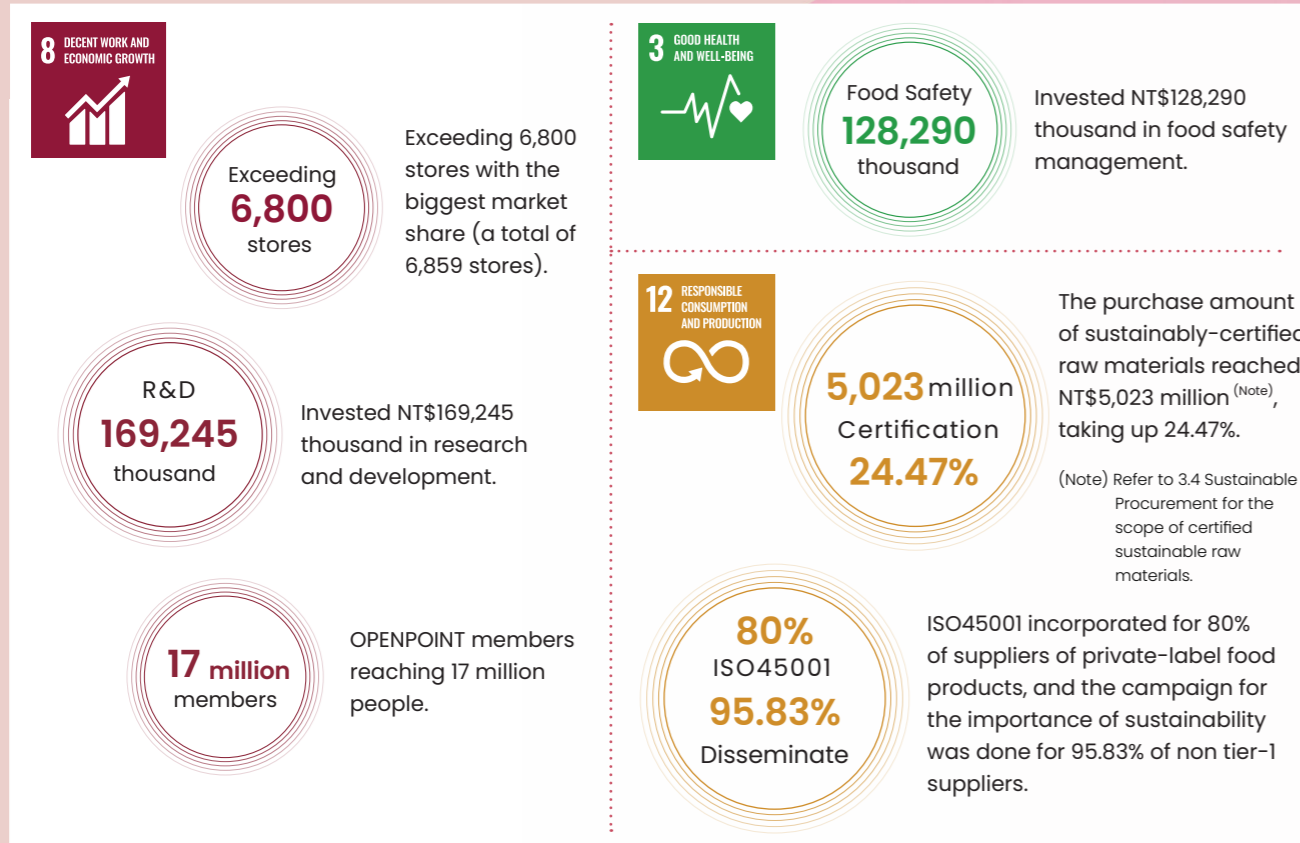


03 Commitment to Sustainable Production and Sales

Both the society and environment are experiencing rapid changes. With the consumers' environmental awareness increasing, a healthy diet becoming popular and the pace of the digitalization accelerating, President Chain Store Corporation continues to improve and optimize the products and services, as well as prioritizing the health and safety of customers is the responsibility and the highest guiding principle. To this end, President Chain Store Corporation implements various management mechanisms, including systematic management and inspection of the supply chain, as part of our effort to provide safe products with compliant labeling to our customers, and encourage suppliers to pay attention to issues such as human rights, recycling, environmental protection and carbon reduction by increasing the proportion of sustainable procurement, while strengthening consumer awareness of sustainability to co-create a new sustainable lifestyle.



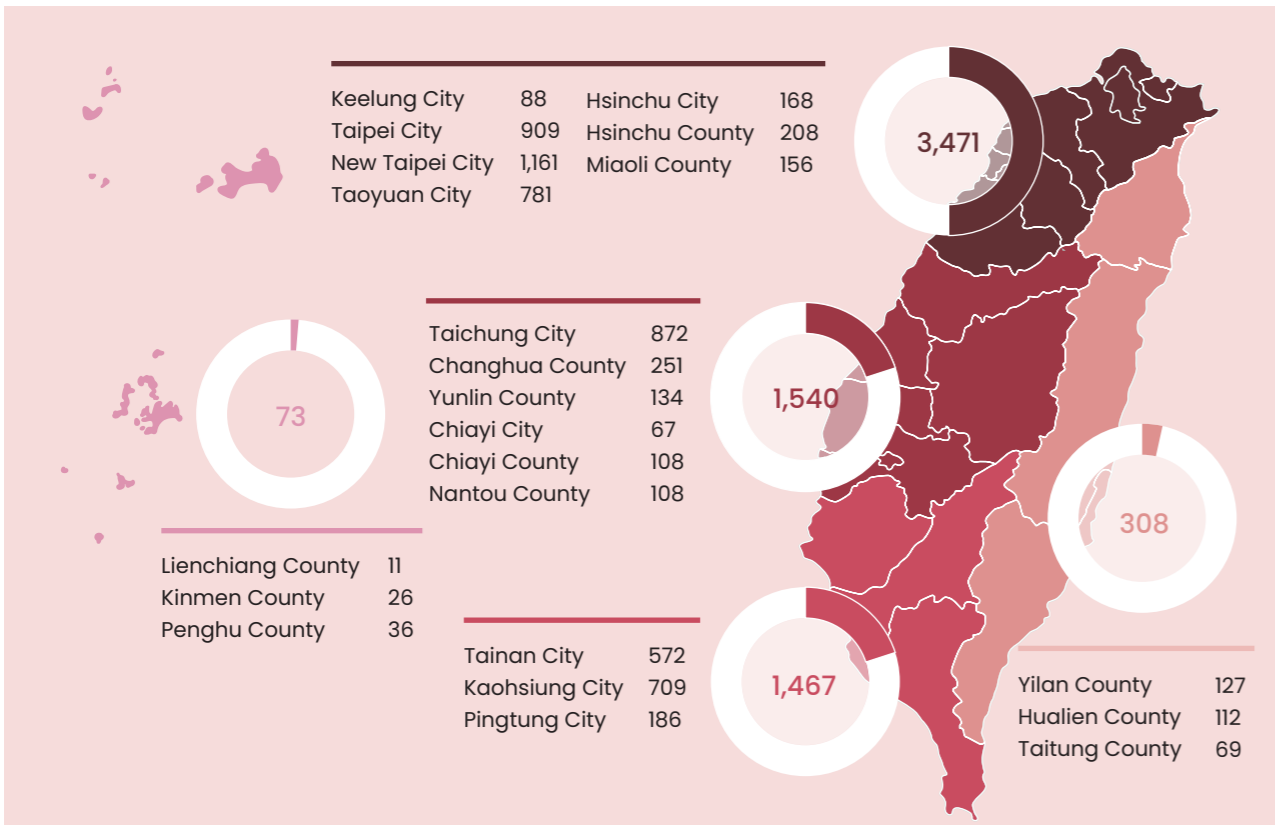
	Management Policies
Policies and Commitments	<ul style="list-style-type: none"> Product safety management regulations Store management regulations Product safety information collection and inventory tracking SOP Rules for Safety on Private-label Products Rules for Onsite Appraisal of Manufacturers by Private-label Product Committee Raw Material Supplier and Raw Materials Management Rules Management Measures for On-site Evaluation of Suppliers of Food Safety Products in Stores UNI-PCSC's Supplier Code of Conduct Food Product Manufacturer Risk Grading and Assessment Guide
Management Actions	<ul style="list-style-type: none"> Control the raw materials through raw material management and quality assurance inspection to safeguard customer health and safety, ensure the quality of delivery through the cultivation and management of logistics personnel, service quality in the stores is optimized with service evaluation, quality assurance and ethical corporate management certification training to ensure the health and safety of consumers. The Product Safety Management Regulations clearly stipulate that product labeling of delivered shipment must comply with the regulations of the competent authority, and the store must also check product labeling when receiving shipment to ensure the compliance of product labeling and marketing communications. President Chain Store Corporation strengthens supply chain management to ensure service quality by identifying key suppliers, implementing supplier management measures, requiring suppliers to sign the code of conduct, and continuing to educate and evaluate suppliers. Procurement Task Force to incorporate the terms of supplier ethical corporate management and environmental sustainability into the contract, and continue to increase the proportion of sustainably-certified raw material procurement.

