



# 02

## Dedicating to Corporate Governance

### Sustainability Performance

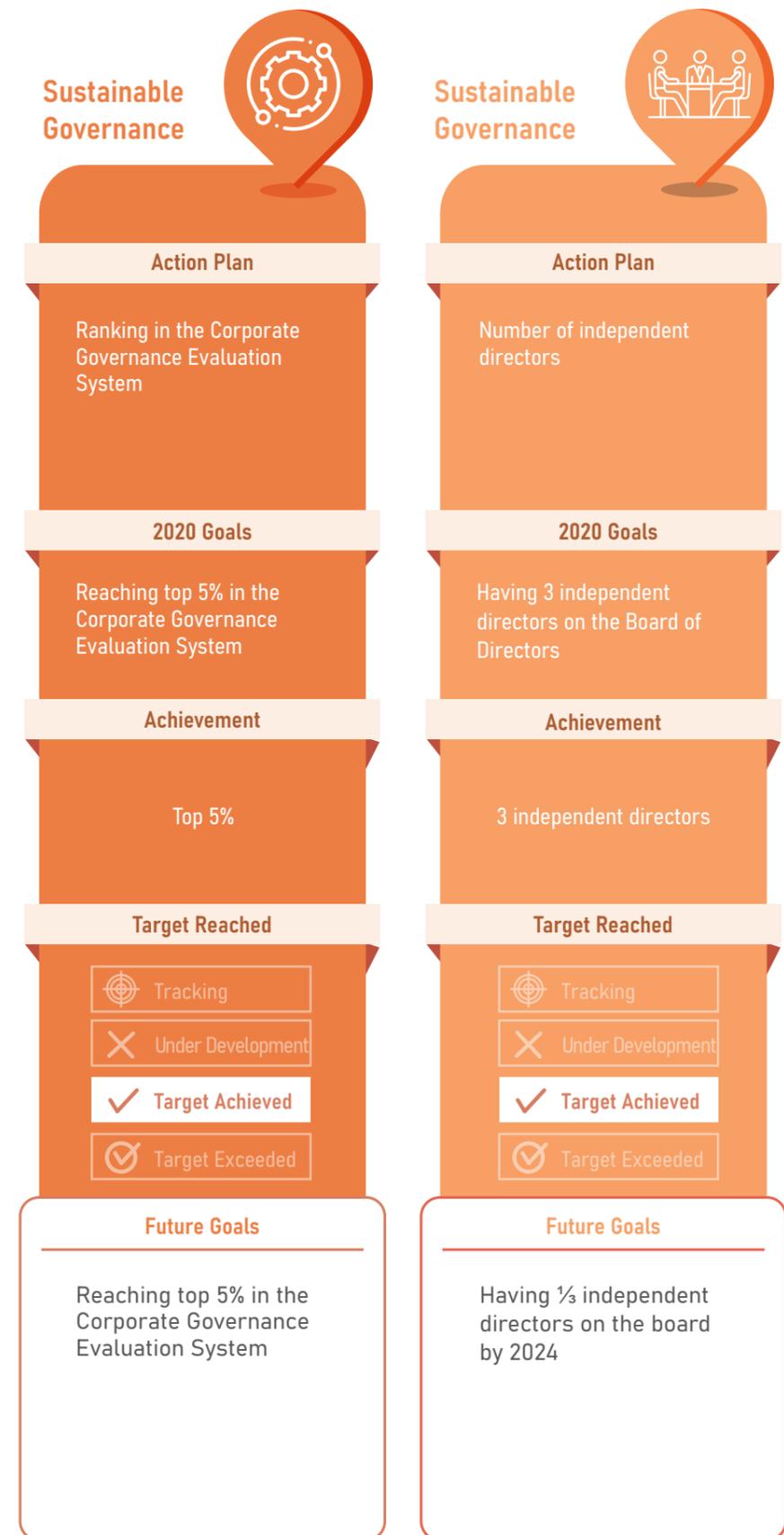
- Exceeding 6,000 stores (reaching a total of **6,024**)
- Achieved the consolidated revenue of **NT\$258,494,907** thousand and net profits of **NT\$11,340,258** thousand
- The number of female directors accounted for **15%** with **99%** of average attendance rate for all Directors
- Listed on the Dow Jones Sustainability World Index and Dow Jones Emerging Markets Index for the second time, as well as being named as the **“Industry Leader”** in the global food retail industry from Dow Jones Sustainability Index (DJSI)
- Once again ranked in the top **5%** in the Taiwan Corporate Governance Evaluation System, the only listed company in the retail industry to do so for the sixth year running
- Self or peer evaluation was organized for the first time for the Board of Directors (including functional committees such as the audit and remuneration committees)

