting ethical corporate management within the Company, as well as being incorporated into employee personal performance evaluation that is linked to their salary. Any violation of ethical corporate management will result in a 5% to 45% reduction of year-end bonus (part of employee salary) depending on the severity of violation, or even demotion with a direct impact on the employee remuneration. Moreover, the status of the Company's performance is disclosed on our official website and in the annual report each May. There was no incident of corruption, bribery or event that violated the Fair trade Act, conflict of interest, money laundering and insider trading in 2023.

Ethical Corporate Management Practice Team



The Results and Plans of Promoting Ethical Corporate Management

President Chain Store Corporation raises awareness of ethical corporate management through a monthly publication, featuring cases or reminders collected by the Ethical Corporate Management Practice Team to promote the concept and policy of ethical corporate management, including labor safety, work and food safety regulations, Fair Trade Act, Personal Data Protection Act, etc. Education and training on the topic of ethical corporate management applies to all President Chain Store Corporation employees, including store managers, with certain courses expanded to management of affiliated companies. In terms of external collaboration with suppliers, we have formulated ethical corporate management clauses to ensure ethical corporate management from suppliers. In 2023, a total of 1,145 supplier contracts and raw material supply agreements, as well as a total of 691 procurement contracts were signed. The signing rate of ethical corporate management and CSR-related clauses in the aforementioned contracts is 100%.

Ethical Corporate Management Grievance Channels

In the event of violations of ethical corporate management, employees can also offer feedback and suggestions to management through the Integrated Services Center, email, dedicated stakeholder section on the official website and the internal proposal system. If an incident violating ethical corporate management is discovered by external stakeholders, they can report the incident through the dedicated hotline set up by President Chain Store Corporation's Internal Audit Office and Integrated Services Center, or the hotline and stakeholder section of our official website.

After stakeholders send their feedback by email through our website, messages are passed directly to the dedicated unit, which is then required to update the status of the case within a specified time frame. President Chain Store Corporation keeps track of the number of reports as well as the progress each month. In 2023, a total of 1,822 cases were raised in the stakeholder mailbox, with the total number of cases decreased by 422 compared with the same period last year.

Fiscal and Tax Governance

President Chain Store Corporation actively opened new stores in 2023 and drove growth through the integration of strategies for online and physical businesses. The annual consolidated total revenue hit a record high with a 9.16% growth compared with the previous year. The pandemic ceased to be a factor affecting the operations. Please refer to the President Chain Store Corporation [parent company financial statement](#) and [consolidated financial statement](#) available on the Market Observation Post System.

Direct economic value distribution

Item (NT\$1,000)	2022	2023
Operating costs	121,633,971	130,995,405
Employee wages and benefits	7,583,938	8,287,780
Payment to providers of capital	9,789,840	9,946,016
Payment to government	1,269,828	1,711,691
Community investment	90,340	26,865

In the meantime, President Chain Store Corporation stays in conformity with the core values of our [tax policy](#) by being committed to following the tax laws and regulations as well as the purpose of statute of the areas in which it operates, reporting and paying taxes based on the principle of honesty, fulfilling its obligations as a taxpayer and supporting the government as it promotes sustainable development policies, including industrial innovation, R&D and reinvestment.

Consolidated Operating Results from President Chain Store Corporation and its Subsidiaries (NT\$,000)

Revenue

Region	2022		2023	
	Amount	Percentage	Amount	Percentage
ROC	248,245,454	85.48%	264,631,621	83.47%
Philippines	35,264,978	12.14%	44,891,255	14.16%
Others (including Mainland China and Japan)	6,923,705	2.38%	7,518,978	2.37%
Revenue	290,434,137	100%	317,041,854	100%

Pre-tax profit and loss

Region	2022		2023	
	Amount	Percentage	Amount	Percentage
ROC	13,082,792	92.98%	13,468,342	82.34%
Philippines	1,523,659	10.83%	2,591,918	15.84%
Others (including Mainland China and Japan)	-536,470	-3.81%	297,099	1.82%
Pre-tax profit and loss	14,069,981	100%	16,357,359	100%

Income tax payable for the current year

Region	2022		2023	
	Amount	Percentage	Amount	Percentage
ROC	1,830,365	96.45%	2,205,973	94.23%
Philippines	60,538	3.19%	137,558	5.87%
Others (including Mainland China and Japan)	6,825	0.36%	-2,438	-0.10%
Income tax payable for the current year	1,897,728	100%	2,341,093	100%

Income tax paid

Region	2022		2023	
	Amount	Percentage	Amount	Percentage
ROC	2,204,672	84.74%	2,584,644	81.53%
Philippines	352,875	13.56%	535,206	16.88%
Others (including Mainland China and Japan)	44,166	1.70%	50,401	1.59%
Income tax paid	2,601,713	100%	3,170,251	100%

Effective Tax Rate

The effective tax rate for 2023 and 2022 were lower than the industry average of as Taiwan was the primary source of operating profits and the income tax rate for profit-seeking enterprises in Taiwan was 20%. The average tax rate for the food and consumer staple retail industry in GICS comes from related industries around the world, with the average increased due to the influence of countries with high tax rates.

Year		2022	2023
Profit before Tax(A)		14,069,981,000	16,357,359,000
Income tax expense(B)		3,000,058,000	3,696,228,000
Adjustments (C)	Adjustment 1: temporal difference	95,348,000	-89,795,000
	Adjustment 2: others	679,265,984	598,650,820
Pre-adjustment: effective tax rate (B)/(A)		21.32%	22.60%
Post-adjustment: effective tax rate (B+C)/(A)		26.83%	25.71%
Income tax cash payments(D)		2,601,713,000	3,170,251,000
Cash effective tax rate (D)/(A)		18.49%	19.38%

(Note 1) Industry average tax rates were taken from GICS's (Global Industry Classification Standard) for food and consumer staple retailers. The average tax rate is 24.51%, average cash tax rate is 24.72%.

(Note 2) Reported effective tax rate (%) = income tax expense/profit before tax

(Note 3) Cash effective tax rate (%) = income tax paid/profit before tax

(Note 4) Adjustment 1: temporal differences (the amount of each deferred income tax asset or liability arising from temporary differences and tax losses);
Adjustment 2: Items that are not recognized by legal regulations, such as income from investment, tax exemption from domestic stock trading, etc.