3.1 Product and Service Innovation

President Chain Store Corporation's goal is to provide a variety of innovative and quality products that exceed customers' expectations. To this end, it integrates internal resources to promote product and service innovation. We launched a total of 7,344 products and 1,859 services in 2023. In 2023, private-label products accounted for 23.7% of total revenue. By continuing to provide consumers with more high-quality products and convenient services, President Chain Store Corporation will become a good partner in people's daily life.

Stores

President Chain Store Corporation focuses on providing customer services characterized by convenience and peace of mind with stores in Northern, Central, Southern parts of Taiwan as well as outlying islands. The Stores All over Taiwan project was launched in 2019 by inventorying districts out of the total of 368 towns and villages with gaps in services where making purchases remained inconvenient. As of 2023, we have a total of 6,859 stores, 228 more compared to 2022. Among them, it was the first time for 30 towns to have 7-ELEVEN. With more than 6,800 stores connecting 368 towns and districts (with the exception of Wuqiu) to each location that needs services, we have reached a new milestone of ["24/7 Services from Our Stores All over Taiwan."](#) It is our hope that we can continue to expand the scope of services offered by President Chain Store Corporation, so we can meet the needs of customers in a timely manner with a variety of convenient and quality services and to become the service platform that customers depend on in their fast-paced lives.



OPENPOINT Ecosystem

President Chain Store Corporation has adopted the three strategies of membership, points and payment since 2020 to revolution business with smart technologies. Innovative services such as "points for mobile payment," "points for cash in different channels," "points for bill collection," "APP raising funds and points," as well as "point collection during trips oversea" have been launched to break the single-channel membership model in the retail industry, establishing a cross-brand and cross-channel OPENPOINT ecosystem. So far, it has served more than 17 million members. In 2023, membership services were expanded overseas for the first time, contributing to over 11 million active members. In the meantime, it combines the consumption data collected by POS machines in the stores as well as behavior and footprint in the app to gain insight of the profiles, consumption preferences and lifestyle of OPENPOINT members. We have further engaged in data projects such as attribute labeling and member grouping, applying labels to the NES model (new, existing and sleeping customers) and precision marketing, effectively increasing the proportion of member consumption and per capita contribution. The revenue from members in 2023 increased by nearly 15% compared to 2022.

The OPENPOINT ecosystem won multiple awards from Taiwan and abroad in 2023, including Taiwan Sustainability Action Awards in SDG8 Decent Work and Economic Growth, the Harvard Business Review Digital Transformation Revolution Award - Business Model Transformation Award for the Large Enterprise Category and Special ESG Award, and First Prize of the National Brand Yushan Award for Most Popular Brand. President Chain Store Corporation plans to further develop in areas such as food, clothing, housing, transport, education and entertainment to provide consumers with more diverse and convenient membership service experience as a "lifestyle service platform" that exceeds customer needs.

Innovative Products and Service

Based on the core concept of a comprehensive lifestyle, President Chain Store Corporation continues to uphold the principle of providing consumers with products and consumer experience that are value for money. To this end, we continue to improve the technical R&D of software and facilities, as well as further combining a number of innovative products and services to maintain its competitiveness in sustainability. In 2023, President Chain Store Corporation invested NT\$169,245 thousand in R&D to create a variety of new products and service models. Not only does President Chain Store Corporation actively build a smart retail landscape, it has launched one X-STORE, namely future convenience store each year, for a total of 6 stores as of now. In 2023, President Chain Store Corporation integrated group resources to promote automated labor-saving equipment together with the Industrial Technology Research Institute (ITRI), as well as

opening a grab-and-go unmanned store named "X-STORE 7." In the meantime, it continues to apply and promote "Smart Vending Machines" to break the barrier of time and space when providing service, as well as expanding out-of-store business opportunities. In terms of fresh food products, we continue to develop private-label brands such as Veggie Selection by introducing creative and delicious vegetarian/vegan food products to meet the consumer needs for health and nutrition. We actively collaborate with e-commerce platforms and diversify our operations through providing the most dense and fast delivery and collection service local network on our self-operated platform. The "Secure Package Pickup" service has also been launched for increased peace of mind and convenience. In terms of digital development, the brand new iOPEN Mall e-commerce platform has been launched to provide the most complete and convenient services for buyers and sellers alike. In the meantime, digital services such as iPre-order (convenience store in the e-commerce) and iGroup-buying have been put in place to meet customers' Online merge Offline (OMO) needs for everyday consumption.

Smart Retail

Facing the two major problems of an aging population and a low birthrate, there is no limit for saving manpower in the future. To this end, President Chain Store Corporation has been proactively creating a retail market with forward-looking technologies. Since 2018, it has led the industry in promoting an experimental field for smart retail, enhancing customer interactions with technologies. The "Smart Vending Machines" have been created based on the concepts of eXplore, eXperience and eXcellent to move towards the goal of creating an unmanned shopping circle. Four types of Smart Vending Machines have been introduced, including 4°C, 18°C, CITY CAFE and freshly-made hot boxed meals, as well as creating a variety of business models based on needs of the business district. In 2023, the number of service locations and machines increased to over 1,700, attracting more than 40 million people to try the smart, convenient and diverse digital consumption experiences. In 2023, President Chain Store Corporation took the lead in developing the first "Life Beverage Machine" based on the "blind box" concept. Consumers can choose the flavor they want to try, such as "promotion," "good luck" and "change of luck" to unlock life scenarios in seconds, trying best-selling beverages as if they were different tastes of life. The concept was combined with low-contact non-cash payments to create a smart lifestyle service platform that allows you to make purchases nearby, pay safely and consume with peace of mind.



In addition, President Chain Store Corporation continues to make experiments in the area of smart retail. In 2023, it collaborated with ITRI to link the OPENPOINT Ecosystem to ITRI's Grab & Go System Service, creating the first smart convenience store **X-STORE 7** that is open 24 hours a day and not next to a regular store, with the three characteristics of "easy to experience," "replicable" and "highly operational." Features such as automatic detection, real-time analysis, mobile self-service checkout have been incorporated to make queue-free checkout a reality that is part of the smart convenience store experience. As long as consumers have the OPENPOINT APP, they can enjoy shopping experience that combines multiple smart technologies such as AI and IoT.



X-STORE 7 does not require store staff to be stationed during long hours. Real-time remote monitoring of product inventory, sales status, and traffic flow can be completed with smart shelves, smart ledger systems, traffic hotspot analysis. Manpower and mobile stocking can be achieved by effective dispatch. To create a warm and smart retail experience, AI store staff were also introduced for the first time to answer basic questions in the video format. If Any in-depth questions will be directed to real people with a remote switch, satisfying customer needs with the duo customer service model.

Veggie Selection

Due to the impact of the pandemic and climate change in recent years, we have noticed that citizens lay more emphasis on health and environmental protection. The local vegetarian population exceeds 3 million, accounting for 13-14% as the third highest in the world. To this end, President Chain Store Corporation took the lead as the first retail channel to launched its own brand, "Veggie Selection." at the end of 2020, so that consumers can have more clarity and feel assured when purchasing. In 2021, the first "Veggie Selection Compound store" opened its doors with almost 300 plant-based food items. Besides frozen box meals and microwave fresh food, home-cooked vegetarian food products at different temperature were introduced to satisfy the needs of different consumption situations. Vegetarians and vegans attach great importance to the labeling of food ingredients. To help them identify product content, we have launched 13 vegetarian/plant-based labels. Categories are distinguished by green and orange for different groups by listing whether ingredients such as spices, milk and eggs are used in the products. Vegetarians and vegans also attach great importance to food production details as well. Prior to the emergence of the vegetarian/vegan markets, most production lines produced both vegetarian and non-vegetarian food with very few strictly vegetarian ones. As a result, President Chain Store Corporation dedicated a lot of effort and cost to create special production lines for vegetarians by strictly controlling every step of the procedure from the production. Combined with the existing supply chain advantages, we have launched the first vegan production line with a Taiwan Certified Agricultural Standards (CAS) label. From the use of raw materials to the production line, we are committed to meeting the needs of various vegetarian/vegan consumers.