#### Corresponding Material Topic

- Ethical Governance
- Legal Compliance

#### Corresponding Stakeholders

- Investors
- Suppliers
- Customers
- Employees
- Franchisees
- Public Welfare Organizations
- Government Agencies
- Local Communities





## Ethical Corporate

### Management Approach

<b>Management Objectives and Policies</b>	<p>PCSC as well as its collaborating parties from external value chain is governed by the principle of ethical corporate management. Only by abiding by the principle of corporate management can operations be long-lasting and stable and to take on the responsibility towards our stakeholders.</p> <ul style="list-style-type: none"> <li>Corporate Governance Best Practice Principles</li> <li>Ethical Corporate Management Best Practice Principles</li> <li>Ethical Corporate Management Operating Procedures and Code of Conduct</li> </ul>
<b>Responsibility</b>	Ethical Corporate Management Team
<b>Action Plan</b>	<ul style="list-style-type: none"> <li>PCSC raises awareness and organizes training for internal personnel. Suppliers are requested to sign the Code of Conduct to realize ethical corporate management</li> </ul>
<b>Grievance Mechanism</b>	<ul style="list-style-type: none"> <li>Integrated Services Center</li> <li>Stakeholder section on the corporate website</li> <li>Internal proposal system</li> </ul>



## Legal Compliance

### Management Approach

<b>Management Objectives and Policies</b>	<p>Due to the rapid changes in laws and regulations, staying updated with the trend of laws and regulations can ensure the operations of the organization comply with the regulations. This reduces legal risks and protects the Company's rights and interests.</p> <p>PCSC Principles of Legal Control and Breakthrough</p>
<b>Responsibility</b>	Regulation Identification Committee
<b>Action Plan</b>	PCSC has established a Regulation Identification Committee to ensure and strengthen legal compliance through legal information reporting, regulation identification and legal breakthrough
<b>Grievance Mechanism</b>	<ul style="list-style-type: none"> <li>External: Integrated Services Center</li> <li>Internal: Internal Audit Office hotline, stakeholder grievance mailbox</li> </ul>

## 2.1 Operational Overview

Since its founding, PCSC is not only an enterprise that provides products and services, but an inseparable part of everyday life. Keeping the operations sustainable and stable is not only the investors' expectation but also PCSC's commitment.

### Company Profile

As part of the retail industry, PCSC works with suppliers to provide high-quality services and products to consumers through its stores.



\* Including non-privately-owned brand product suppliers, privately-owned brand product manufacturer, suppliers of raw materials through direct transactions, suppliers of egg products, and suppliers of packaging materials for food products

