



Sustainable products and services



2018 Highlights

- CITY CAFE city cherry blossom season advertisement won a 4A Creativity prize and **8** major awards overseas
- **141 million** invested in food safety management in 2018
- More than **90%** pass rate for in-store tobacco and alcohol sales audits
- In 2018, **100%** suppliers of President's own food products passed audit
- President proactively uses contract farming, increasing the proportion of locally-sourced purchases to encourage local agricultural development and reduce overall environmental footprint. In 2018, **69%** of purchases were made with Taiwan area suppliers of agricultural products.
- **3.2 million** OPENPOINT members in 2018

President led domestic retailers with "innovation", "convenience", "safety" and "pleasure" as four major product characteristics. For many years, the company has launched its own branded products and cooperation with partners both within and outside Taiwan to supply consumers with quality, convenient, tasteful, and reasonably-priced products and services characterized by nostalgia for the past and innovation into the future and developing products and services with all sorts of potential to create an unprecedented retail channel consumer experience.

In 2018, President maintained ties to customers with eye-catching brand marketing campaigns, a solid product safety management framework, and a tight supplier chain. Amid a changing social environment, President has continued to light up every corner and supply all consumer needs, large and small, leading the company in reaching new heights and writing new chapters in its history.



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3.1

Product management

President has always been proud of being "a good community neighbor". The company hopes not only to establish a commercial relationship with its customers, but also to use new products and services to play a role in satisfying needs at various levels and driving a life revolution. Consumer expectations for convenience stores have also shifted from the traditional "convenience" and "value for money" orientation to an image of "high-class life" and "creating a personal image". As a result, how to maintain a spirit of brand innovation and persistence amid a highly competitive, rapidly-changing retail environment while still seeking a difference and keeping the eyes of consumers on the company is undoubtedly a great challenge facing the company's sustainable operations.

Management approach

President's Integrated Marketing Department is primarily responsible for customer-centric viewpoint, repositioning branding, and employing original, innovative marketing methods to continually transmit the company's brand values. In 2018, through its unprecedented unmanned X-Store, promotions for noted brands such as GODIVA, Ichibanya's COCO, and Taihodien, coordination on holiday and seasonal marketing events, and innovation in digital sales of its own branded products, President successfully attracted the public's attention and drove wave after wave of business opportunities, as well as re-establishing the pioneering, innovative, limit-shattering image and positioning of the 7-ELEVEN brand.

Product types

President's products can be divided into its own-branded products and products that are not its own-branded. The series of own-branded products are items developed by President's fresh foods department, product department, or in cooperation with strategic partners. These products bear the President label as fully owned, exclusive products (this does not include licensed products). These include President's own brand (Private Brand, abbreviated as PB) and Private Label (abbreviated as PL) products.

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

In 2018 President also built three major private brands holding fast to the tenets of "value, style, design". The company hopes these will mesh with various kinds of consumer lifestyles and are positioned around good quality and unique personal style. They provide a wealth of choice in hopes that consumers will become "brand partners" and recapture the right to choose and self-determination along with the brand, including the well-known CITY CAFE coffee and tea brands, for which catchy marketing strategies to date which have fit consumer images have not only resulted in high brand recognition, but also changed the lives and consumption habits of consumers.



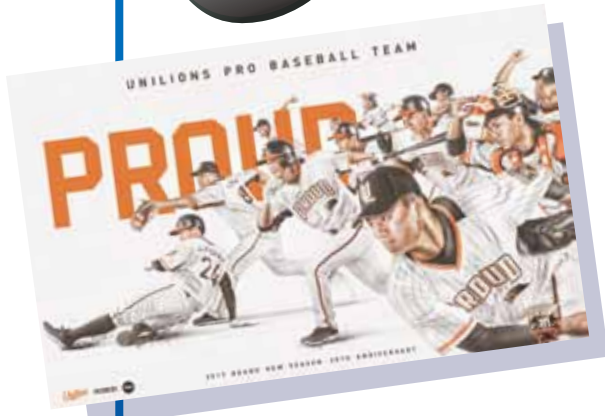
CITY CAFE also brought out its city cherry blossom theme for the first time in 2018, using the humorous story of a guy and a girl in the city. The CITY CAFE cherry blossom season [Seven days of cherry blossoms] advertisement links the brief life of the blossoms to the idea of "carpe diem" in the "hold on, don't miss the sparkle" slogan which sparked intense discussion and response from Internet users. The campaign won a 4A creativity prize and 8 major awards overseas. The campaign also coordinated with the Cherry Blossom Cup and other peripheral products, a cherry blossom themed storefront, Instagram digital events and other multimodal, integrated promotion to incite a wave of cherry blossom fever across Taiwan. In addition to the cherry blossoms, the company also promoted new products like its Sicilia lemon coffee, Taiji caramel milk tea, one-lemon tea, and attracted female consumers with its Kanahei events constantly creating new visual, olfactory and imaginary experiences for customers.

Major 2018 events

Aside from product marketing, President was also involved in professional baseball and running events in 2018. These events allowed a link between President products and the energetic vitality and pleasure of sporting events, strengthening the public's recognition of the brand while promoting a healthy lifestyle and supporting Taiwan's professional sports industry as part of its corporate responsibility.



Promoting Taiwan sport events and investing NT\$ 90 million to support the operation of Uni-President 7-ELEVEN Lions baseball team



The Uni-President 7-ELEVEN Lions are one of the few remaining original professional baseball teams in the CPBL, and as such representing an important position in the baseball industry. President has long invested in supporting the team's operation. Throughout the history of professional baseball in Taiwan and the many vicissitudes it has seen, the team has played a key role in stabilizing the industry. The company invested NT\$90 million in 2018. In addition to professional baseball, President also used the power of baseball stars to actively support the sport at the grassroots level and charity events, and thus bringing a positive influence to the society.





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“OPEN! RUN balloon run” promotes the habit of exercise and improves interactions between parents and children. Investing NT\$ 8 million and reaching the target of 10,000 participants.