As of the end of 2023, 130 Veggie Selection Compound Stores have been set up, with the line sold in 2,589 stores. President Chain Store Corporation has built a vegetarian food industry chain together with its suppliers, giving consumers in all cities and counties access to vegetarian and vegan food as the top choice for vegan and vegetarian food products in convenience stores in consumer reviews. Since the launch of the brand, it has reduced carbon emissions by 57,239 metric

tonnes as of 2023, equivalent to the annual carbon absorption of 149 Daan Forest Parks. In the future, President Chain Store Corporation will create a more professional vegan/vegetarian brand for consumers based on the three strategies of “co-branded green food,” “expanding sales bases” and “optimizing vegan/vegetarian food labels.” It also plans to launch new products and collaborate with known brands to attract vegan/vegetarian consumers with a diverse product structure, as well as providing accurate information on the labels as the most convenient kitchen for vegan and vegetarian consumers. More eco-friendly and sustainable production methods will be adopted in the future, including using local raw materials to reduce carbon footprint and incorporate whole food ingredients.

(Note) According to a research by Oxford University, 2.03 kilos of carbon emissions can be reduced by replacing one meal with a vegetarian meal. When multiplied with the number of Veggie Selection products sold since the launch of the brand (28,242,777), it is equivalent to 57,238,695 kilograms of carbon emissions, approximately 57,239 metric tonnes. (The average daily carbon emissions of meat eaters is 10.24 kilograms - The average daily carbon emissions of vegetarians is 4.16 kilograms)/3 meals.



Anti-fraud Services

Having no way to seek help regarding fraudulent packages causes inconvenience to consumers. President Chain Store Corporation actively solves the pain point by following the policies of the Criminal Investigation Bureau of the National Police Agency, Ministry of the Interior, to assist the government with promoting anti-fraud policies regarding package frauds, as well as filming anti-fraud reminder videos to raise public awareness. It became the industry forerunner in April 2022 by launching the “7-ELEVEN Secure Package Pickup.” Two policies of “preventive reminding in the stores” and “[24-hour Secure Packaging Pickup online complaint platform](#)” have been adopted to help consumers prevent, block and return fraudulent packages with the three lines of defense model. In addition to increased efficiency, online application can also significantly reduce the time and cost for consumers to directly connect with manufacturers. The service has been well received by the public since its launch with great success in preventing frauds. Online complaints have been reduced by 60% compared to before the service was launched.



iOPEN Mall

To build a shopping mall that focuses on the common good with local areas and stable operational quality, President Chain Store Corporation has taken advantage of resource sharing and joint creation of business opportunities based on over 45 years of experience running its business in Taiwan. The brand new iOPEN Mall was launched in 2023 as the first shopping mall created by a local enterprise. In addition to providing a digital platform that is easy to understand and open at all times for micro-enterprise entrepreneurs, the platform has developed an outstanding intelligent management system with features such as simple registration, quick listing, orders, members, merchandise, accounting, logistics, etc. The platform connects to the OPENPOINT Ecosystem and its 17 million members, the group’s logistics and warehouses all over the country, and more than 6,800 7-ELEVEN stores to bring micro-enterprise entrepreneurs an influx of consumers, diversified marketing resources, and convenient delivery and pickup services. The service has so far attracted nearly 50,000 merchants to set up shop with more than 3 million items on the shelves, reducing the digital transformation risks of micro-enterprises as a strong backing for everyone who wants to run an online shopping business with ease.



iPre-order and iGroup-buying

To meet the demand for mobile shopping and assist 7-ELEVEN stores with expanding business opportunities, President Chain Store Corporation built its own online shopping platform “iPre-order” and a store community group buying “iGroup-buying.” “iPre-order” combines consumption trends of online shopping and mobile payment, allowing people to shop online at any time on the platform and pick up the goods at nearby stores. “iGroup-buying” provides smart features such as one-click listing, order statistics in seconds, and push notifications as soon as the goods arrive to turn store managers into community group buying leaders closest to home. The combination of the two effectively expands the scale of product sales, not only meeting the needs of diverse customers, but also allowing stores to manage relationships with loyal customers with digital tools. The merge of online and offline resources contribute to a dense service network towards 24-hour omnichannel services, as well as creating a new growth curve.



3.2 Customer Health and Safety

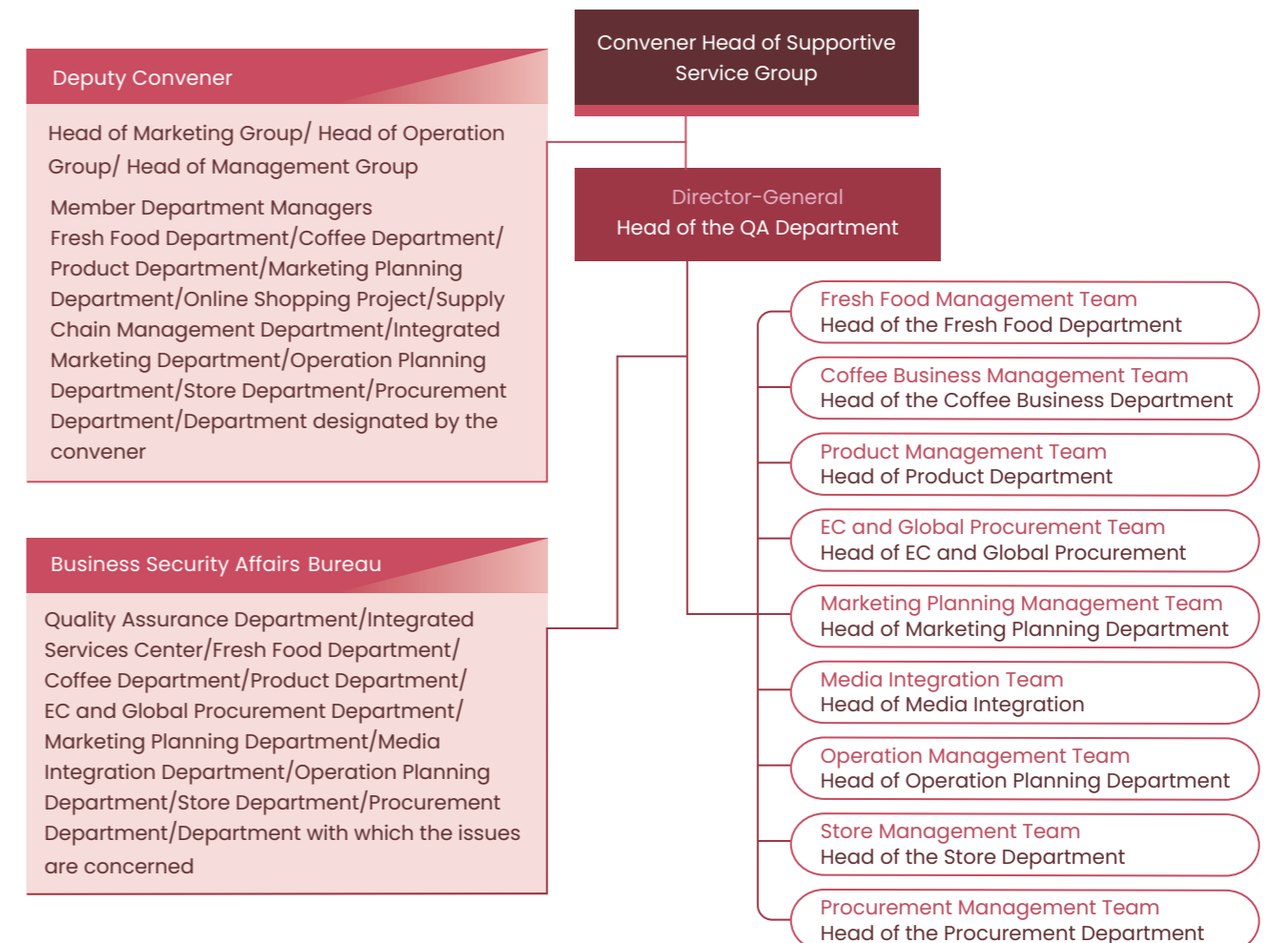
Product safety is the cornerstone of President Chain Store Corporation operations. To this end, it follows the internal “Private-label Product Policy” to stay on top of the value chain of products, from raw materials, logistics to stores with management mechanisms and continuous tracking. In the meantime, we fulfil our promise of product safety through product safety information and a comprehensive internal reporting mechanisms. In 2023, a total amount of NT\$128,290 thousand was invested in food safety management.