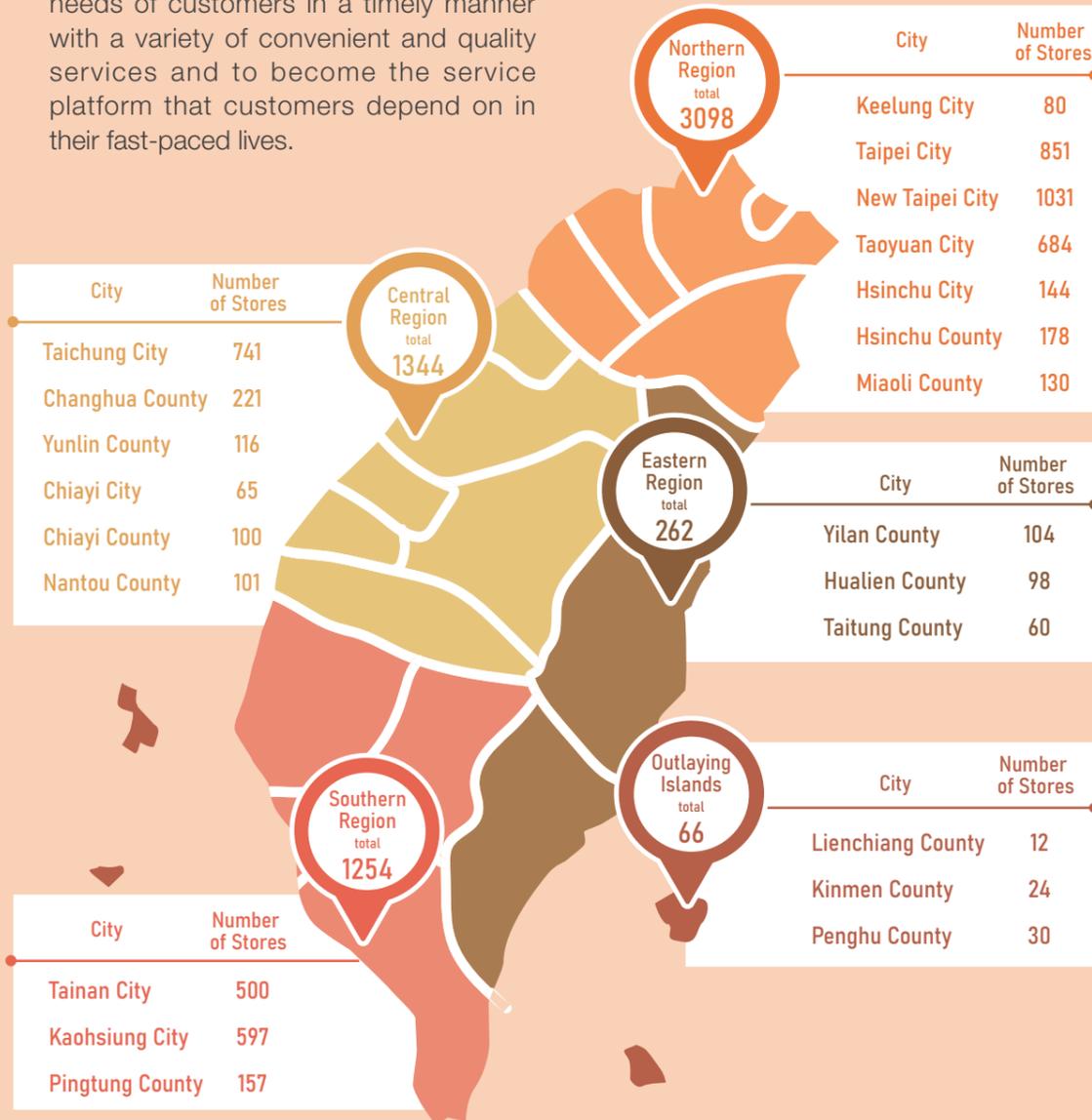
### Scale of Organization

<b>Company Name</b>	President Chain Store Corporation
<b>Number of Employees</b>	8,500 employees (Note 1) and 41,312 franchise stores personnel (Note 2)
<b>Year Established</b>	1978
<b>Year Listed</b>	1997
<b>Chairman</b>	Lo, Chih-Hsien
<b>President</b>	Huang, Jui-Tien
<b>Headquarter</b>	2F, No. 65, Dongxing Rd, Xinyi District, Taipei City, Taiwan
<b>Capital</b>	NT\$10,396,223 thousand
<b>Total Number of Stores</b>	6,024 stores
<b>Number of Products and Services</b>	Products: Approx. 5,400 Services: Approx. 650

(Note 1) Including those employed at the head office and in directly-operated retail stores.

(Note 2) The number used for franchise employees was taken from Labor Insurance documents by December 2020.