2.2 Risk Management

The Company's ability to respond to and deal with risks has been an important key to its continued growth and stable operations. President Chain Store Corporation is committed to maintaining a comprehensive risk management system that includes the Group's organization and subsidiaries in the scope of risk management. The Company aims to control various risks that may affect corporate operations through the risk management mechanism, as well as the integration of such mechanism into operating activities and day-to-day management. To further ensure the effectiveness of corporate risk management and align with international standards, President Chain Store Corporation has set up an independent unit to conduct internal audits on the risk management process, and is expected to introduce the ISO 31000:2018 risk management system in 2024 to develop awareness of corporate risk management through education and training. The incorporation of management system will subsequently be evaluated for the possibility of entrusting a third party to perform external audits of risk management.

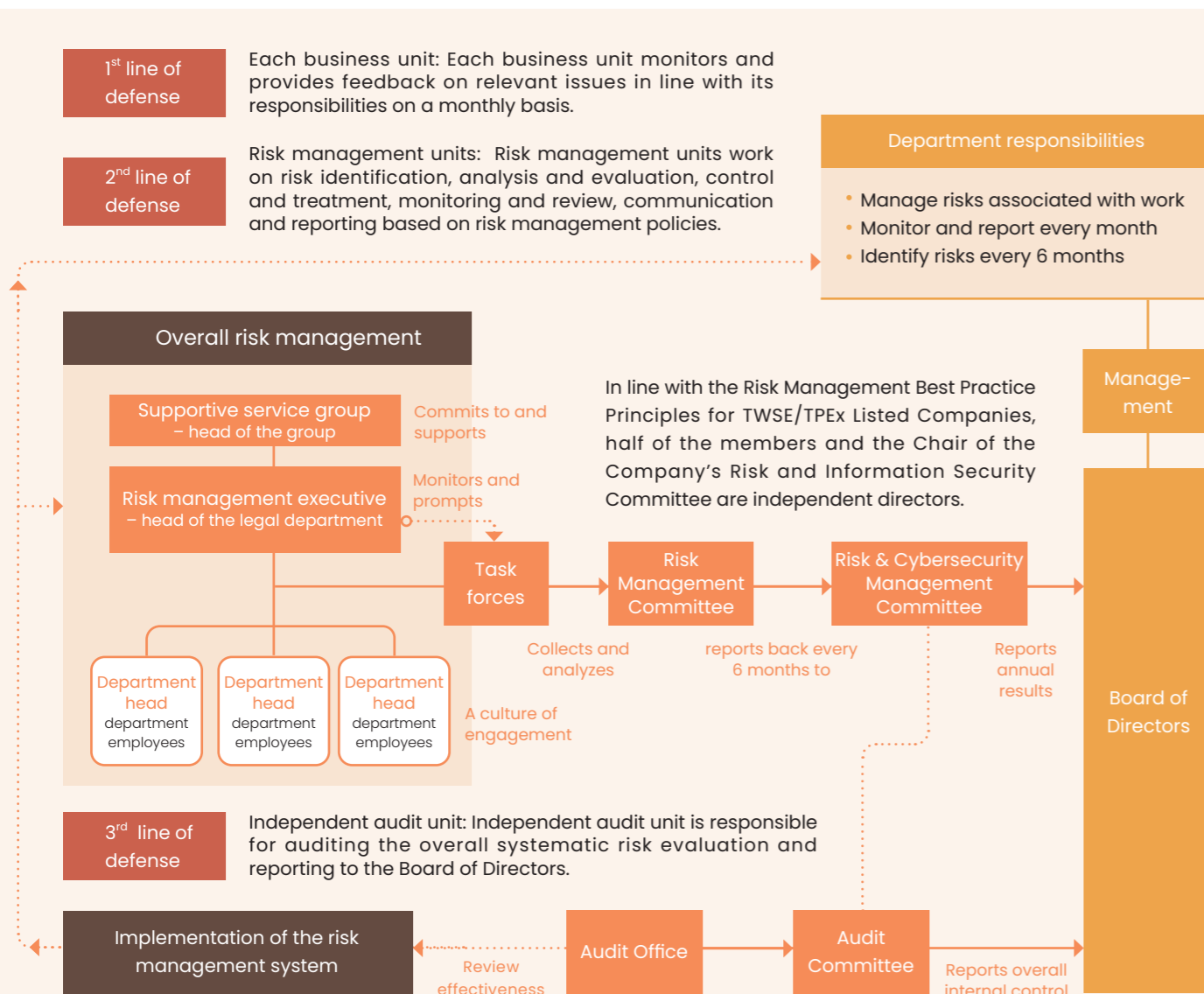
Risk Management Structure

The Company's Board of Directors is the highest risk management unit that is responsible for approving risk management policies and structures to ensure the effectiveness of risk management. The Risk and Cybersecurity Management Committee is affiliated to the Board of Directors with the "Risk Management Committee" underneath that is a cross-departmental risk management decision-making. It exercises its powers independently of other business functions and operating activities, with the head of the Supportive Service Group serving as the convener. Task forces have been set up under the committee for overall risk monitoring, assessment and measurement for President Chain Store Corporation, integrating and

managing various strategic, operational, financial and other potential risks that may have an impact on the operations and profits, as well as regularly reporting to the Risk Management Committee. Annual plans and implementation results are submitted to the Board of Directors after discussion by the Risk and Cybersecurity Management Committee.