<p>1</p> <p>No preservatives or partially hydrogenated oils are used from raw materials to product for private label fresh food. Each product must be inspected by a third party testing agency. Fructose is also not added. If the ingredient is contained in raw materials, it will be tracked and managed internally.</p>	<p>2</p> <p>Microbiological standards for fresh food products are formulated according to the regulations, as well as requiring suppliers to provide qualified third party inspection reports and perform regular inspections of all product categories.</p>	<p>3</p> <p>For private label products that may contain GMO materials approved by the Ministry of Health and Welfare, the information will be disclosed.</p>
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A healthy diet has become one of the top priorities for consumers nowadays. As a member of the food retail industry, President Chain Store Corporation provides products with a variety of health concepts to meet the nutritional needs of consumers in their daily diets to fulfill our responsibility and obligation to consumers. In 2023, President Chain Store Corporation continued to focus on developing products with reduced saturated fat, trans fat, sodium and sugar with reference to the Daily Diet Manual published by the Health Promotion Administration. Moreover, preservatives, partially hydrogenated oils and fructose are not added to fresh food products. In the meantime, President Chain Store Corporation strengthened the voluntary labeling of health and nutrition information on private-label food products, stating whether there are added chemicals, low-fat, low-sodium, low-sugar, or other nutrient content by following MOHW’s “Guidelines for Nutrition Labeling of Packaged Foods” and “Nutritional Claims of Packaged Foods.” The revenue from the aforementioned private-label products that comply with [health and nutrition principles](#) totaled NT\$26,815 million.

Product Safety Committee

The Product Safety Committee is divided into three main levels. The convener is appointed by the President, with the Marketing Group Vice President and Operation Group Vice President serving as deputy conveners. The Quality Assurance Department Manager serves as the Director-General on the second level. Under the Director-General, a separate Business Security Affairs Bureau is responsible for the integration and collection of issues related to product safety. The third level consists of 9 task forces with each department head as leader. Focusing on safety and quality, the Product Safety Committee set up a management system for private-label products with the scope covering 100% of private-label products. One meeting was convened in 2023, with discussions focusing on reporting and tracking important business security information, planning and responding to changes in regulations.



Collection and Inventory for Product Safety Information

Staying abreast of the latest product safety information has been key to President Chain Store Corporation's making product quality management a reality. Product safety information is negative reports collected by President Chain Store Corporation on its private-label products, information on unqualified products, and information on regulations promulgated by relevant authorities and issued in other countries. President Chain Store Corporation manages information in different levels in accordance with our "Product Safety Information Collection and Review Tracking Standards." The system applies to 100% of President Chain Store Corporation's private-label products. In 2023, the Company collected 391 product safety-related memos, including 1 A-level information, 277 B-level information and 113 L-level information.

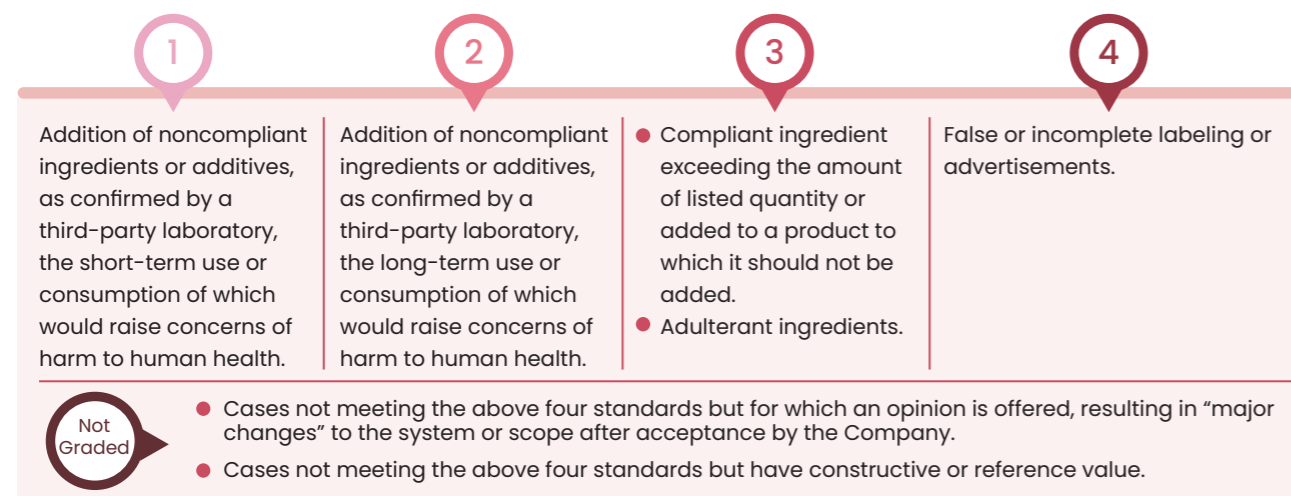
A level information	Negative product safety information and information on non-compliance regarding President Chain Store Corporation and its joint ventures. Information in this category must be included to be tracked and closed.
B level information	Product safety information other than Level A.
L level information	Drafts of laws and regulations issued by the government and information on foreign laws and regulations.

(Note) A-, B-, and L-level information is based on the date that the information was announced internally. The A-level information involves a sample of ice cream from joint venture failing to pass the Enterobacteriaceae test. To follow up, it was confirmed that the store identified the source of the risk and proposed improvement plans by re-examining the cleaning plan, tightening the management cleaning standards and conducting assessment and monitoring. The inspection process was also optimized. The case was closed upon the completion of improvement.

Internal Reporting System

President Chain Store Corporation has established an internal product supervision mechanism based on the "Rules for Safety on Private-label Products." This mechanism invites employees to come together to play a role in supervising product safety. In cases where employees in logistics, directly operated 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. In 2023, one incident was reported internally with an employee finding the product name not corresponding with the content. The product was removed from the shelves. However, the mistake was actually detected by the manufacturer (with the wrong plastic film) before being reported by the employee. Therefore, the incident was not graded.

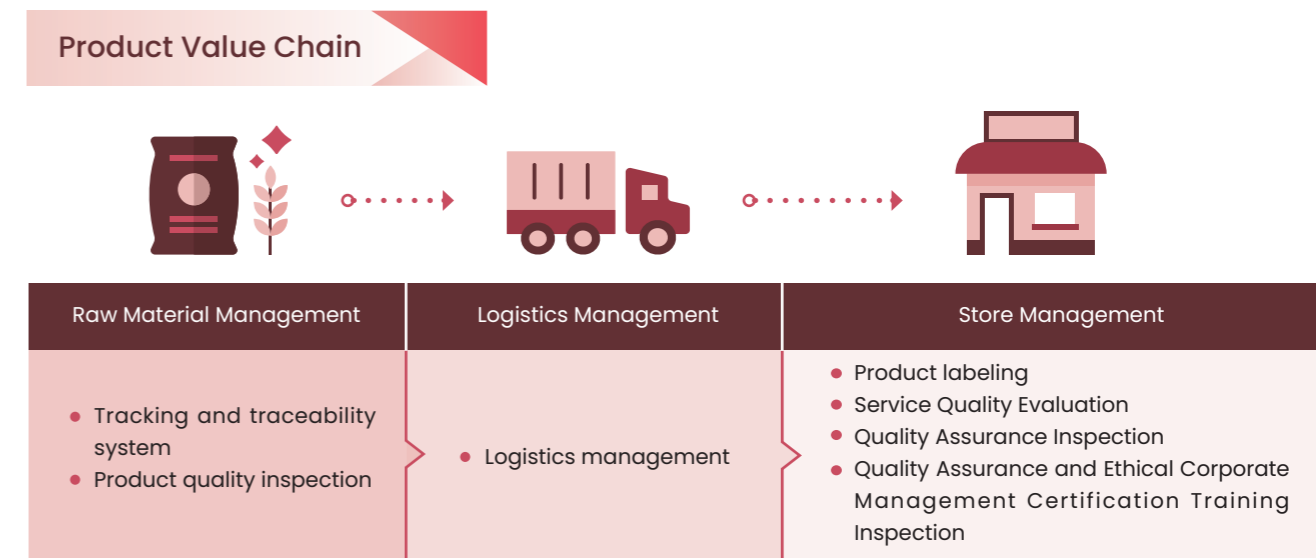
President Chain Store Corporation Product Safety Incident Risk Categories



External Grievance Mechanism

President Chain Store Corporation established an "Integrated Services Center" to act as the internal and external channel for issues involving products and services. Consumers can voice their complaints or suggestions to the Integrated Services Center via hotline or email. 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 President Chain Store Corporation responded to and handled the issue. In 2023, the Center handled 91.2% of the cases online in real time with 100% of the cases closed (Note). 100% of the stakeholder letters were answered without receiving a major complaint.

(Note) The online processing rate is the rate of giving consumers explanations online and successfully solving the problem afterwards. The case closing rate is the percentage of cases that cannot be effectively addressed online and require follow-up and settlement after being handled by the responsible unit.