The Uni-President sponsored "OPEN! RUN balloon run" notched up its sixth year in 2018. The theme of this year's event was Christmas, Happiness and Joy, and took place in Kaohsiung's Dream Mall. It attracted nearly 12,000 people of all ages. This exciting event brought together the OPEN! family's role and Kaohsiung's tourist attractions, giving runners the opportunity to have fun and exercise and families the opportunity to enjoy each other. As usual, this year's event featured a pre-race "Starlight Dream" event featuring a pajama party,

Christmas tent decoration judging and lots of gifts. Participant families were treated to an unforgettable pre-race Christmas celebration.



3.2

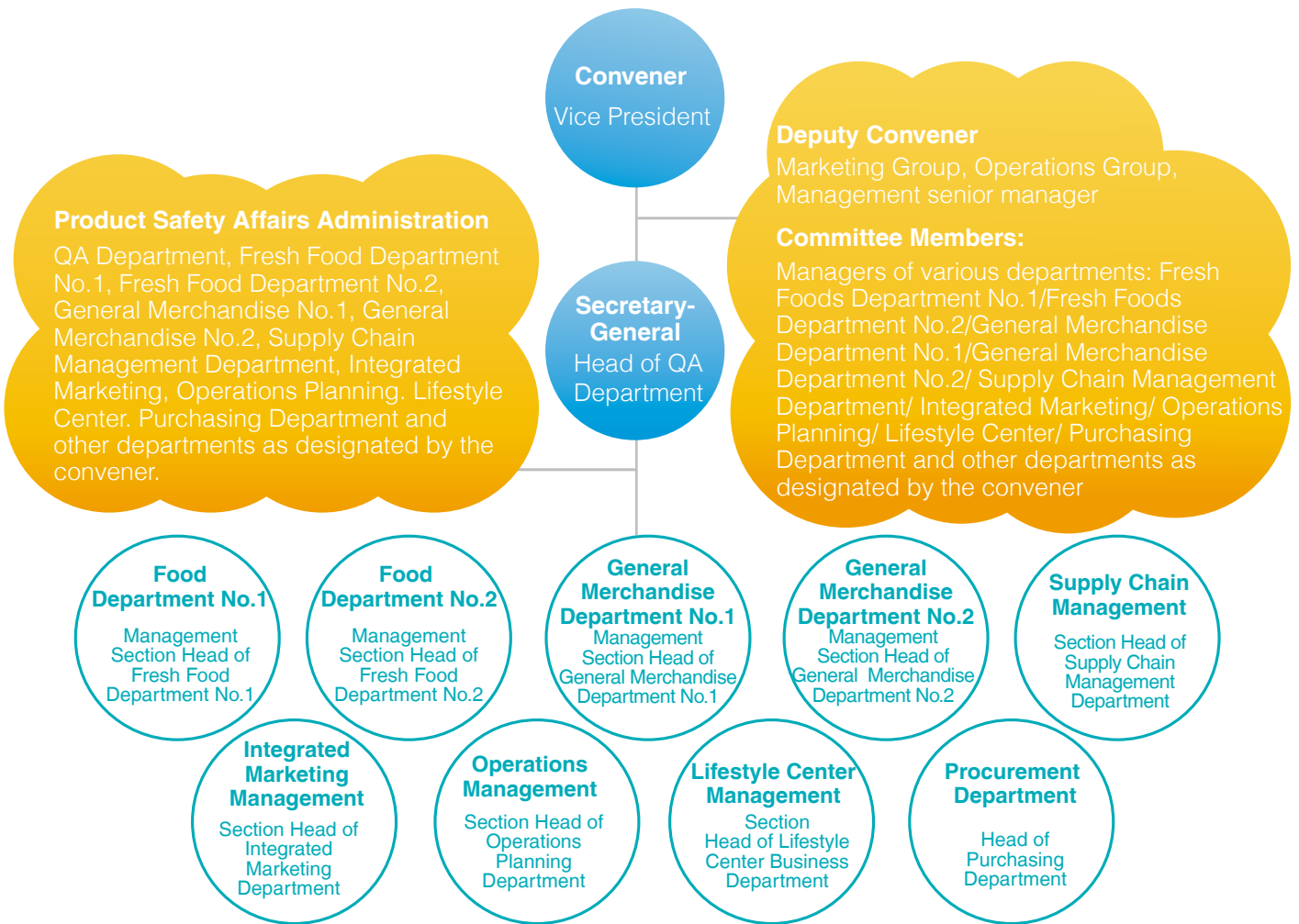
Product safety management

Management approach

Consumer trust is the cornerstone of Uni-President's operations. We have set a policy of "focusing on operations, traceability management, and winning consumer trust", and treat "food product safety" with great respect. President has established a product safety committee, set up an internal product safety audit system, and improved the capabilities of its laboratory testing. For many years, the company has operated with sincerity and trustworthiness, putting all efforts into making its products professional. President has taken on the social responsibilities, professionally controlling and managing food safety, ensuring the quality and safety of each and every own brand product throughout the product life cycle, from manufacturing to shipment, storage and sales. In 2018, the company invested over NT\$141 million on product safety management, surpassing the company's budgeted target of NT\$40 million.

Management structure: Product Safety Committee

The Vice President serves as a convener for The "Product Safety Committee". The managers of marketing group and the operations group and the supervisor of management team serving as co-convener. The supervisor of the quality department serves as the secretary-general, and the product safety office is tasked with overall collection of product safety-related issues. Under the committee are 9 executive teams, with the head of each department acting as a team leader. The "Product Safety Committee" takes safety and quality as a point of departure, and has established a unified management system that covers 100% of the company's own-brand products. In 2018, the committee held three meetings and discussed topics including compliance with government safety directives, progress on enhanced summertime quality assurance plans, analysis of safety system audit findings, a supervision plan for food safety, and progress on other initiatives.