PCSC focuses on providing customer service characterized by convenience and quality. As of 2020, we had 6,024 stores, 369 more stores compared to 2019, located in the northern, central, and southern parts as well as its outlying islands. It is our hope that we can continue to expand the scope of services offered by PCSC, 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.



# The 6000<sup>th</sup> PCSC Store: Fengyi Store

As a sustainable enterprise, PCSC has entered its 43rd year of operations. The milestone of the 6,000 stores, "Fengyi Store," is the first brand-new sustainable store model that combines architectural aesthetics, smart technology, energy-saving equipment, green living and compound business. PCSC expects to communicate a new sustainable retail concept with consumers with Fengyi Store.

## 1. Introduction of Energy-saving Facilities for Carbon Reduction

Fengyi Store adopts energy-saving label inverter air-conditioning and energy-saving fans, LED signs and lamps, energy-saving vestibule to prevent cold air from getting out, as well as the R448A environmentally friendly refrigerant that complies with the latest international conventions. The aforementioned energy-saving facilities are expected to save 10,000 kWh of electricity per year. In addition, there is also a centralized rainwater recovery system that is diverted to outdoor plants, realizing the concept of resource recycling.

## 2. Realizing Green Consumption with Green Building Materials

Fengyi Store adopts 30% of green building materials indoors to reduce harm to the environment and consumers. In addition, PCSC is the first to add 20% FSC-certified wood fiber to PP cutlery to reduce plastic and carbon emissions.

In the meantime, a "third-generation automatic recycling machine" has been installed outside the store. The recycling machine automatically identifies the material and shape of bottles and cans. PCSC hopes to encourage recycling by turning it into a part of everyday life, realizing green consumption hand-in-hand with consumers.



## 3. Integrating Smart Experience and Connecting Multiple Brands

The store has introduced X-STORE's "self-checkout system" to reduce the peak waiting time at the store and meet consumers' needs for fast checkout. In terms of products and services, Fengyi Store has introduced compound categories, including K•Seren beauty, books.com.tw, fresh beer, sweets section, and carefully selected frozen/fresh food to meet the diverse needs of consumers.



## Operating Strategy

### Long- and Short-term Business Development Plans

Looking forward to 2021, the global economic development is still marked by uncertainties. However, PCSC still adheres to the business philosophy of sincerity, innovation and sharing to optimize the seven foundation business elements of people, stores, products, systems, logistics, policies and culture. In the meantime, PCSC continues to boost the competitiveness of its digital platform to become a “service platform exceeding customer expectations that can be relied on.” PCSC provides consumers with a consumption space that is experiential, entertaining, educational and exploratory packaged in a diversified and digital business model to make franchisees, employees, stockholders and the society satisfied.

#### 1. Short-term business plan

- Continue with business district integration and establish a competitive base of large stores.
- Strengthen the autonomy of individual stores and create an advantage through differentiated operations.
- Proceed with the integration of the physical and the virtual to seize business opportunities in the virtual service sector.
- Optimize the foundation of operations to facilitate medium- and long-term development.

#### 2. Long-term business development plan

- Optimize the franchise mechanism to create a win-win situation.
- Implement value marketing to improve consumer experience.
- Realize lean operations and make full use of resources.
- Integrate the group's resources to seek stable profits.
- Actively cultivate talented people to ensure sustainable operations.

## Business Performance

PCSC continues to improve its products and services to provide innovation and convenience to consumers. Please refer to the PCSC individual financial statement available on the Market Observation Post System for detailed information.