Raw Material Management

Tracking and Traceability

To effectively monitor product safety and take up the responsibility of President Chain Store Corporation as a retail business, President Chain Store Corporation works with the Taiwan Delica Foods Development Association to set up a Material and Quality Assurance System (MAS) for private-label products. This ensures that product raw materials and suppliers can be tracked and managed. The main document in the MAS system is the product specification document, which records the sources of raw materials and the suppliers. As of the end of 2023, 100% of the Company's private-label food products had the corresponding product specification document in the MAS system.

President Chain Store Corporation meets the definition of a vendor of box meals as set forth in Article 9 of the Act Governing Food Safety and Sanitation. To this end, it uploaded the information for a total of 543 products to the traceability system (ftracebook) in the meal box category (Note) in accordance with the official document (Food and Drug Administration Document No.1071300516 authorized by the Ministry of Health and Welfare on 26 June, 2018), taking up a total of 100% of box meal category.

(Note) Indicating the products which consist of grains (rice or noodles), processed grains, agricultural, livestock and seafood ingredients, which are processed to be served to groups or individuals. Those products are served with clear labels or pictures of the ingredients and are served in boxes or large containers. The products can be eaten shortly after reheating. The definition does not include baked goods served in a box.

Quality Certificatio

To manage and stay on top of product quality, President Chain Store Corporation's Quality Testing Laboratory obtained ISO/IEC17025:2017 certification following items specified by TFDA and TAF (ISO/IEC 17025:2017). After a product is made, the laboratory first samples and tests it for microorganisms with chemical methods, ensuring product safety before it is put on the shelf. As of the end of 2023, the laboratory conducted tests on 637 items per requirements of CNS or the competent authority. Another 125 test items that follow directives from the aforementioned requirements were also conducted.



TAF Certification Items: Scope of microorganisms for ISO/IEC 17025:2005 certification	
Microorganisms	4 items
Caffeine	1 items
Ochratoxin A	1 items
β-agonist	21 items

TFDA certification items	
Microorganisms	1 items

In 2023, a total of 937 tests were run on products and raw materials, with 929 passing the test. The passing rate was 99.15%. The aforementioned tests corresponded to a total of 608 products with a total of 600 products passing the test. Among the unqualified products, 4 passed the re-inspection, but 4 were removed from the shelves due to failing the tests. In addition to treating these incidents as stated by the contract, we also carried out follow-up inspections and monitoring to ensure that the products we sell are safe. The quality testing laboratory resulted in costs of NT\$39,081 thousand, including NT\$21,097 thousand for entrusted laboratories (Note), accounting for 0.02% of the Company's operating revenue.

(Note) The quality testing laboratory costs include tests, salaries, depreciation, rentals, equipment repair and maintenance, as well as miscellaneous purchases.

Logistics Management

President Chain Store Corporation products are shipped to stores after production. Ensuring product quality during transportation is the key to stable product quality and safety. Therefore, even though the logistics company is not a main element in the scope of disclosure in this report, its operations are still disclosed due to its impact on product safety. After President Chain Store Corporation products and raw materials are manufactured by suppliers or contract manufacturers, 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 pushing them upstream to the supplier end to set up a comprehensive quality control mechanism. In 2023, we continued to implement a logistics mechanism for 100% of the exclusive and private-label products including rice, fresh noodles, salads, cooked food, refrigerated flavored breads, sweet potatoes and fresh foods.

Store Management

Product Labeling

Transparent product labeling is key to President Chain Store Corporation's promise to safeguard the rights and health of its customers. In addition to following MOHW's "Guidelines for Nutrition Labeling of Packaged Foods" and "Nutritional Claims of Packaged Foods," our "Product Safety Management" rules stipulate that new suppliers' product labeling must conform to the 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). President Chain Store Corporation also uses its "Packaging Internal Control Design System" to keep abreast of the information on our own brand product labels. This ensures that all products have clearly labeled information from manufacturing to shipping to final sale in the store.

In the meantime, President Chain Store Corporation is also committed to obtaining relevant labels for its own products. In 2023, the raw materials for President Chain Store Corporation's private-label products were inspected by an external body to confirm no GMOs were adopted. To make it easier for consumers to make purchase decisions, President Chain Store Corporation is also committed to clearly displaying labels relevant to GMOs on the outer packaging in accordance with MOHW's "Guidelines for Labeling Packaged Food Containing GMO Raw Materials" and Guidelines for Labeling Bulk Food Containing GMO Raw Materials." Among private-label products, the ones whose outer packaging was marked with a label stating "Does Not Contain GMO" reached a revenue of NT\$77,296 thousand in 2023.

President Chain Store Corporation High-Quality Service Qualification

President Chain Store Corporation conducts an annual President Chain Store Corporation High-Quality Service Qualification assessment on all its directly-operated stores and franchises, with items including basic service, professional service, comfort of the environment and appropriate responses. The results of the assessment are graded A (excellent), B (meets expectations) or C (needs improvement). In 2023, a total of 1,924 stores were graded A out of all the stores that were audited, accounting for 54.5% of the stores. Operations specialists visit stores receiving a grade of C to provide guidance, and hold meetings to draft improvement plans, conduct drills on the shortcomings as well as re-evaluating after 2 months to ensure improvement, providing the consumers with a great shopping environment. In the service quality evaluation in 2023, the proportion of A-level stores failed to reach our high-standard target (70%). Besides providing in-depth counseling through district consultants to improve the overall service quality, we plan to organize a quarterly training session for cadres in 2024, as well as focusing on the four tips for conversing with customers to enhance the overall service quality in the stores.

2023 Annual Initial Assessment Grade	Number of stores Audited	Percentage
A Excellent	1,924	54.5%
B Meets expectations	1,334	37.8%
C Needs improvement	270	7.7%

Quality Assurance Audit

President Chain Store Corporation performs quality assurance audits through the engagement of an external management consulting company. In 2023, 99.52% of all stores underwent this audit. A total of 29,173 stores were inspected with a pass rate of 93.69%. The stores were unqualified mainly due to expired products. President Chain Store Corporation provided concrete suggestions for the issue and followed up to ensure that improvements were made.

QA and Ethical Corporate Management Certification Training and Audits

To maintain the quality of the overall workforce, President Chain Store Corporation continues to provide quality assurance education and training for both new hires and existing employees in addition to the store audits described above. A total of 87,135 participants in the training in 2023 (including employees who have quit). President Chain Store Corporation hired a management consulting company to audit the quality assurance training certification status of stores, with 99.35% of the stores audited in 2023.

3.3 Sustainable Supply Chain Management

President Chain Store Corporation has four main types of suppliers, including private-label product manufacturers, suppliers of raw materials through direct transactions, suppliers of egg products and suppliers of items related to store food safety. We ensure that supply chain partners adhere to our stringent quality standards using our supplier management rules and evaluation system, as well as adopting measures such as supplier coaching and empowerment training to build a sustainable value chain with our suppliers.

Supplier Management Policy

Supplier Management regulations

In order to stay updated with and monitor supplier quality, we included a dedicated chapter on "Product Safety Management" to ensure all suppliers conform to laws and regulations and to President Chain Store Corporation's rules in terms of company incorporation, product quality and testing. President Chain Store Corporation requires all suppliers to sign a "Product Quality Guarantee Agreement." Among them, a number of the rules are set for suppliers and manufacturers of our private-label products based on the nature of each, since they have a more direct impact on our operations and brand. These rules clearly require that specific standards be adhered to for product manufacturing, packaging, testing and appraisal.

Supplier Type	Measures
All suppliers	Product Quality Guarantee Agreement
Private-label brand product manufacturers	Rules for Onsite Appraisal of Manufacturers for Private-label products
Suppliers of raw materials through direct transactions	Raw Material Supplier and Raw Materials Management Rules
Suppliers of store food safety supplies ^(Note)	Management Measures for On-site Evaluation of Suppliers of Food Safety Products in Stores

(Note) This refers to domestic manufacturers of disposable paper cups, bowls, and other products that come in contact with food in stores.

Supplier Code of Conduct

President Chain Store Corporation hopes to make itself an example to encourage suppliers to practice corporate social responsibility. In addition to the aforementioned management rules and assessment systems, we have also revised the "UNI-PCSC's Supplier Code of Conduct" based on the United Nations Global Compact (UNGC) and UN Guiding Principles (UNGPs), with requirements for suppliers' performance in Environment, Social and Governance, as well as requiring them to sign an "Agreement on Ethical Corporate Management and the Corporate Social Responsibility." For suppliers unwilling to sign the agreement, President Chain Store Corporation will examine their existing internal regulations and the scope of commitment. Additionally, they will be required to commit to certain important items. If communication fails but it is still necessary to purchase from the supplier, the supplier will be asked to sign a "Affidavit on the Ethical Corporate Management" to require our supplier to practice corporate social responsibility. In 2023, 100% of President Chain Store Corporation suppliers signed the "Agreement of the Ethical Corporate Management and the Corporate Social Responsibility."