► Three Lines of Defense Model for Risk Management

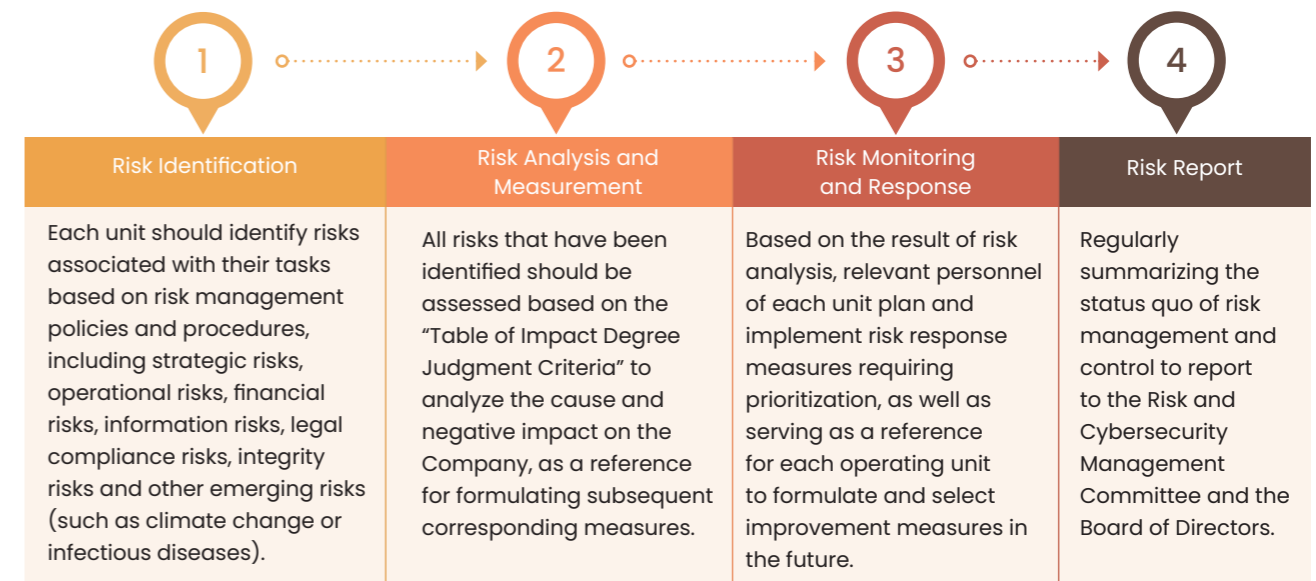
President Chain Store Corporation developed its risk management system and control processes following the three lines of defense model. The first line of defense is for each business unit to monitor and provide feedback on relevant issues in line with its responsibilities on a monthly basis, and continue to stay updated with the development of risk management at home and abroad. The second line of defense consists of risk management units, including the “Risk and Cybersecurity Management Committee” and the “Risk Management Committee.” They are tasked with supervising risk management policies and implementation, coordinating and promoting cross-organizational risk management and control plans, as well as regularly reviewing and proposing suggestions for improvement. The third line of defense are the internal audit units, including the Audit Office and the Audit Committee. The former conducts audits on the overall systemic risk assessment processes, while the latter is responsible for reviewing internal audit reports and evaluating the effectiveness of the policies and procedures of the internal control system. The three lines of defense work together to form a comprehensive risk management structure, ensuring that President Chain Store Corporation can effectively respond to various risks in a changing environment.



To create a culture where all members of the Company are actively engaged in risk prevention, President Chain Store Corporation employees at all levels have their own roles and responsibilities: the head of the Supportive Service Group commits to and supports the Company’s overall risk management policy, as well as serving as or appointing the Risk management executive (head of the Legal Department) to be responsible for supervising and promoting the strategies from the Risk Management Task Force. The Risk Management Task Force is in turn composed of department heads and employees for risk assessment and identification, as well as reporting the results of the risk treatment plan.

Risk Management Processes

The Risk Management Committee identifies, analyzes, measures, monitors, responds to, reports risks based on the risk characteristics and impact levels compiled by each task force, as well as improving response measures. The processes are as follows:




Risk Identification and Ranking


President Chain Store Corporation’s scope of risk management includes but is not limited to operational risks, market risks, financial risks, compliance risks, climate risks and other risks that may cause significant losses to the Company. When identifying risks, each business unit analyzes the sources of risks (such as disasters/infectious diseases, contracts/laws, financial conditions, personnel behavior, asset losses, quality, supplier operating conditions, etc.) and their potential impacts (such as finance, production/products and services, personnel, reputation and image, etc.) to understand all potential types of risks. The types of risks and responsible units for management and implementation are as follows:

Financial Risks	Description	
	Risks associated with financial operations, including investments, loans, etc.	
	Risk Management Measures	
	Dedicated Unit	
		President Chain Store Corporation’s Finance Office takes laws, policy and market changes into consideration when formulating various strategies, processes and indicators, regularly analyzing and assessing changes of relevant risk and taking appropriate countermeasures to reduce the Company’s overall potential risks. President Chain Store Corporation also continuously reviews and updates the cash flow forecast in order to adjust the cash level in a timely manner following the pandemic situation to ensure liquidity.
		Finance Office

Compliance Risks	Description	Risks associated with legal or contractual relationships.	
	Risk Management Measures	Based on the functions, all departments and business units analyze and assess major policy, law and technological changes and adopt appropriate countermeasures to reduce potential operational risks in the future. Moreover, President Chain Store Corporation also has an inter-division Regulation Identification Committee that regularly holds "Regulation Identification Meetings" to keep abreast of the latest changes to laws and regulations so as to be able to adopt appropriate countermeasures. Additionally, each unit's supervisor also sets up a "Crisis Management Task Force" to effectively control and manage any potential or current market risks or crisis.	
	Dedicated Unit	Various business units/Regulation Identification Committee/Crisis Management Task Force	

Food Safety Risks	Description	Risks caused by poor quality or risks of loss caused by product safety.	
	Risk Management Measures	President Chain Store Corporation attaches a great deal of importance to consumer health and safety and has made food safety its top priority while continuing to invest each year to ensure rigorous quality control. Food safety risks can have a serious impact on the Company's image as well as income and profits. To this end, a product safety process control mechanism has been set up to enhance management of the supply chain as a long-term effort on the part of the Company. The countermeasures are listed as follows: <ol style="list-style-type: none"> 1. Establishing the Merchandise Safety Committee and holding regular meetings to discuss topics such as government laws and regulations, contract manufacturers and supplier assessment deficiencies, product safety information, food safety testing programs and implementation progress. 2. Establishing the Product Safety Information Collection and Inventory Tracking Operational Standards, collecting own product safety information and setting up inventory and tracking procedures to ensure the safety of our products. 3. With measures such as contractual cooperation, production site management, ingredient tracing mechanisms and systems, supplier grading, management and on-site assessment system, distribution centers and periodic store checks, as well as occasional sampling of raw materials and finished products, we continue to stay on top of the entire supply chain from production to store in order to set up a food safety net for our consumers. 	
	Dedicated Unit	Operations Group/Marketing Group	