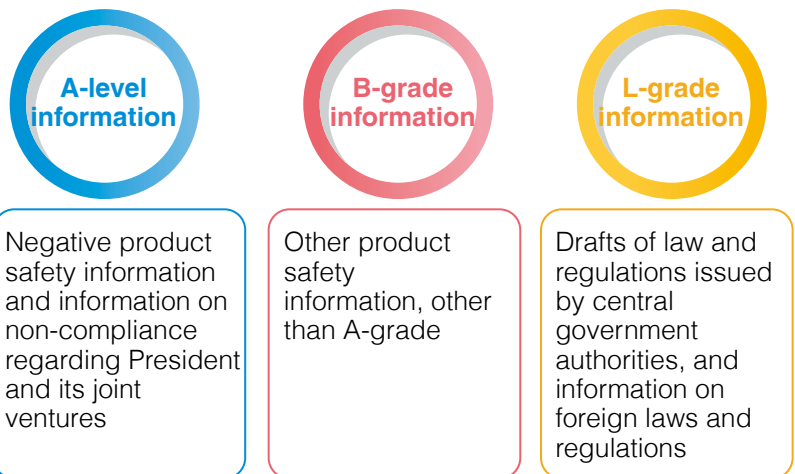


Note: This organizational structure was last updated in June, 2017, to include the Purchasing Department into the product safety committee organization.

Action plans

Product safety information

President gathers and tracks information related to product safety in accordance with our "Product Safety Information Gathering, Review and Tracking Standards". This ensures the management of product safety risk for 100% of President's own brand products. In 2018, the company issued 875 product safety-related memos. These included 4 A-level reports, 692 B-level reports and 179 L-level reports.



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



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Material and Quality Assurance system (MAS)

Although President does not fall under Article 9 of the Food Safety and Sanitation Management Law, and so is not required to establish a tracking system, the company has enhanced product safety management on its own brands in response to our responsibility to our customers. The company is ahead of both the legal requirements and competitors in the field and in cooperation with the ROC Fresh Foods Development Association, has set up a Material and Quality Assurance System(MAS). This ensures that product raw materials and suppliers can be tracked and managed. Through the MAS system product specifications for approval have been set up clarifying the sources of raw materials and the suppliers used for own-brand food products. As of the end of 2018, 99.87% of the company's own-brand food products had a document in the MAS system (see note).

Note: In 2018, there was 1 product for which a specification sheet was not set up within 14 days of going on the market. This is the reason the file was not complete.



Food inspection laboratory

To control and grasp product quality in a timely manner, President established its own food inspection laboratory in 2012. This laboratory is certified by the TFDA and TAF. Before a product goes onto store shelves, the laboratory first performs sampling and testing on items such as traces of veterinary drugs in raw materials, pesticide residues, food additives, biotoxins, mycotoxins, microorganisms and adulterants. The products can then be sold in stores without concern. As of the end of 2018, the laboratory had 587 tests as per CNS or TFDA requirements, and another 137 that do not follow directives from those organizations.



TAF certification items

Scope of microorganisms for ISO/IEC 17025:2005 certification	4 item
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TFDA certification items

Nitrofurans metabolites	4 item
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Chloramphenicol-type antibiotics	4 item
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Multiple trace analyses (2)	48 item
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Microorganism type	4 item
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Colorants	8 item
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Ochratoxin A	1 item
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Citrinin	1 item
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A total of 855 tests were run in 2018, with 841 items passing. This is a pass rate of 98.4%. In the case of any nonconforming raw materials, the supplier is asked to determine the cause and make appropriate changes, and nonconforming products will be taken off the shelf (along with other products from that lot) or sent for further testing with an outside laboratory. This ensures that the products we sell are safe beyond a doubt. The product inspection laboratory generated costs of NT\$38.409 million, including NT\$17.348 million in outside laboratory fees (see note). This is equivalent to 0.025% of the company's operating revenue.

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

Supervisory mechanisms

Internal reporting system

President has established an internal product supervision mechanism based on the "Rules for Safety on Own-Brand Products". This mechanism invites employees to come together to play a role in supervising product safety. In cases where employees in logistics, wholly-owned stores or franchisees have doubts or questions about ads, labeling, or ingredients they can all use this mechanism to provide feedback. Issues raised in this way are forwarded to the Product Safety Committee and the person making the report receives a reward based on the severity of risk involved with the safety issue (see details below). In 2018, a total of 3 cases were referred in this way, and NT\$2,000 in reward money paid out.

President's product safety risk categories

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

Logistics

After President's products and raw materials are manufactured by suppliers or agents, they are shipped to the various stores by a logistics company. To ensure the quality of products is maintained and guaranteed through the entire process of shipping, storage and display, and to reduce potential risk to products due to temperature, employees or sanitation, we partner with the logistics companies on initial logistics and in-store product management and service audits. Initial logistics involves cooperation on shipping, taking product quality management processes from the store and sending them upstream to reach the supplier at the point where goods are received. This establishes comprehensive quality control. There was 100% participation in this plan in 2018 including fast foods (rice/noodles/salads), rice, flavored breads, bananas and fresh fruit (with the exception of corn on the cob and bamboo shoots).

Store management

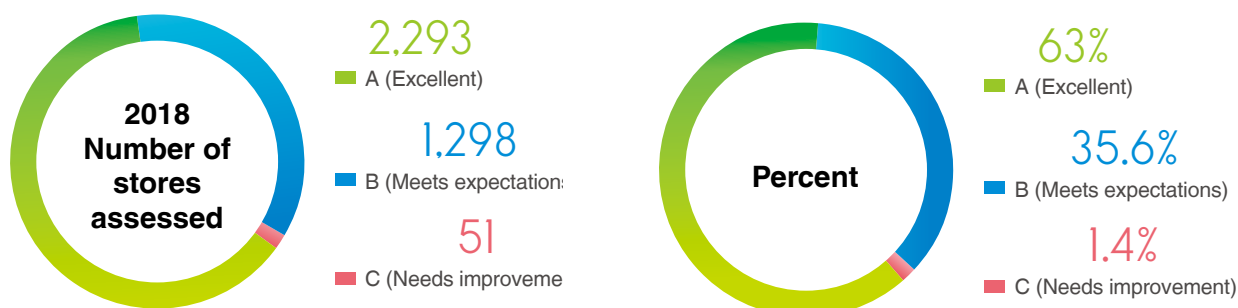
Stores are on the front line of President's operations, and in addition to cutting-edge product promotion and display and marketing topics, we have also never ignored the importance of basic quality of service. Value, quality assurance, service excellence and cleanliness of environment (VQSC) are the basis for our operations, ensuring that every store, whether directly owned or a franchise, gives consumers the very same high-quality products and services that completely meet expectations. In addition to this, by means of internal and external audit mechanisms covering various items, we ensure that the service and quality assurance for both products and employees are held to set standards.