Content of the Code of Conduct

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 labor, working conditions, salary and remuneration, occupational safety and health), are to guarantee labor equality, a non-discriminatory workplace, fundamental human rights, and provide products that conform to environmental protection and food safety laws and regulations to reduce their impact on the economy, society and environment.

The highest decision-making unit of President Chain Store Corporation's implementation of supplier ESG program is the Board of Directors. The Sustainable Procurement Task Force is responsible for the management and tracking, as well as regularly reporting the progress of various supply chain assessments, management and ESG program to senior management. An integrated ESG report is compiled and submitted to the Board of Directors at the end of each year. In addition, relevant content and actions are shared from time to time at internal meetings to let the Company's buyers and relevant staff members better understand the roles and values of supply chain ESG program. Moreover, ESG management training for Carbon Reduction Task Force and internal stakeholders were organized during the second quarter of 2024 with internal company staff.

Supplier Screening and Identification

New Supplier Screening and 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 sustainability indexes such as Environment, Social and Governance in the assessment system to evaluate and stay on top of supplier quality. For the moment, new suppliers have been required to fill in the ESG assessment form to confirm that they meet the needs and considerations of President Chain Store Corporation's ESG requirements. Suppliers can only be taken on board if they pass the assessment. If the ESG documents and manufacturer assessment do not meet the minimum requirements and fail to improve within the specified timeframe, the supplier is considered to have failed and will not be taken on board. A total of 13 new suppliers and manufacturers were introduced in 2023, all of which have passed the evaluation of this system. To ensure the rights and interests of consumers and the safety of product use, we continue to improve and raise the qualification standard for new overseas suppliers of food packaging materials for store supplies to 75 points by 2025, fulfilling our responsibilities of supplier selection and management.

Contract Manufacturers		
Legal conditions	Taiwan	Hold legal business registration and factory registration, etc. (industry type listed on the registration must include processing of product types for outside organizations)
	Overseas	For manufacturers overseas, incorporation of the company must conform to relevant laws and regulations in that country.
Quality certification	Food product contract manufacturers	Manufacturers in Taiwan are required to have ISO22000 Management System Certification. The scope of inspection should include items they produce for President Chain Store Corporation.
		Overseas manufacturers are required to have a minimum of HACCP or ISO9001 Management System Certification or some other international food safety system certification.
	Non-food product contract manufacturers	International quality certification/verification is a priority, such as ISO9001.
Comprehensive management system	Good product quality management, own product testing capabilities, production management and sanitation management.	

Suppliers of Raw Materials through Direct Transactions		
Legal conditions	The business registration, factory registration, contract manufacturer qualification checklist, food industry supplier registration number, etc., must conform to legal conditions for registration.	
Quality certification	TQF, CAS, ISO22000, HACCP certifications preferred.	

Suppliers of Egg Products		
Quality certification	With egg shortage and imported eggs, management measures have been reinforced based on their sources. The egg washing sites should be CAS-certified.	
Packaging and labeling compliance	Egg packaging labels should conform to national law and regulations and CAS good agricultural product egg item standards, such as product name, manufacturer and agent's name, address and telephone number.	
Inspection qualification	Eggs are inspected for conformity based on announced national methods with items of inspection including salmonella, veterinary drugs, antibiotics, including tetracycline, antibiotics and other metabolites, as well as chloramphenicol.	

Suppliers of Store Supplies		
Legal conditions	The business registration, factory registration, food industry supplier registration number. Industry type listed on registration must include processing of product types for outside organizations.	
Quality certification	Priority is given to international quality certification, such as ISO 9001.	

Additionally, we do our utmost to ask that suppliers of private-label products to obtain food safety and sanitation management system ISO 22000 certification to improve supplier quality (Note). During 2023, suppliers of private-label products (including contract manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products) numbered 42 companies. If calculating using the number of the plants, there were a total of 84 manufacturing sites, among those 46 were contract manufacturers of private-label food products within Taiwan. Of these, 46 manufactures 100% obtained international food safety management system ISO22000 certification.

(Note) Verified by independent third-party verification agencies that comply with ISO 17021.

2023 ISO 22000 Certification

Type of supplier	Number of suppliers for private-label food products	Number of domestic manufacturers of private-label food products	Number of ISO22000:2018 obtained by domestic suppliers for private-label food products	
			Number	Percentage
Suppliers for private-label food products	42	46	46	100%

(Note) The number in the denominator does not include factories run by suppliers abroad.

Supplier Identification

President Chain Store Corporation has three types of suppliers, including private-label product Contract manufacturers, non-private-label product suppliers and other suppliers. Among these, private-label product suppliers have the closest relationship with President Chain Store Corporation, and President Chain Store Corporation also has a greater responsibility correspondingly. From our private-label product contract manufacturers, President Chain Store Corporation identifies “tier-1 suppliers” and “non-tier 1 suppliers.” Tier-1 suppliers are defined as suppliers that trade directly with President Chain Store Corporation’s private-label brand such as food manufacturers. Non-tier 1 suppliers are defined as suppliers of raw materials for private-label products that President Chain Store Corporation does not directly trade with.

Based on the procurement amount, product categories and corresponding ESG risks, we also take country-specific risks into consideration (such as the impact of local regulations on cross-border procurement of raw materials), sector-specific risks (such as food safety) and commodity-specific risks (such as packaging materials and other resource consumption), as well as whether they have signed the “UNI-PCSC’s Supplier Code of Conduct” to further identify “significant tier-1” and “significant non-tier 1” suppliers so as to strengthen the control mechanism of significant suppliers.

There were 34 significant suppliers in 2023 with definitions as follows:

Significant Suppliers	Definition of Significant Suppliers	Number of Significant Suppliers in 2023
Significant Tier-1	Supplying packaging and items directly related to food products in store and the suppliers have signed the UNI-PCSC’s Supplier Code of Conduct, or the transaction amount is ranked within top 5 for private-label products for the previous year and the suppliers have signed the UNI-PCSC’s Supplier Code of Conduct.	24
Significant Non-tier-1	PB raw materials suppliers that have signed the UNI-PCSC’s Supplier Code of Conduct with transaction amount reaching top 10 for the previous year.	10
Number of Significant Suppliers	Total number of significant tier-1 and significant non-tier 1 suppliers	34

Supplier Appraisal System

President Chain Store Corporation follows the aforementioned rules to undertake periodic evaluations of suppliers of private-label products, suppliers of raw materials by direct transaction, and suppliers of egg products, drafting different assessment criteria based on the characteristics and risks of each supplier type. This rigorous 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. Significant supplier assessment points, standards, frequency, and results are disclosed below.

In 2023, President Chain Store Corporation reached the target of “100% achievement rate for the PB^(Note 1) joint procurement + direct transaction with stores + farm suppliers audits” and the target of “100% of PB/PL^(Note 2) on-site evaluations for manufacturers.” We will continue to keep the high standards as a target in the future.

(Note 1) Refers to contracts with manufacturers for large-quantity procurement of goods, or development of products with unique specifications, such as oden, rice, instant food, bread and other fresh food products, as well as CITY CAFE.

(Note 2) Refers to private-label products designed by President Chain Store Corporation, such as iselect collection of frozen foods and snacks, etc.

In addition, President Chain Store Corporation has responded to trends in sustainable development by integrating ESG (Environment, Social and Governance) into its scope of supplier assessment in the hope of the incorporation of ESG metrics will serve to combine the efforts of President Chain Store Corporation’s supply chain to help make sustainable development a reality. An explanation of the weighting of these in assessment is as follows.

Type of Supplier	Weight in the Governance Category (%)	Weight in the Environment Category (%)	Weight in the Social Category (%)	Weight in Other Categories (%)	
Manufacturers	Non food manufacturers (including suppliers of in store supplies)	14%	3%	13%	70%
	Food manufacturers	50%	15%	14%	21%
Suppliers and manufacturers of egg product	50%	2%	2%	46%	
Raw material suppliers	Raw materials-factory	61%	30%	4%	6%
	Raw materials- trader	61%	24%	4%	11%
	Raw materials - primary farming and livestock	58%	21%	0%	21%

President Chain Store Corporation lays great emphasis on “sanitation of the operational environment” and “occupational health and hygiene of workers” in supplier ESG assessments. Since many of President Chain Store Corporation’s private-label brand suppliers are tied to food product manufacturing or raw materials, to ensure that suppliers conform to food product safety laws and regulations and President Chain Store Corporation’s private-label product quality management requirements, sanitation of the operational environment has been added to the list of assessment items for suppliers. Furthermore, we stress that suppliers protect workers and their rights by requiring suppliers to exercise their corporate social responsibility without violating the Labor Standards Act. We believe that the occupational health and hygiene of production line workers have an impact product quality. Therefore, this is an important social aspect to which we attach great importance.