Franchisee Risks	Description	Risks caused by franchisees' operations.	
	Risk Management Measures	To keep individual stores growing and the overall operations of the Company stable, President Chain Store Corporation continues to optimize its franchising mechanism, improving the remuneration to franchisees, and keeping franchises in good order as countermeasures.	
	Dedicated Unit	Operations Group/Marketing Group	

Information Security Risks	Description	Risks such as major information system downtime and hacking incidents	
	Risk Management Measures	President Chain Store Corporation takes stock of information and communication systems and services, assesses their management and technical vulnerabilities, as well as the types of threats they may face, the degree of impact and the probability of occurrence to invest in protection resources for risk management and control in line with the value and impact they bring to the Company's operations. It continues to strengthen the cybersecurity risk management and control mechanism to reduce the threat of external hackers and internal human error, as well as building a cybersecurity management system that complies with laws and regulations to protect consumers' personal information and the Company's business secrets.	
	Dedicated Unit	Cybersecurity Committee	

Emerging Risks

In order to stand firm in this fast-changing food retail industry, President Chain Store Corporation places great importance on significant social, economic, and environmental trends to better control risks that might affect the Company's profits and sustainable operations. President Chain Store Corporation has integrated the way we identify and respond to emerging risks into our risk management structure. Emerging risks that have been identified are as follows:

Social - employment and life crisis	Emerging Risk	Changes in the demographic structure According to the statistics published by the Ministry of Interior for 2023, only 135,000 babies were born, hitting the all-time low with 3,415 fewer than 2022. The low birth rate and an aging population are expected to lead to a reduction in the working age population and an aging consumer group in the next few years.
	Future Impact	President Chain Store Corporation refers to the population estimation released by the National Development Council, and the information provided by government agencies such as the aging society and utilization of human resources to conduct scenario analysis, predict future population changes, and estimate the impact on the human resources and customer base of the stores in the medium and long term. As high labor input is vital for ensuring stable operations of the stores and high-quality logistics operations, President Chain Store Corporation will suffer from a decreasing workforce. In addition, an aging society will also lead to changes in the main consumer group. Therefore, President Chain Store Corporation may experience the impacts listed below as a result of this risk: <ol style="list-style-type: none"> 1. Impact on talent recruitment and personnel costs. 2. The impact of different product structures and services required by the elderly consumer group.
	Countermeasures	<ol style="list-style-type: none"> 1. Plan to collaborate with universities and colleges to develop diverse employment channels, and establish a human resources recruitment platform to integrate resources for human recruitment. 2. Create a local recruitment mechanism to increase the recruitment of middle-aged and elderly partners, and propose flexible work arrangements to rearrange the work processes for middle-aged and elderly partners. 3. Plan to introduce various AI intelligence and labor-saving tools in stores, such as AI order system, self-checkout machines and self-service coffee machines, to achieve the goal of saving labor and personal costs as well as meeting the needs for the workforce. 4. Focus on developing products for the elderly and introduce the Veggie Selection lifestyle store. 5. Evaluate the age-friendly store design to provide a friendly environment for consumption.

Economy-inflation slowing down	Global economic uncertainty
	<p>It is expected that Taiwan's economic growth in 2024 will mainly rely on consumption and investment, and external demand will rebound. In terms of domestic demand, given the stable development of the job market and various private consumption indicators (retail catering turnover, transaction value of listed OTC stocks, number of new license plates issued, number of people traveling overseas and credit card spending), the performance is still strong. It is expected that private consumption will remain solid. According to the latest forecast of the Taiwan Institute of Economic Research, the domestic economic growth rate in 2024 is 3.15%.</p> <p>However, the global economy still faces many challenges in 2024, such as the escalating Red Sea crisis, the green energy subsidy competition turning into a global trade war, extreme weather events disrupting the global supply chain, and rising geopolitical risks. These factors will have an impact on Taiwan's trade and investment. Besides, the global economic situation is also closely related to people's livelihood consumption (for example, inflation affects purchasing power), which will have a potential impact on President Chain Store Corporation, which is a service provider of people's livelihood consumption necessities.</p>
	<p>According to estimates from Directorate General of Budget, Accounting and Statistics, Taiwan's inflationary spike will slowly decline this year, and inflationary pressure will gradually diminish in the long term. The current annual growth rate of Taiwan's Consumer Price Index (CPI) in 2024 is estimated to be approximately 1.88%, which is expected to be lower than the inflation warning line of 2.0%. The CPI increase in January 2024 is expected to be smaller than the 2.71% increase in December last year, but it is estimated to fall below 2% until in the second quarter. The product structure of President Chain Store Corporation mainly consists of food, supplies and services needed for everyday life. As inflationary pressure will not be truly relieved in the short term, the following potential impacts may occur:</p> <ol style="list-style-type: none"> 1. The rising price for raw materials leads to increased operating costs and reduced profits. 2. The impact of recession reduces the consumer spending power. 3. The energy price increase leads to the increase in operating costs and decrease in store profits.
Countermeasures	<ol style="list-style-type: none"> 1. Engage with multiple suppliers to improve bargaining power and reduce the risk of shortage risk. 2. Integrate companies in the Group for joint purchases that will lower the costs to maintain price competitiveness. 3. Replace energy-saving equipment in the stores, such as energy-saving light bulbs, refrigerators, etc., to cope with the risk of electricity price hikes. 4. Continue to develop innovative products and new brands, such as Star Rated Cuisine, Veggie Selection and Ohlala, etc. Fresh food selections are launched in collaboration with 5-star hotels/well-known restaurants to enhance the sense of value and satisfy consumers' needs for eating out, improving consumer purchasing appeal.