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Service excellence assessments

President conducts an annual service excellence assessment on all its directly-owned stores and franchises, examining items including basic service, professional service, comfort of the environment and appropriateness of responses. The results of the assessment are graded A (excellent), B (meets expectations) or C (needs improvement). In 2018, the company audited a total of 3,642 storefront operations, or 67.83% of all its stores. This year, 2,293 stores (63%) were rated grade A or excellent. This was up 21% compared to the previous year. For stores earning a grade of C, operations specialists visit the stores to provide guidance and hold meetings to draft an improvement plan and track results. In 2018, the goal was to have 95% of stores graded A or B, and we will continue to use district consultants to provide guidance and help gradually reach this goal.



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

Product expiration date management and quality assurance checks

In addition, a management consulting company was used to perform audits of product expiration dates and quality assurance. In 2018, 98.64% of all stores in Taiwan underwent this audit. A total of 22,883 stores were checked, with 22,280 passing. This is a pass rate of 97.3% (see note).

Note: A small number of stores closed in early 2018 or were not open in 2018, and so were not audited in 2018.

QA and Honest Operations certification training and audits

In addition to the store audits described above, to improve the quality of the overall workforce, President continually undertakes quality assurance education and training for both new hires and existing employees. A total of 20,117 people participated in this training in 2018. Beginning in July, 2016, President has also hired a management consulting company to audit the quality assurance training certification status of stores, with 99.43% of the stores in Taiwan audited in 2018 (see note). Only 50 stores failed to pass, and these stores were re-checked a month later.

Note: A small number of stores closed in early 2018 or were not open in 2018, and so were not audited in 2018.

Tobacco and alcohol sales audits

Additionally, to implement the law and protect youth and children, we audit performance on ID checks of customers under 18 attempting to purchase tobacco or alcohol products. In 2018, 100% of stores passed. The product system warning language alerting that alcohol and tobacco cannot be sold to customers under 18 years of age was also enhanced, with this system 100% online. The goals set in this area for 2018 were completely met.

3.3

Sustainable supply chain management

President itself does not run any factories, with all of its products manufactured by other companies. We use the setting of management measures and assessment systems to supervise and urge our suppliers to continually produce stable, high-quality products and ensure that consumers who purchase products from President all receive a high-quality item. President has suppliers both in Taiwan and abroad, and we also implement a farm contract model to support local agricultural development and make products healthier. At the same time, we also use contracts and an assessment process as a means of guidance and strive to improve supplier implementation of honest operations and corporate social responsibility as well as management systems. We firmly hope that through the above measures we will be able to establish a tight, positive force for mutual growth with our suppliers, creating a sustainable supply chain.

Supplier management rules

In our Internal Control regulations, we have set a special chapter on "Product Safety Management". This ensures that all suppliers conform to law and regulation, as well as to President's own rules, in their corporate setup, product quality and testing. Of these, various rules are set for suppliers and manufacturers of our own brand products, based on the nature of each, since these have a more direct impact on our operations and brand. (See details below on "Own-Brand Supplier Management Rules"). These rules clearly require that specific standards be adhered to for product manufacturing, packaging, testing, and appraisal.

Table: Own-brand Supplier Management Rules

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

Additionally, to improve the quality of suppliers, we do our utmost to ask that suppliers of own-brand products obtain food safety and sanitation management system ISO22000 certification. During 2018, suppliers of own-brand food products (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products) numbered 50 companies. Based on their plant statistics, there were a total of 99 manufacturing sites; of these, 58 were manufacturers of own-brand food products within Taiwan. Of these, 57 manufacturers (see note) obtained international food safety management system ISO 22000 certification. Since ISO22000 formally began the use of the new ISO22000:2018 standards in 2018, and a comprehensive update is required prior to June of 2021, President will likewise guide and assist food product manufacturers and suppliers to complete the requirements for the new certification prior to 2021.

Note: Uni-President (Hualien plant) formally began to supply product in October, 2018 and obtained ISO22000 certification on April 4, 2019.

In addition to products themselves, in the case of suppliers of products related to store safety, we have set "Management Rules for Site Assessment of Suppliers of Products Related to Store Safety", to ensure that domestic suppliers of items such as single-use materials in contact with food are appropriately managed and audited, to implement comprehensive control of food safety risk.

Supplier appraisal system

President uses the rules mentioned above to undertake periodic evaluations of suppliers of own-brand products and to set different assessment items and process scopes for domestic and foreign suppliers, suppliers of raw materials by direct purchase and suppliers of eggs, respectively. By categorizing the targets of evaluation, the credibility and effectiveness of supplier evaluation process is enhanced. We hope that this tight grasp of the system will provide a safe and confident experience for consumers. Audit assessment items, frequency, results and other notes are given below.



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New supplier assessment

For new suppliers, we not only require conformance to the following basic conditions, but also impose certain assessment items based on the supplier type. Through the new supplier assessment system, we ensure that cooperating suppliers comply with laws and regulations, and have a professional level and good product quality. At the same time, we also include economic, environmental and social standards in the assessment system. In 2018, a total of 8 new suppliers and manufacturers came on board. 100% of them passed this assessment. Through new supplier screening and assessment we exercise our company's social responsibility in a sincere and direct manner.