Existing Supplier Assessment

Assessment Items

Supplier assessment items are based on the characteristics of the manufacturer, supplier of raw materials by direct transaction, egg product supplier or supplier of store supplies. Environment, society, and governance (ESG) are all included in the assessment, comprising manufacturing, quality, environmental sanitation, and management systems. The aforementioned items for inspection ensure that product safety and organizational operations are well-managed. Assessment items for different suppliers are as follows:

Contract Manufacturers	Chapter	ESG Assessment		
		Environment (E)	Social (S)	Governance (G)
	Management and laws and regulations			•
	HACCP (Hazard Analysis Critical Control Point)/Food Product Safety System			•
	Process and 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	•		•

Suppliers of raw materials through direct transactions	Chapter	ESG Assessment		
		Environment (E)	Social (S)	Governance (G)
	Factory 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			•
	Formulate relevant scope of environmental protection	•		
	Quality and supply capacity assessment			•

Suppliers of raw materials through direct transactions	Chapter	ESG Assessment		
		Environment (E)	Social (S)	Governance (G)
	Trade type			
	Factory facilities 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			•
	Formulate relevant scope of environmental protection	•		
	Quality and supply capacity assessment			•
	Primary raw farm materials			
	Raw materials control			•
	Quality and supply capacity assessment			•
	Factory cleanliness and sanitation	•		•
	Manufacturing process control			•

Suppliers of Egg Products	Chapter	ESG Assessment		
		Environment (E)	Social (S)	Governance (G)
	Factory environment	•		•
	Factory facilities			•
	Equipment and packaging materials			•
	Manufacturing process management			•
	Product quality control			•
	Sanitation management		•	
	Shipping management			•
	Product sampling results			•
	Raw materials and product audits			•
	Risk management			•

Suppliers of In store Supplies	Chapter	ESG Assessment		
		Environment (E)	Social (S)	Governance (G)
	Management			•
	Quality management			•
	Environmental conditions	•		
	Product development			•
	Procurement 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 (≥ 90 points), B (80-89 points), C (70-79 points), D (<70). Passing standards are as follows:

Type of suppliers	Passing standards
Food manufacturers	B or above (80 points or more)
Suppliers of disposable food packaging materials used in stores	C or above (75 points or more)
Non-food manufacturers	C or above (70 points or more)
Suppliers of raw materials through direct transactions	
Suppliers of egg products	
Suppliers of other store supplies	

The rules state that existing manufacturers failing to qualify in the overall evaluation must submit a review report. In addition to requiring suppliers to provide feedback on corrective/improvement actions after the evaluation, knowledge-sharing and case-by-case response will be given through raw material sub-committee or production quality control meetings, with the hope of reducing and avoiding recurrence of such deficiencies. Meetings, discussions during unspecified site visits or video and other communications targeting the issues will be held to focus on the improvement, ensuring the factories can improve defects within a specific timeframe. Subsequent meetings/site visits will be held. Alternatively, the improvement will be verified during the next audit.

In compliance with "UNI-PCSC's Supplier Code of Conduct," "Product Quality Guarantee Agreement" or "Supplier Assessment Agreement," suppliers who fail the assessment and fail to improve within the specified time will be given a penalty or excluded ^(Note).

(Note) The supplier contract and code of conduct state that if any violation of ESG standards will be deemed as a major violation of the aforementioned contract or agreement. President Chain Store Corporation reserves the right to terminate the contract or impose a fine accordingly.

President Chain Store Corporation views suppliers producing private-label products with grades of C or below and non-food manufacturers with grades of D or below as "suppliers with high sustainability risks." There was no supplier with high sustainability risks in 2023.

Frequency of Assessment

1. Food Manufacturers

Contract manufacturers are divided into food product, non-food product, domestic and overseas categories with different assessment frequency. President Chain Store Corporation formulated the "Food Product Manufacturer Risk Grading and Assessment Guide" to serve as a basis for assessing the risk levels of domestic food product manufacturer. We also completed the risk grading for private-label brand food product manufacturers in 2022 as reference for determining on-site assessment frequency in 2023.

Comparison Table of On-site Assessment Frequency for Domestic Food Product Manufacturers

Risk Level	Grading		C 80 > points \geq 70	D < 70 points
	A \geq 90 points	B 90 > points \geq 80		
	Pass		Fail	
Low-risk	12 months	6 months	Suppliers receiving a C are to be assessed once a month for three consecutive months and must pass during consecutive months. Suppliers not passing two months in a row are to halt production. For those passing assessment, the most recent passing assessment serves as the benchmark for determining when the next assessment takes place.	Suppliers receiving a D are to immediately stop producing for President Chain Store Corporation 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 serves as the benchmark for determining when the next assessment is to take place.
Mid-risk	6 months	4 months		

Reference Table of On-site Assessment Frequency for Overseas Food Product Manufacturing Sites

Grade	Score	Result	Assessment Frequency/Follow-up in Case of Failure to Pass
A	≥ 90 points	Pass	Assessment must be completed within the same year.
B	90 > points ≥ 80		
C	80 > points ≥ 70	Fail	Manufacturer must immediately halt production arrangements and pass a reassessment within 6 months before resuming production. Otherwise manufacturing on behalf of President Chain Store Corporation must be terminated.
D	< 70points		

2. Non-food Manufacturer

For domestic manufacturers of non-food products, an on-site assessment grade of C or above constitutes a pass. Assessment frequency is once every 12 months and assessment must be completed within the same year. If the assessment result indicates a failure to meet our standards, the case is handled as a failure on the part of domestic food product manufacturers. For overseas manufacturers of non-food products, an on-site assessment grade of C or above 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 President Chain Store Corporation must be terminated.

3.Others (raw materials suppliers through direct transactions, egg product suppliers, suppliers of in-store supplies)

In addition to manufacturers, suppliers of raw materials through direct transactions, suppliers of egg products, and suppliers of in-store supplies are slated for assessment every 3 to 18 months, depending on their assessment grade. If an organization fails, a re-assessment is to be performed until it reaches a passing result. 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

In 2023, there were a total of 43 suppliers of private-label food products with whom President Chain Store Corporation had a cooperative relationship (Note 1) (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products). 100% (Note 3) of those suppliers were audited (Note 2). A total of 130 audits were performed on the 43 suppliers on P.86-87 with 130 passing, with the compliance rate of 100%.

(Note 1) Defined as
 (1) Suppliers that passed the assessment prior to 2023 and passed internal submission.
 (2) New factories which passed the assessment prior to 2023.
 (3) Those eligible to halt assessment in 2023 are also included.
 (Note 2) Assessment items are those listed in the "Assessment Criteria."
 (Note 3) 1 manufacturer, 3 suppliers of raw materials through direct transactions and 2 suppliers of egg products ended their transactions and cooperation with President Chain Store Corporation based on the result of the last supplier assessments. In addition, the assessment frequency as stated in the Raw Material Supplier through Direct Transactions and Raw Materials Management Rules is between 3-18 months. Therefore, audits were not necessary in 2023 according to the corresponding rules.

In 2023, there were 12 suppliers of disposable products (Note 1), with 100% (Note 2) audited. Please refer to the table on P.86-87 for these 12 suppliers. A total of 15 audits on supplier assessment items were performed, resulting in 15 passing audit results and a passing rate is 100%.

(Note 1) Refers to domestic suppliers of disposable paper cups, bowls and similar items which come into contact with food and are provided to the consumers.
 (Note 2) 3 suppliers have stopped transactions with President Chain Store Corporation before the month of the assessment with their application of halting the evaluation approved. As a result, those entities were not required to be audited according to our rules in 2023.

	Number of Suppliers	Percentage of Audits Completed	Number of Audits	Number of Passing Results	Passing Rate
Suppliers of private-label brand food products with whom President Chain Store Corporation had a cooperative relationship (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products)	43	100%	130	130	100%
Domestic suppliers of in-store disposable products	12	100%	15	15	100%

President Chain Store Corporation hopes to work together with its suppliers to realize corporate social responsibility. We monitor whether they comply with occupational health and hygiene requirements requested by the Labor Standards Act and related regulations through our supplier assessments, as well as creating a positive social impact to protect supply chain workers' labor rights.