Technology – online transaction security	Emerging Risk	<p>Due to the COVID 19 pandemic, the scale of online shopping has continued to grow over the past few years. However, e-commerce that is small in size often invests very little in protection. As a result, online transaction frauds, vulnerabilities in information security, and data breach by scammers can often arise. Scammers often tamper with stolen consumer personal data and transaction records to call consumers with a fake number that looks like that of the e-commerce or bank customer service hotline. Scammers use "fraudulent tactics" such as "cancelling installment payment," "repeated deductions" or "VIP upgrade" to con victims into transferring money from ATM machines.</p> <p>Moreover, scams such as "one-page website scams" and so on might have an impact on consumers' trust in e-commerce platforms, ultimately reducing their decisions on spending.</p>
	Future Impact	<p>Fraud techniques evolve with each passing day. Recently, e-commerce sellers have also fallen victim to fraud. Scammers pretend to be customers that contact sellers on Facebook Messenger, Line or auction platforms to report issues with placing an order. They then give a fake link to customer service of the auction platform, QR Code or LINE ID, before obtaining bank information by telling the sellers that they have not been verified or signed a cash flow agreement. The victims are required to transfer money from their ATM or online banking accounts in the name of verification or finalizing the agreement.</p> <p>The e-commerce platform and digital services of President Chain Store Corporation, including iOPEN Mall e-commerce platform, iPre-order (convenience store in the e-commerce) and iGroup-buying, may be affected by the above risks. The following potential impacts may occur:</p> <ol style="list-style-type: none"> 1. Consumers have doubts about the security protection of e-commerce platforms and reduce consumption, resulting in reduced profits. 2. Information security attacks or customer privacy incidents occur on e-commerce platforms, which result in fines from competent authorities or an increase in customer complaints, which affects the company's image and revenue.
	Countermeasures	<p>To improve its information security protection capabilities, President Chain Store Corporation actively conducts simulated attacks or penetration tests to discover vulnerabilities in its own systems and implement reinforcements in addition to getting ISO 27001:2013 information security management certification. The Company's e-commerce platform has actively implemented a number of relevant measures, including but not limited to:</p> <ol style="list-style-type: none"> 1. Adding clear anti-fraud slogans on the homepage. 2. Making customer service more available by extending the hours to 21:00. 3. Blocking the internal chat system from displaying QR codes or external links. 4. An anti-fraud notice is displayed when the product is put on the shelves to remind sellers to be mindful of scammers posing as customer service representatives. 5. Blocking scam keywords in the internal chat system. 6. An anti-fraud message has been pushed to all sellers through the internal chat system, clearly describing the fraud tactics, as well as providing customer service contact information for immediate clarification when buyers claim that they are unable to place an order. 7. Text messages and emails alerting consumers of scams are sent out every two weeks and every month respectively. <p>In response to the booming online transactions, the Company actively prevents all types of emerging online scams as well as preventing frauds and crimes through public-private collaboration. It is committed to building an anti-fraud shield that effectively ensures the safety of people's property.</p>

Risk identification and ranking take into account the dual-axis risk matrix. The Y-axis represents the level of severity (I), and it is graded from 1 to 6 points. The X-axis represents the risk likelihood (L), and it is graded from 1 to 7 points. The two are added together for risk level (R), which is used as the standard for finding out the scores of each financial, food safety, franchise, legal and other risks. The risks are then ranked in line with the impact and results to highlight the level of impact, likelihood and importance of each risk.

Y-axis: level of severity

(I, the impact on Company operations if the risk is realized)

Score	Impact	Finance	Continuous operations and management		Impact on stakeholders	Reputation and image
			Product and service	Personnel		
6	High	High	High	High	High	High
5	↑ Severity	↑ Amount of money	↑ Downtime	↑ Injury or death	↑ Scope and time of the impact	↑ Duration of negative news
4						
3						
2						
1	Low	Low	Low	Low	Low	Low

X-axis: likelihood

(L, the level of probability the risk will occur)

Score	Description	Frequency	Percent
7	Continuous	1 hour	90-100%
6	Frequent	1 day	75-89%
5	Often	1 month	60-74%
4	Normal	2 months	45-59%
3	Occasional	1 year	30-44%
2	Rare	10 years	15-29%
1	Abnormal	30 years	0-14%

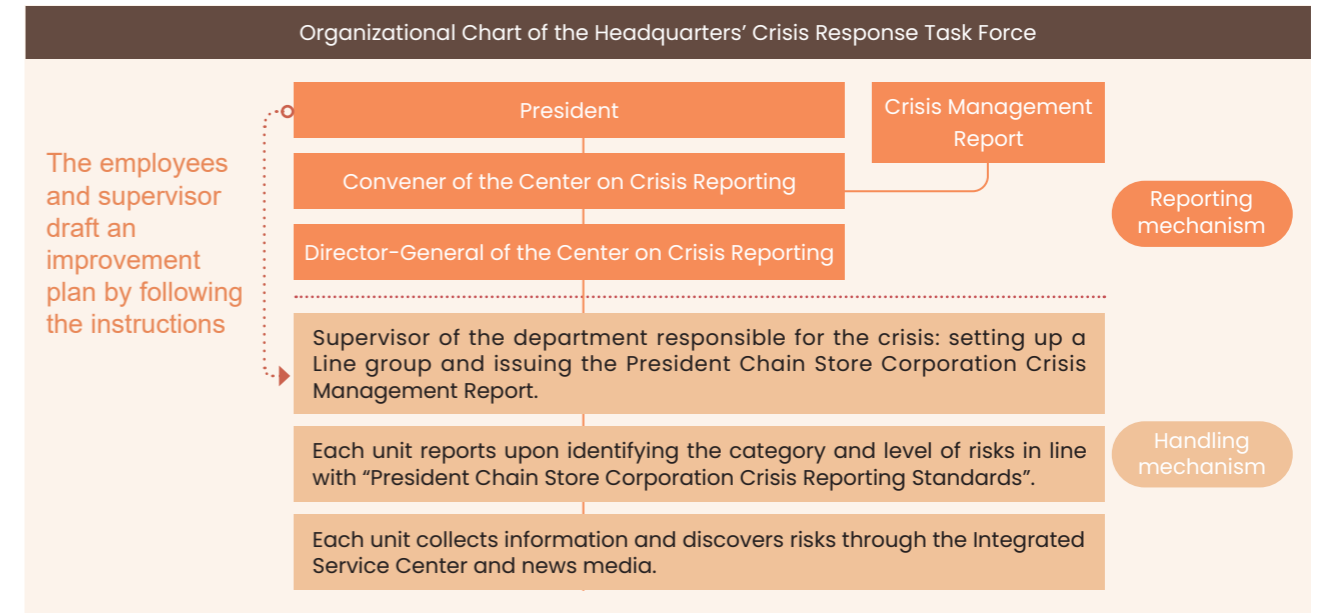
Level of risk (R, overall impact of the incident on the Company)

	6	7	8	9	10	11	12	13
6								
5								
4								
3								
2								
1								
	1	2	3	4	5	6	7	