Manufacturers

1	Legal conditions	Hold legal company registration, factory registration, business registration, updates, etc. (if permitted to go without registration by the relevant authorities, must provide corresponding documentation as proof). Industry type listed on registrations must include processing of product types for outside organizations; for foreign manufacturers, establishment of the company must conform to relevant laws and regulations in that country.
2	Quality certification	Ideally holds CAS, TQF, HACCP or ISO 22000 product quality certification.
3	Comprehensive management system	Good product quality management, own product testing capabilities, production management and sanitation management.
4	Raw material tracking	Can track back raw material origins, to ensure that products conform to ROC import and other laws and regulations and to food safety and sanitation standards regarding pesticides, traces of veterinary drugs, and heavy metals.

Suppliers of raw materials through direct transactions

1	Legal conditions	Business registration, factory registration must conform to legal conditions for registration.
2	Quality certification	Ideally holds CAS, TQF, HACCP or ISO 22000 certifications preferred.
3	Assessment documents	Introduction of new raw materials requires provision of traceability documents and risk assessment.

Suppliers of egg products

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

Assessment items

Supplier assessment items are as per the status of each as a manufacturer, supplier of raw materials by direct transaction, egg supplier, or supplier of items for in-store use. The scope includes management system, environmental sanitation, manufacturing and quality management systems and so on (for details see "Supplier Assessment Items" section notes). The above-described items for inspection ensure the good management of product safety and organizational operations.



Conformity standards

Assessment results are scored into four categories: A (≥ 90), B (80-89 points), C (70-79 points), D (≤ 69). The passing grade for food product manufacturers is B or higher, while non-food manufacturers, raw materials through direct transaction, egg suppliers, and suppliers of items for in-store use have a passing grade of C or higher. In case of failure, a penalty will be imposed as per the "Product Quality Guarantee Agreement" or "Supplier Assessment Agreement". At present, new suppliers of items for in-store use have a passing grade of 70, to guarantee the interests of consumers and the safe use of products. We estimate that by 2022 new entrants as suppliers of items for in-store use will have a passing grade threshold of 75 points. This will further improve supplier screening and management. In 2018, the average audit score for suppliers of items for in-store use was 84 points, and even a newly introduced firm scored over 75.



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Frequency of assessment

Frequency of assessment depends on the results of the previous on-site assessment. To assess the level of risk with domestic food product manufacturers, President has set the "Food Product Manufacturer Risk Grading and Assessment Guide" to act as a basis. It has also completed 2017 own-brand food product manufacturer risk grading, for use as a reference for determining frequency for the 2018 round.

1.Manufacturers

Comparative table of assessment frequency for domestic food product manufacturer sites

Grade		A ≥90 points	B, 89-80 points	C, 79-70 points	D, ≤69 points
Result		pass		fail	
Risk category	Low-risk	12 months	6 months	Requires 3 months of consecutive rechecks and must pass	Requires 3 months of consecutive recheck and continuous passes, or production halted immediately
	High-risk	6 months	4 months		

For domestic manufacturers of non-food products, an on-site assessment grade of C or better constitutes a pass. Assessment frequency is once every 12 months, and assessment must be completed within the same year. If the assessment result indicates a failure, the case is handled as per failure on the part of domestic food product manufacturers.

Comparative frequency of assessments of foreign food product manufacturer sites

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

For foreign manufacturers of non-food products, an on-site assessment grade of C or better constitutes a pass. Assessment frequency is once every 24 months, and assessment must be completed within the same year. If the assessment result indicates a failure, the case is handled as per failure on the part of foreign food product manufacturers.

2. Other (raw materials suppliers through direct transactions, egg product suppliers, suppliers of items for in-store use)

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

Assessment results

In 2018, there were a total of 50 suppliers of own-brand food products with whom President had a cooperative relationship (note 1) (including plants, suppliers of raw materials through direct transactions and suppliers of egg products) with 100% of these passing at the end of assessment (note 2); see the table on p.38 for these 50 suppliers and the total of 184 audits done. 182 audits resulted in passing grades, for a compliance rate of 98.9%. For the non-conforming firms, in addition to the sanctions laid out in the "Product Quality Guarantee Agreement", the suppliers were asked to make certain improvements and re-assessment performed until they were conforming.

Note 1: Defined as (1) New factory assessment passes prior to 2018 and existing suppliers that passed internal submission. (2) New suppliers that successfully passed the 2018 induction assessment. (3) Those approved for a halt to assessment in 2018 are also included.

Note 2: One manufacturer, three suppliers of raw materials through direct transactions and one supplier of egg products concluded their transactions and work for President within the time limit for assessment corresponding to the assessment result from last year's supplier assessments, so that they were not required to be audited in 2018 based on the corresponding management rules.

Additionally, there were 11 suppliers of disposable items for in-store use (note 1) in 2018, with 100% of these passing at the end of assessment (note 2); see table on P.38 for these 11 suppliers and the 15 audits on supplier assessment items performed; 13 audit resulted in passing grades, for a compliance rate of 86.7%. Firms not in compliance in 2018 have been sanctioned based on the "Supplier Assessment Agreement" (note 2).

Note 1: Means disposable paper cups, bowls and similar items coming into contact with food and produced domestically for use in stores to serve consumers.

Note 2: The manufacturer ceased doing business with and producing for President after failing the re-assessment, so that they were not required to be audited in 2018 based on the corresponding management rules.

In addition to this, based on supplier assessment results, President views the suppliers producing own-brand products with grades of C or lower as food product manufacturers and grades of D or lower as non-food product manufacturers as "high continuous risk suppliers". In 2018, there was only one such supplier of own-brand products that failed to reach standard. The supplier assessment and guidance process has been used to assist the supplier in improving.

ESG assessment items

In addition to monitoring and assessing product quality and manufacturing processes, President also considers ESG (Economics, Social and Governance) within the scope of assessment. Through its assessment system, it constantly urges suppliers to strive to improve and exercise good control in manufacturing, and to take better care of workers, protect the environment and exercise other social responsibilities. An explanation of the weighting of these in assessment follows.