Supplier Development and Empowerment

In order to effectively reduce ESG risks for supply chain as a whole and raise suppliers' awareness of sustainability issues, President Chain Store Corporation has set a long-term goal of increasing the proportion of suppliers with access to the campaign on the importance of sustainability. In 2023, we communicated with tier-1 suppliers to understand the feasibility of implementing the ESG risk assessment, as well as further coaching private-label suppliers to obtain third-party certification, achieving the annual target of 80% of private-label food suppliers adopting ISO45001. Moreover, we compiled promotional materials on sustainability trends and importance, achieving the annual target of 95.83% of non tier-1 suppliers promoting the importance of sustainability.

Supplier Training

President Chain Store Corporation's Marketing Planning Department communicates regularly each year with suppliers of raw materials for its private-label products on the concepts of sustainable procurement and traceability management, as well as asking them to provide us with raw materials that meet President Chain Store Corporation's sustainable procurement standards. In addition to the signing of contracts, President Chain Store Corporation actively conducts supplier training and empowerment by providing suppliers with ESG forums, guidance for management system incorporation such as ISO 45001 and ISO 14064, introduction of FSC/PEFC-certified sustainable raw materials, examples of peers with excellent ESG performance for benchmarking, as well as working with suppliers on promoting ESG services with key technologies (please refer to [the sustainability column of the report on Intelligent Automatic Recycling Machines](#)).



President Chain Store Corporation worked with Cathay United Bank and the Circular Taiwan Network in 2023 to organize the “Circular Economy Exploration Workshop,” joining hands with 33 raw material and food processing companies in the supply chain to discuss the core concepts and feasibility of circular economy, such as applying circular economy strategies including reusing food waste and packaging materials. 95% of the workshop participants in the workshop believe that investing in circular economy will help with low-carbon transition, and that recycling will bring new opportunities for enterprises to “reduce carbon/waste,” “enhance competitiveness” and “operate sustainably.” The workshop also helped supply chain manufacturers review the current status of their own business operations and reflect on the transition opportunities that can be integrated into circular economy in the current production process, divided into three aspects of raw materials and by-products, water and packaging. The collaboration will carry on with sustainable supply chain workshops for fresh food manufacturers, helping to negotiate and explore feasible sustainable supplier project opportunities, promoting circular economy transformation of the supply chain.



3.4 Sustainable Procurement

To stay updated with international trends and maximize President Chain Store Corporation’s external impact in sustainability, we set up a Sustainable Procurement Task Force in 2021 to prioritize the purchase of equipment with eco-friendly or energy-saving labels. We set and review the annual procurement amount and actively increase the percentage of raw materials with sustainability certifications to enhance the benefits of sustainability for the overall supply chain in terms of environmental protection, animal welfare, energy saving and carbon reduction. The manufacturers that produce private-label products choose PB joint-purchase materials to stay in line with the principle of prioritizing the procurement of agricultural products that value environmental protection, animal welfare and traceability. We also help raw material suppliers develop the philosophy of sustainable operations to ensure effective management of the source of private-label products. The Sustainable Farm project was launched in 2023 to create a module of circular economy together with private-label brand suppliers to contribute to the development of local sustainable agriculture. Please refer to [the sustainability column “Sustainable Farm”](#) for further details.

Green Procurement and Sustainable Raw Materials

Green Procurement

President Chain Store Corporation actively manages equipment, consumables and building materials by promoting green procurement. Green building materials are chosen for store renovations, and equipment and consumables that have obtained energy labels, environmental labels or certifications, or have actual environmental protection benefits are purchased for use in stores. The scope of green procurement was expanded in 2023 to adopt solely coffee cups with FSC forest management certification as a leader in the industry. The amount of procurement reached NT\$330,914 thousand with a growth of nearly 5 times compared to 2022, with the hopes of reducing the consumption of natural resources and negative impact on the environment while maintaining smooth operations and service quality. The total amount for green procurement in 2023 reached NT\$1.784 billion, accounting for 15.91% of the total annual procurement amount of President Chain Store Corporation and reaching the 12% annual target. The target for 2025 has been increased to 16%.

Categories of Green Procurement	Items for Procurement	Amount (NT\$ thousand)
Energy Star	Meets the requirements of the United States’ Energy Star product energy efficiency	LCD screens, laser printers 84,415
RoHS	Verifying that electrical and electronic products comply with the EU’s RoHS Directive (Restriction of Hazardous Substances Directive)	Uninterruptible power supplies, ST, Switch, WAP, POS cash registers/back-office computers 768,511
Energy-saving Label	Air Conditioner Efficiency Label – Cooling Seasonal Performance Factor (CSPF) Level 1 Energy Label, Bureau of Energy, Ministry of Economic Affairs	Inverter air conditioners, circulation fans, LED lamps 397,319
Green Building Material Label	Obtaining the Green Building Material Label of the Taiwan Architecture & Building Center or adopting patented eco-friendly construction methods	Green building materials 88,448
Actual environmental protection benefits	1. Plastic replacement 2. Customized equipment that has been tested by President Chain Store Corporation and proven to have energy-saving benefits	Eco-friendly packaging materials used in stores: PLA coffee cups, ice cream/slushy cups, PLA/paper straws 114,639
FSC, PEFC certification	The manufacturing process of wood products is in compliance with FSC and PEFC requirements for sustainable operations	Coffee cups, paper bags, stirrers, disposable chopsticks for boxed meals, Paper Star copy paper 330,914

Total amount of green procurement **1,784,246**

In 2023, 61.49% of the total procurement amount of paper food packaging materials such as paper cups, paper bags, cartons and paper bowls used in the stores are produced by factories verified by FSC™/PEFC™.

Sustainable Raw Materials

President Chain Store Corporation prioritizes the procurement of raw materials with environmental protection, animal welfare and energy-saving or carbon reduction labels, as well as working with suppliers to provide customers with more sustainable choices. Joint-purchase raw materials are mostly used for private-label products, including boxed meals, cold noodles, sandwiches, coffee and freshly-brewed tea. In 2023, the procurement amount for sustainably-procured raw materials reached NT\$ 5,023 million (Note), reaching 24.47%. Moreover, coffee with rainforest certifications are sold in the stores, and FSC certification has been introduced to the iselect refrigerated beverage packaging materials. Revenue from the two aforementioned types of products reached NT\$151.88 million.

(Note 1) This includes the amount for sustainable procurement with international and local certifications. In addition to the relevant category certifications listed in the table below, processed products derived from those certifications are included (for example, directly processed products of raw materials such as fried pork ribs, roasted beef, or processed condiments using soy from certified sources are included in the calculation).

Category	Certification	Certification/Label
Soy	U.S. Soy Sustainability Assurance Protocol	
Vegetables and rice	TGAP	
Aquaculture	ASC (The Aquaculture Stewardship Council)	
Beef	PAACO (Professional Animal Auditor Certification Organization), AAWCS (The Australian Livestock Processing Industry Animal Welfare Certification System)	
Wild fish	MSC (Marine Stewardship Council)	
Poultry	Taiwan Animal Welfare System, PAACO (Professional Animal Auditor Certification Organization)	
Pork	Better Life Label, Certified Humane®, G.A.P Certification, IAWS (Interporc Animal Welfare Spain)	
Dairy	ISO 14067 Product Carbon reduce	
Packaging	FSC · PEFC	

Local Procurement

President Chain Store Corporation supports local agriculture, fishery, vegetables and fruits with three strategies of “stable procurement,” “sustainability” and “planned support.” We believe that supporting local products not only reduce carbon footprint to realize environmental sustainability, it also brings economic benefits to local farmers as a way to help the society. In 2023, over 60 products in our own private-label products use Taiken 9 and Tainan 11 rice certified with a “Taiwan Rice Label” from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan. In the meantime, President Chain Store Corporation works on building a high-quality fresh vegetable and fruit supply chain by cooperating with more than 40 production and marketing groups as well as over 300 fruit farmers. The products are sold on the “iPre-order” platform. President Chain Store Corporation also launched the Youth Deep Roots Program together with the Good Neighbor Foundation to turn the stores into a platform for young local entrepreneurs by helping them put great products on the shelves.

In 2023, President Chain Store Corporation procured and used a total of 103,000 metric tonnes of special agricultural products worth NT\$10.82 billion, including rice, chicken, pork, eggs, vegetables and fruits. The percentage of agricultural products procured by suppliers in Taiwan accounted for 79% of the total at NT\$7.34 billion, which was 68% of the overall procurement amount. In the future, we will continue to increase the proportion of local procurement, actively cooperate with stakeholders, and maximize our sustainability impact as a retail business by providing consumers with more benign choices that are friendly to the environment and society.

Area	Procurement quantity (metric tonnes)	Percentage of suppliers by area (%)	Procurement amount (NT\$100 million)	Proportion of procurement amount (%)
Locally sourced agricultural products (Local)	81,814	79%	73.4	68%
Non-locally sourced agricultural products (foreign origin)	21,507	21%	34.8	32%
Total	103,321	100%	108.2	100%