Relevant units will implement prevention and improvement measures for each level of risk. When the risk level (R) is higher than 7 points, the impact on the Company's operations will be more significant, so this score is adopted as the risk appetite. If risks above this level occur, relevant units should promptly respond and improve. The top three risks in 2023 are financial, regulatory and franchise risks. The relevant risk appetite and mitigating measures are as follows:

Risk	Risk Level (R)	Mitigating and Response Measures
Regulatory Risk	8	In August 2023, eight major types of venues including convenience stores have been banned from providing "biodegradable plastic cutlery." The restrictions this time include "disposable plastic cutlery" and "plastic cups filled with semi-finished or finished product to be processed after purchase." The Quality Assurance Department has identified the scope of impact prior to the implementation of the law, as well as notifying relevant units. The inspection shows that beverage containers in the stores are coated paper cups that comply with the law. Freshly-prepared products that require secondary processing on site have either been discontinued or packaging replaced before August, meaning the level of impact remains unchanged and is in compliance with legal regulations. Regulations are often amended, making it an issue that requires constant attention and is therefore identified as a regulatory risk. The risk level is 8, and we will continue to watch for amendments to the law.
Financial Risk	3	Setting up a preventive mechanism with multiple cash flow backup plans. For example, store operating funds can be remitted from ATMs/post office/banks. If a problem occurs in a single institution, the store will be asked to switch to another method of remittance.
Franchise Risk	2	1. Newly-opened stores will be given priority to franchisees to increase the proportion of franchisees. 2. Profit guaranteed for newly-opened stores to stabilize profits for franchisees 3. Promoting multiple stores in the same business district to reduce management cost for franchisees. 4. Extended applicability for renovation costs to reduce financial pressure on franchisees.

Crisis Management



In addition to managing risks, President Chain Store Corporation has also set up a comprehensive dedicated risk management unit and SOP for dealing with crises to minimize potential losses. The Company drafted the "President Chain Store Corporation Crisis Management Mechanism" to minimize losses caused by crisis. The mechanism means that each unit receives and collects public opinions against President Chain Store Corporation through the Integrated Service center, franchisee feedback app, news and other channels, as well as reporting based on the "President Chain Store Corporation Crisis Reporting Standards." The crisis report is headed by the President, who has the Crisis Reporting Center answering to him, and the executive manager of the Supportive Service Group serves as the convener of the Crisis Reporting Center. The type and level of crisis is determined by employees of the department in charge and reported to the supervisor, who will then escalate through a crisis reporting sheet. All departments involved will set up a review team (Line group) for the crisis for prompt response and discussion. Subsequently, all departments involved will make improvements and provide responses to the crisis to avoid recurrence. We review the crisis management process with strict mechanisms to consolidate the operations of President Chain Store Corporation from occurrence, handling to external response to crisis events.

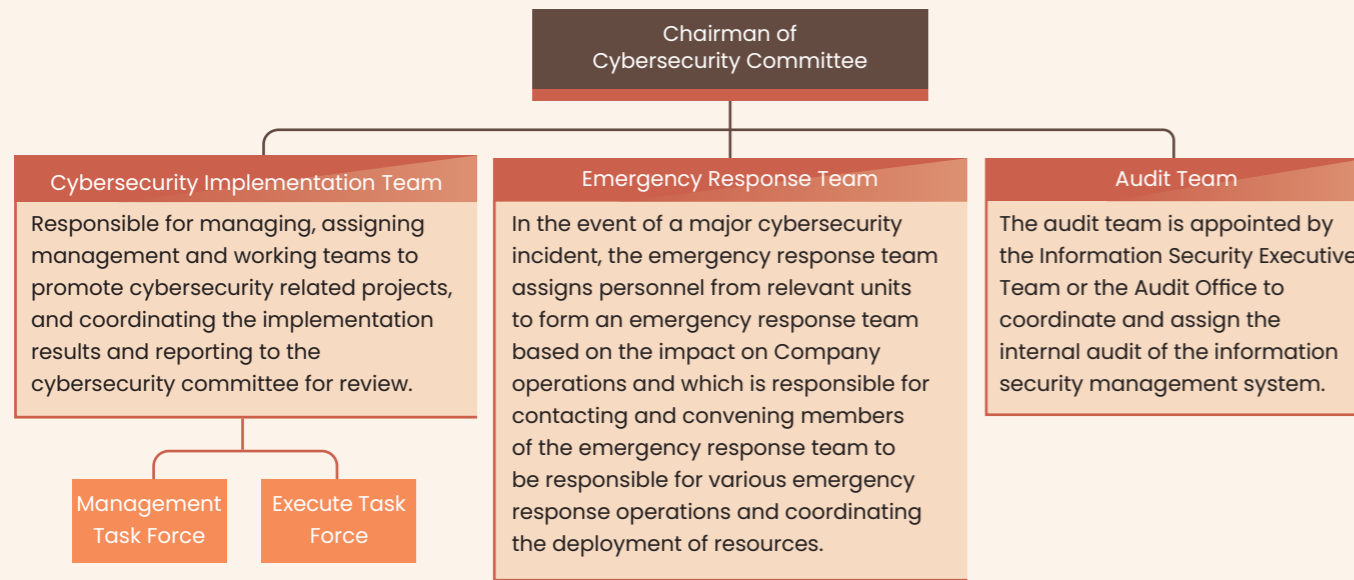
2.3 Information Security and Privacy Protection

President Chain Store Corporation takes advantage of the power of digital technology to make consumers' lives more convenient. To this end, it provides customers with cash flow, logistics and information flow services with digital tools such as the 7-ELEVEN online shopping site, ibon, OPEN Wallet, icash Pay, icash 2.0, OPENPOINT app (including iGroup-buying and iPre-order) and MyShip. This allows consumers to make the most of President Chain Store Corporation as the base and service center for everything in life.

Cybersecurity Committee

The "Cybersecurity Committee" is the highest decision-making unit for President Chain Store Corporation's information security management. It was originally under the "Sustainable Development Committee," and moved under the "Risk and Cybersecurity Management Committee" in 2023 with the Chief Information Security Officer as the convener. The "Cybersecurity Implementation Team," "Emergency Response Team" and "Audit Team" under the committee hold at least one review meeting a year, with the convener regularly reporting the implementation and results of information security implementation to the Risk and Cybersecurity Management Committee (Note).