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



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In supplier ESG assessment trends, President particularly emphasizes "healthy work environment" and "employee health and safety". Since many of President's own-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's own product quality management requirements, workplace safety and health has been added to the list of assessment items for suppliers. In addition to this, we stress suppliers protecting workers and their rights, and require suppliers to exercise corporate social responsibility and not violate the Basic Labor Law. We consider that the health and safety of the workers on the line can impact product quality, so for the social dimension, we stress suppliers providing healthy, safe working conditions for employees.

President hopes to work hard with its suppliers to implement corporate social responsibility, and through our supplier assessments, to monitor whether they are complying with employee health and safety and other working conditions as required by labor laws and regulations. This both brings our social impact into full play and guarantees the work rights of those working along our supply chain. In 2018, of tier 1 supplier assessment results, 22 were found to be involved in situations such as inaccurate record keeping, no scheduled safety and health inspection mechanisms, or unclear announcements and labeling. After guidance, all made necessary improvements.

Supplier Code of Conduct

As the leader among domestic retailers, President hopes to use its example and its requirements to spur suppliers to come together to fulfill their corporate social responsibility. In addition to the above management rules and assessment systems, we have also set a "President Own-Brand Product Supplier Code of Conduct", and require all suppliers to sign an "Honest Operations and Corporate Social Responsibility Agreement". The principles and agreement stipulate that suppliers may not obtain inappropriate gains through bribery or the giving of presents, may not violate labor law or regulations (including hiring rules, working conditions, salary and remuneration, occupational safety and health, etc), and must guarantee labor equality, a non-discriminatory workplace and basic human rights, and provide products that conform to environmental protection and food safety laws and regulations to reduce the impact on the environment and human health. In 2019, President will further revise the content of its agreements, to clarify necessary items in the five major areas of labor, health, environment and safety, ethics and fairness. ESG related standards of conduct will be pushed outward beyond tier 1 suppliers, and will be announced on the internal web site. In addition to this, every year President's supply chain management department also periodically educates its major raw materials suppliers for own brands on sustainable sourcing and traceability management concepts, and requires them to provide raw materials in compliance with President's sustainable sourcing standards. In addition to signing a contract, President also undertakes supplier education and training, and in 2018 gradually implemented a supplier code of conduct. This first addressed new non-tier 1 supplier communication and signing of contracts, with existing non-tier 1 suppliers to receive systematic notifications and education and training in early 2019. It is anticipated that by 2021, all non-tier 1 suppliers will have completed this education and training and will have signed the code of conduct. In 2018, 3.23% of non-tier 1 suppliers had signed the code of conduct contract.

For suppliers unwilling to sign, their existing internal regulations and ability to commit will be examined, and they will be required to commit to certain important items. If communications on this issue break down, but it is still necessary to purchase the items, the supplier will be asked to sign a "Honest Operations and Anti-Corruption Statement" to ensure our insistence upon the supplier implementing its corporate social responsibility.

Major partners



Key suppliers

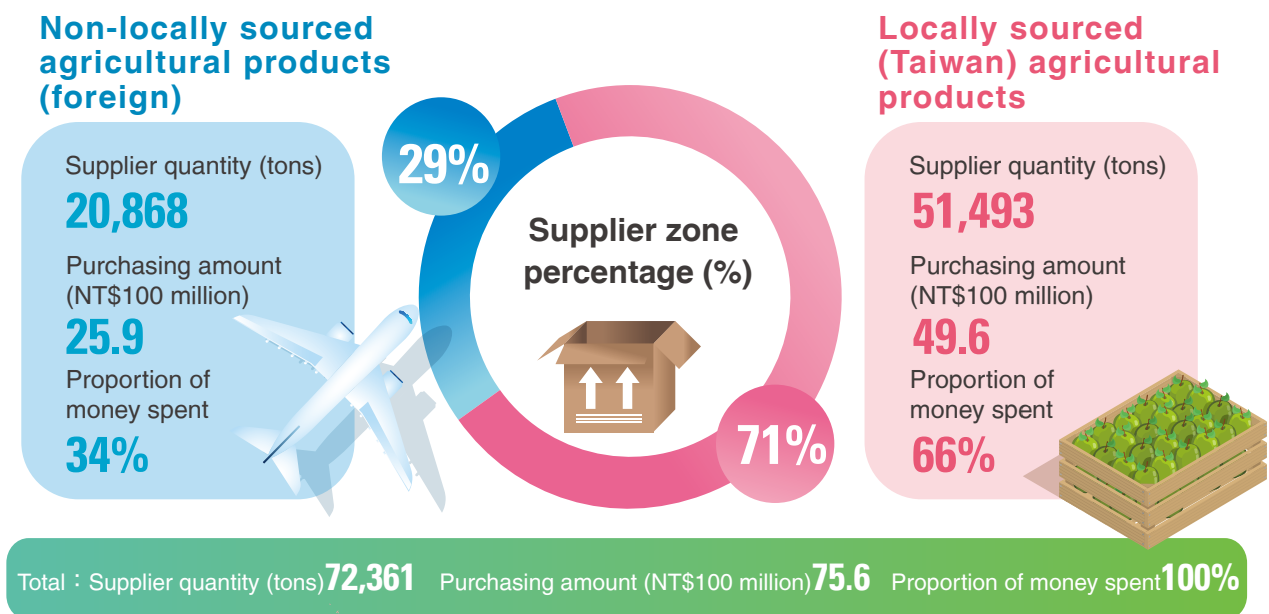
President has three types of suppliers: own-brand product processors, non-own-brand suppliers and other suppliers. Of these, own-brand suppliers have the closest relationship with President. Consequently, out of this group of suppliers, we also consider purchasing amount and type of product in identifying President's "key suppliers". For these supplier-partners, who have a great strategic significance, we also go farther with information statistics and tracking in hopes of enhancing our management of these key suppliers to optimize the strength and depth of President's supply chain management system.

There were 18 such key suppliers in 2018, defined as follows:

Definition of a key supplier		Number of key suppliers in 2018
Purchasing department	Purchasing amount > 30 million and of packaging and items directly related to food products in store operations	3
Key tier 1	Own-brand product transaction amount for previous year among five top suppliers	5
Key non-tier 1	PB raw materials supplier with transaction amount for previous year in the top 10 suppliers	10

Local partners

Behind the innovation, diversity and flavor of President's fresh food products lies the careful, determined use of fresh agricultural products. In 2018, 72,000 tons of agricultural products valued at NT\$7.6 billion were used, including rice, chicken, pork, eggs, vegetables and fruit. At the same time, President also holds fast to a spirit of "take from society, give back to society". We do our utmost to use contract farming, increasing the proportion of locally-sourced purchases to encourage local agricultural development and reduce overall environmental footprint. In 2018, 69% of purchases were made with Taiwan area suppliers of agricultural products, for a value of NT\$4.69 billion. This was 66% of the entire purchasing budget.



Elite Logisticians

To provide our consumers a delightful and convenient life around the clock, logistics companies are indispensable. So to thank our logistician for their outstanding performance and successful completion of their logistics duties, President held the "2018 PCSC Elite Logisticians Recognition Ceremony". Attendees came from 40 logistics centers, representing four companies: Chiehsheng, Chiehmeng, Tongchang and Dachih. Seventy-nine outstanding logistics professionals were selected from 1976 total, in recognition of their professionalism and to encourage them to continue with the outstanding work in the future. The public recognition also establishes a good model for all the partners. The awardees not only could not have any customer complaints or major violations all year long, but also had to be leaders in scores on various measures of safety, service, and operations to rise to the top. In 2018, 5 of the recognized logistics professionals were being feted for the third year in a row, and were honored with a special "Honored Logistics Professional" designation.



3 Sustainable products and services

A film was also made documenting the daily work and reflections of logistics workers, and their words of appreciation displayed on the wall. Exhibits of logistics vehicles, alcohol testing systems, car systems and ergonomic equipment on-site allowed participants to see that President's concern with a safe working environment for logistics workers.

The "Nantou County Hsinhsiang Elementary School Chorus" was also invited to perform, and certificates of appreciation and scholarships were distributed to add a uniquely meaningful element of public service to the event. After the recognition ceremony, a two-day trip to Sun Moon Lake was arranged, for logistics workers and their families to enjoy their honors, and relax while appreciating the pleasures of Nature.



3.4

Customer relationship management

President is a part of communities, towns and villages large and small. From morning coffee, a noontime lunch box, to urgently needed daily-use items or a quick snack to stave off hunger, our products and services are intimately tied to consumers' daily lives. Our goal is for consumers to "not only enjoy convenience but also peace of mind" while shopping. This is the key factor in our success. It is also the most important and greatest promise we give consumers and communities. In addition to our rigorous grasp of product quality, compliance with law and regulation and clear product labeling, timely handling of consumer opinions and complaints, and strict protection of privacy for consumer personal data are all hallmarks of our response to the trust our customers place in us. In addition to this, we use the OPENPOINT member system to allow customers to accumulate points and use a digital wallet system. This allows them to get even better value each time they buy with us.

Management approach

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

Through cooperation between our digital services department, general services center, integrated marketing department and legal department, plus a solid digital system and education and training about data security, we ensure that "consumer rights" are protected and emphasized at President.

Product labeling

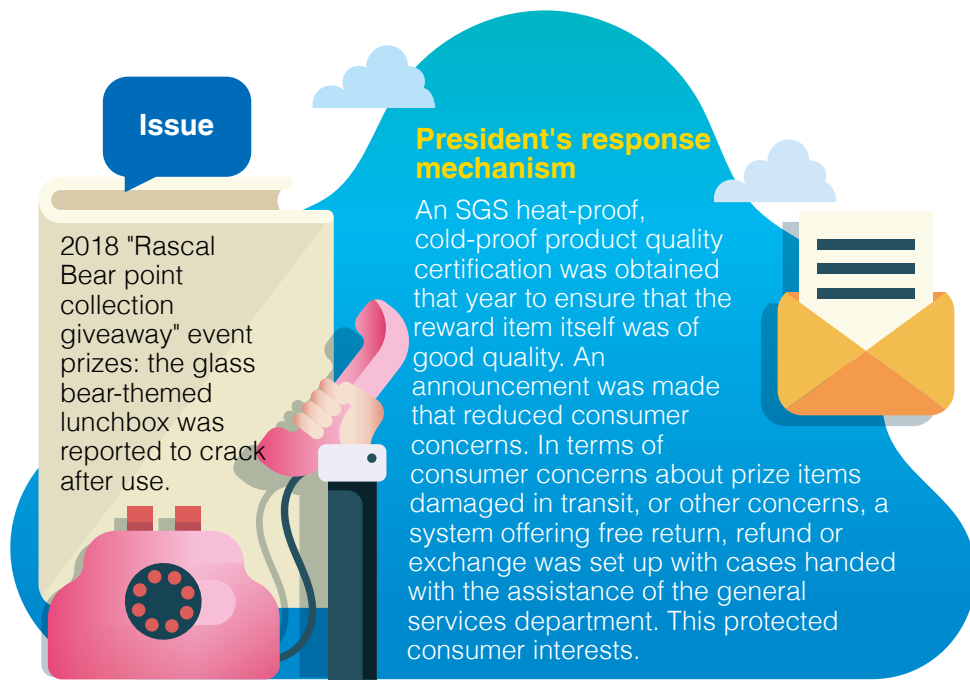
Transparency of product labeling is President's first pledge to consumers. In our "Product Safety Management" rules, we clarify that "product labels must conform to commercial labeling laws and food product safety and sanitation management laws, or relevant government laws and regulations". This is a screening standard for our new suppliers. We also require suppliers to sign an agreement guaranteeing that the ingredients, manufacturing, labeling and advertisements for their products all conform to law and regulation.