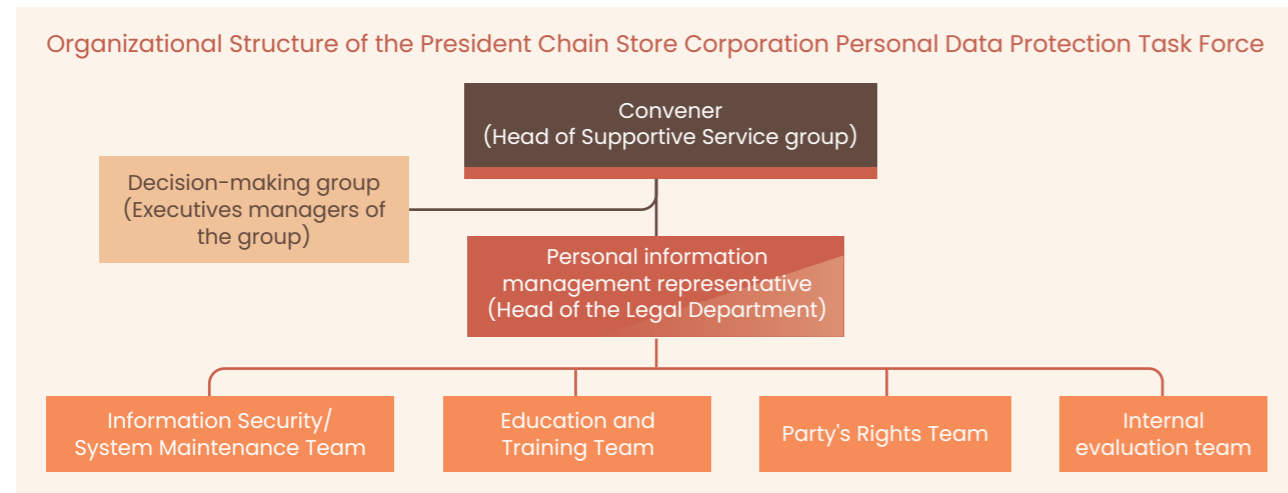
(Note) The policies, specific management plans and resources invested by the Cybersecurity Committee can be obtained from [the Company website](#).



► Personal Data Protection Task Force

Digital technologies involve a lot of customers' personal data. President Chain Store Corporation set up a special task force, reporting mechanism, as well as conducting training and internal audits to ensure the protection of consumers' personal data.

The "Personal Data Protection Task Force" is a cross-departmental task force that regularly performs personal data inventory, risk analysis, internal system review, notification and revision, data destruction, education and training. Education and training is systemized with courses and forums for new employees to pass tests and senior employees to finish courses online with a 100% completion rate for internal training. In addition to integrating personal data risk management into the overall risk management and audit mechanism of the Company, personal data protection management reports are formulated for each department, as well as adding personal data protection clauses to contracts when working with external suppliers to ensure that all operating units and suppliers comply with the Company's personal data protection policy. President Chain Store Corporation's internal evaluation plan and external verification system can effectively supervise and assist various departments in formulating corrective, preventive or improvement measures for non-conformities discovered during internal evaluations or audits. Records of improvement are equally made and kept. Corresponding disciplinary actions are also formulated for employees who violate the Company's personal data management rules. Any violation will be reported to the supervisor and included in the employee's personal performance evaluation and records.



Adjustments will be made to the aforementioned task force by making the executive manager of the Supportive Service Group convener in 2024.

Internal Audit and External Certification

President Chain Store Corporation integrates information security management and control into the overall risk management and internal auditing mechanism of the enterprise, and further links the annual performance evaluation of employees. Through the internal audit and third-party verification system, it can effectively identify risks and supervise various departments to determine non-compliance matters corrective and preventive measures to achieve continuous improvement; for key information and communication systems, vulnerability scanning and penetration testing are performed every year, and for overall information and communication protection, red team drills are performed every year to check the relationship between the operating system and network services Identify the vulnerable points of the information communication environment, such as settings and account password management principles, and immediately implement management and technical strengthening measures to ensure that the security of the information communication system meets the requirements of international common standards and best practices.

(Note) Detailed cybersecurity test results can be accessed on [President Chain Store Corporation's website](#).

President Chain Store Corporation first obtained the third-party TPIPAS certification in 2014 (Taiwan Personal Information Protection and Administration System). In 2023, the Company updated its certification with the validity period for 2 years. Besides the personal information protection certification, President Chain Store Corporation obtained the updated ISO 27001:2013 international certification for information security regarding the in-store POS system to complete the information security management mechanism. The updated version of ISO 27001:2022 is scheduled to be put in place in 2024.

Grievance Mechanism

To provide customers with comprehensive personal data protection, President Chain Store Corporation has also set up personal data issue reporting and contacts that correspond to our various personal data collection channels. In 2023, no complaint was received regarding customer privacy infringement from the competent authority of external parties.