At the same time, product labels are an item that the logistics center must check upon receiving a shipment (including bar codes, expiration dates and Chinese labels). President also uses its "Internal Control Packaging Design System" to keep abreast with the information on own-brand product labels. This ensures that all products have clear label information from manufacturing through shipping, all the way to final sale in the store.

Complaint mechanism

President has established a "General Services Center" to act as complaint conduit for internal and external issues involving products and services. Consumers may use a telephone hotline or e-mail to present their complaint or opinion to the general services center. The Center creates a file for the issue and in cases that require follow-up, gives the consumer an answer before concluding the case. In 2018, the general services center handled 1,623 e-mailed cases and 88,651 phone calls from consumers. Some 88.9% of these could be handled immediately online. For those that had to be referred out, 100% were tracked and resolved.

Major Cases and Response Mechanisms in 2018:



Data security management

President is the leader among Taiwanese retailers, and strives to utilize the power of digital technology. We provide consumers with convenient, diversified services, including online shopping, cashflow (ibon/ibon APP), logistics (courier services), information flow (icash2.0/OPENPOINT) and other digital services. Consumers can take care of their postal, ticket purchase, printing and payment needs all at a single store. However, this means that we come into contact with more and more consumer personal data, making data security all the more important.

To ensure that consumers' personal data is totally protected, we not only include data risk management in our overall corporate risk management and audit mechanism, but also use an interdepartmental "Personal Data Protection Plan Workgroup" to periodically execute personal data checks, risk analysis, system assessment, reports, data destruction, education and training, and require everyone working at headquarters and all stores to complete a required online course on data security. President has set up internal data security management reporting for all its departments, and has added clauses concerning data security to all its external contracts. This will ensure that all operating units and suppliers conform to the company's personal data security policy. At the same time, President has also set up an internal assessment plan and external verification system and helps departments to write corrective

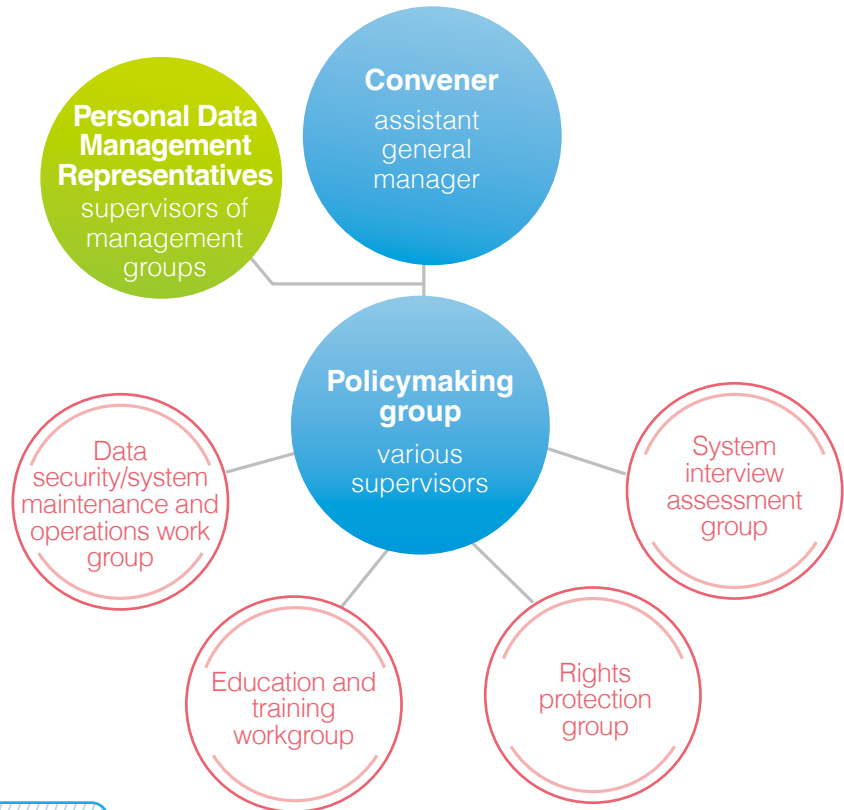


3 Sustainable products and services

and prevention measures or steps for improvement in cases where assessments or audits show deficiencies. These are kept as a record of the improvements made. For employees who violate the company's management principles concerning the security of personal data, relevant sanctions have been established as well.

In addition to this, to ensure the effective operation of the personal data protection mechanism, in 2014 President first obtained TPIPAS certification. In 2018, the company updated its certification. President did not discover any complaints about or cases of its personnel violating customer privacy in 2018.

President's Personal Data Protection Work Group structure



OPENPOINT member system

President has long been close to its customers' lives, not only playing a part in satisfying their needs and being there as a caring neighbor, but through the OPENPOINT member system and its digital service system and rich value-added events becoming the consumer's best partner for daily life. As of the end of 2018, there were 3.20 million OPENPOINT members using the full range of OPENPOINT digital service functions throughout the year. These include the OPENPOINT APP, OPEN wallet, ibon APP digital services (such as courier services and events), ibon wifi access, 7-ELEVEN monthly receipt lotteries, 7-ELEVEN contributor platform and various events. All require login as an OPENPOINT member for use of digital functions. In 2018, on average nearly 500,000 people used these services per month, and in the future, OPENPOINT membership will expand beyond 7-ELEVEN digital services encompass the entire PCSC group, touching consumers from a wide variety of industries.

Since May, 2015, we have had a Customer Relationship Management (CRM) system, based on the OPENPOINT member database. Through this digital system, current consumer information includes member characteristics (including: gender, area, profession, age, etc.) and loyalty status, analysis of new product potential and potential buyer segments, and understanding which products are purchased together. It is hoped that this technology will provide consumers with products and services that better fit their particular needs.

In the future, President will further integrate the group's internal existing membership system and use strategic partnerships to bring in internal and external information sources to establish a more attractive membership system while continuing to promote the expansion of OPENPOINT membership numbers and enhancing customer loyalty and increasing the number of people coming in. We expect to double our 2018 membership by 2021.