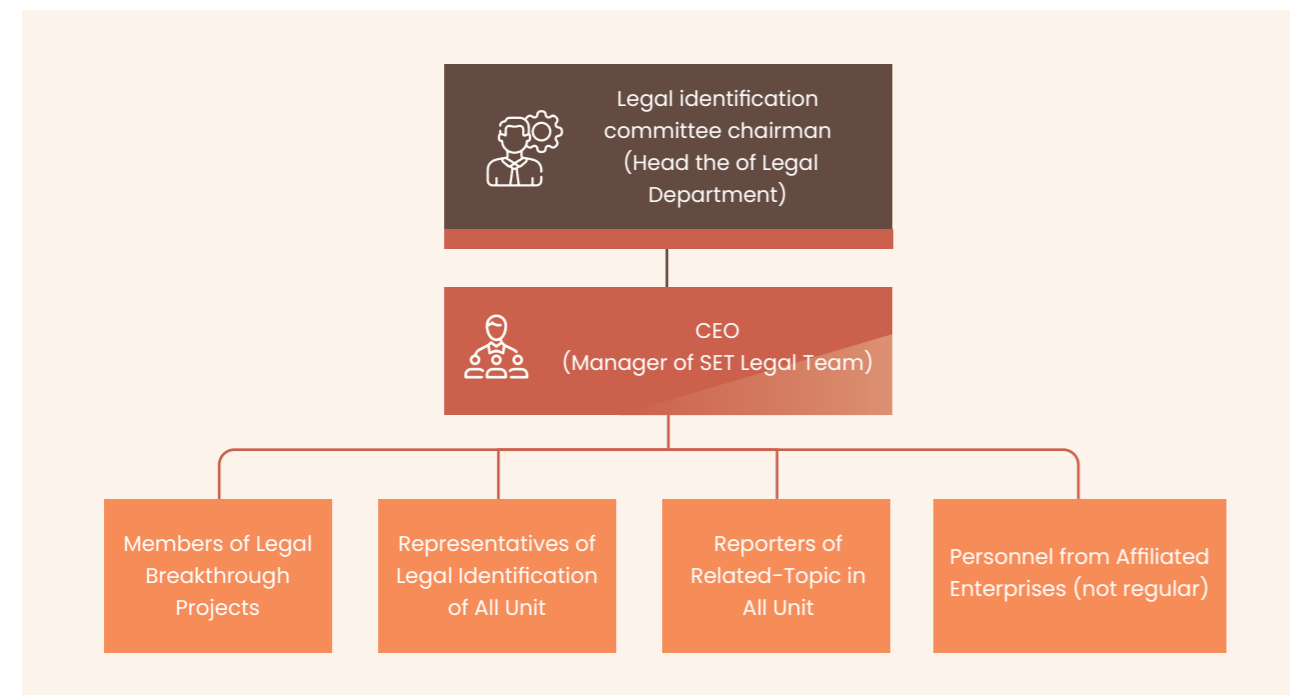
Identity	Personal Data Grievance and Contact
Consumer	<p>Integrated Services Center</p> <p>Tel: 0800-008711</p> <p>Email : public@mail.7-11.com.tw</p> <p>All President Chain Store Corporation departments have respective contact persons for reporting privacy issues</p>
Non-consumer	<p>As there are many departments within President Chain Store Corporation, it is impossible to list every point of contact for reporting privacy issues. These points of contact are also responsible for handling and responding to privacy issues. The processed cases will be reported to the Personal Data Task Force for record-keeping.</p>

2.4 Legal Compliance

President Chain Store Corporation has formulated the “President Chain Store Corporation Principles of Legal Control and Breakthrough”, stating that the Legal Identification Committee as the guiding body on legal compliance. The legal identification contact is included in each unit to ensure legal compliance in order to stay updated with the trends in legal revision, as well as involving all employees in the identification and countermeasures of risks to ensure the operations of each company organization comply with government regulations.

President Chain Store Corporation actively communicated with its employees on the importance of compliance with laws and regulations in 2023. To this end, training courses in “Introduction to Commercial Competition and Fair Trade Act” and “From 5G Internet of Things Trends to Enterprise Information Security Management” for management, with a total of 580 managers or management level participating. 335 managers of affiliated companies were invited to participate in these two legal compliance courses. General employees were offered 81 legal education and training courses, with a total of 18,083 people passing in 2023.

Legal Identification Committee



Legal Compliance Mechanism

With the establishment of the Legal Identification Committee, President Chain Store Corporation is committed to fulfilling the goals of “legal information reporting,” “regulation identification” and “legal breakthrough.” The Company also set up a cross-unit Regulation Identification Team. In addition to stayed updated with legal trends, regular “regulation identification meetings” are held. In 2023, 4 regulation identification meetings were held with a total of 421 new regulations, amended bills or other major legal changes identified. The regulations mainly cover food safety, climate change, information security, product labeling and other relevant regulations, with countermeasures formulated and implemented by relevant departments.

Aspect	Legal Information Reporting	Regulation Identification	Legal Breakthrough
Target and Mechanism	1 Collect newly revised laws and draft amendments of various central and local government agencies	1 Each unit conducts an impact assessment on the Company's operations based on the laws and regulations collected within the scope of business	1 Evaluate feasible projects for laws and regulations that have a significant impact on the Company's business, and plan for changes in draft laws and regulations that can be implemented in accordance with the Company's needs, including the formation of action units, assignment of tasks, scheduling, etc.
	2 Provide each unit for identification based on its business relevance to the Company	2 Information is provided to each unit in the legal identification meeting based on the assessment result	2 Set up a new system based on the final result
	3 Encourage all units to immediately respond to new amendments to laws and drafts	3 Facilitate legal breakthroughs based on bills with impact	

Legal Compliance in 2023

Food is a staple that has a huge impact on everyday life. Therefore, President Chain Store Corporation lays great emphasis on food safety. Food products sold through President Chain Store Corporation stores must all comply with the Act Governing Food Safety and Sanitation as well as its sub-laws. The sub-laws include “Regulations on Good Hygiene Practice for Food,” “Food Sanitation Standards,” as well as other relevant laws issued by the Ministry of Health and Welfare. In 2023, there was an issue with the labeling of BEAUTÉ de Coco Liquid Cleanse products. President Chain Store Corporation removed 617.8 kilograms of products from the shelves in accordance with the requirements stated in the official communication from the government. In 2023, two directly operated President Chain Store Corporation stores received fines for violating Article 15-1 (8. expiry date) of the Act Governing Food Safety and Sanitation for selling expired products, accounting for a total of NT\$120,000.

In 2023, President Chain Store Corporation paid a total of NT\$310,000 in fines due to 6 violations that year, including one major violation ^(Note). There were no other penalties for products and services violating relevant laws and regulations regarding marketing communications and labeling in 2023.

(Note) The materiality of penalties for President Chain Store Corporation refers to the fines where the amount exceeds NT\$100,000.

Violations of Regulations and Irregularities	Fines Paid (NT\$)	Measures for Improvement and Response
Hsinchiahsing Store and Yuande Store violated Article 15- 1 of the Act Governing Food Safety and Sanitation by selling expired goods.	120,000	Inspections of irregular stores and products nearing expiry date are inventoried each month. Weekly quality assurance inspections are conducted on products, with weekly re-inspections by district consultants. Products delivered each day are reviewed and reported back by the store manager to minimize uncertainties. The Company has also started paying for quality assurance inspection services by Capital (outsourcing) to avoid similar incidents.
Enchu, Luchou, Luya and Hsinhsia stores violated the Medical Devices Act by failing to complete the change of person in charge of medical device license within 30 days.	120,000	All business procedures and laws and regulations have been reviewed, with applications, tracking and closed cases listed in a table for inspection and prevention. So far all processes follow the regulations with no similar incident.