### Direct economic value distribution

Item	2020 (NT\$1,000)
Operating costs	111,590,813
Employee wages and benefits	7,203,073
Payment to providers of capital	Interest:394,400 Dividend:9,356,600
Payment to government	1,358,149
Community investment	38,048

### Parent company only financial performance/ Direct economic value generated

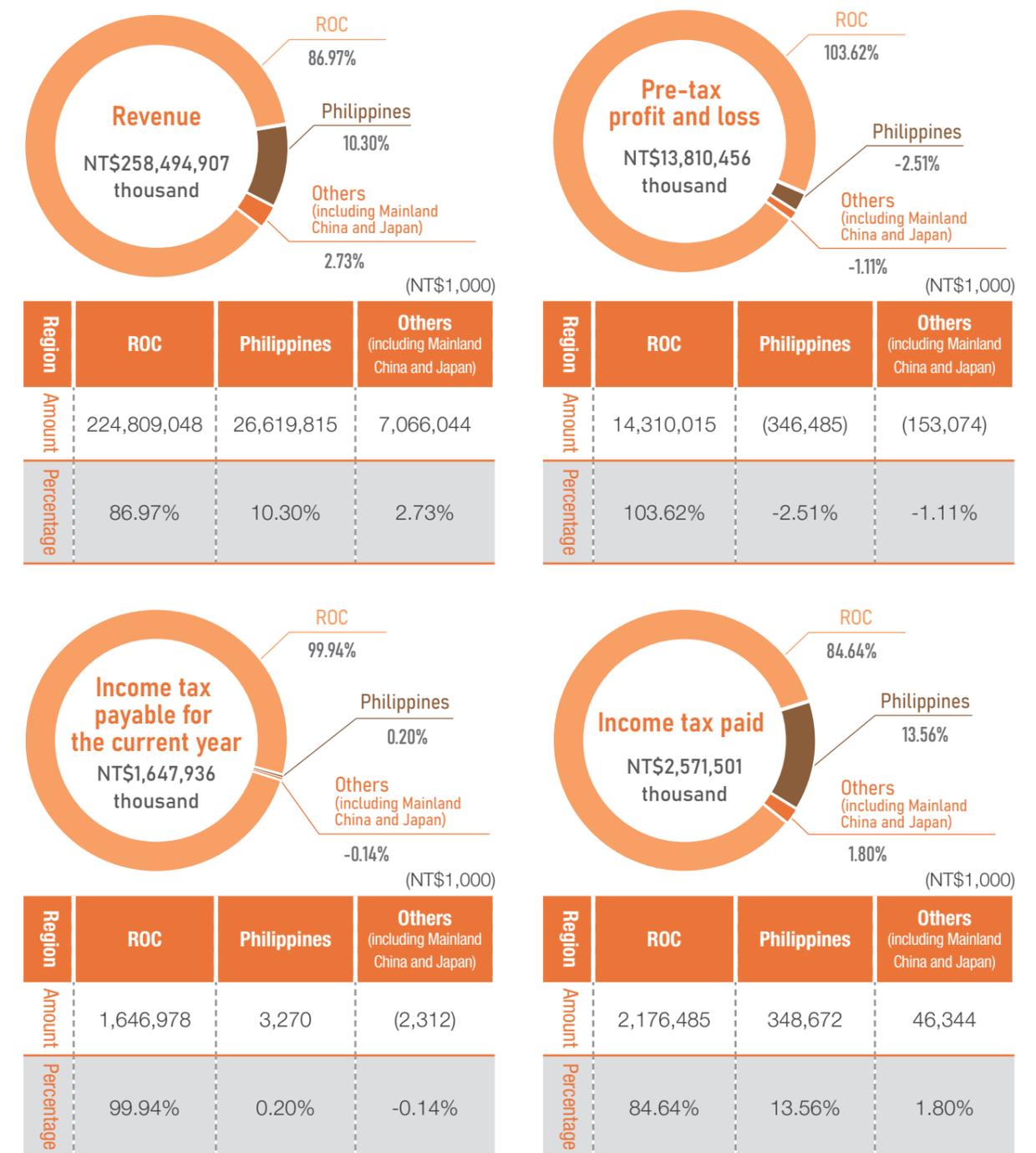
Item	2020 (NT\$1,000)
Operating Revenue	168,147,856
Gross Profit	56,557,043
Income tax expense	1,476,353
Net profit after tax	10,238,162
Earnings per share	NT\$9.85
Dividend per share	NT\$9
ROE (%)	28.34%
Total assets	141,503,950
Total liabilities	105,483,759
Total equity	36,020,191

## Tax

### Tax Governance

In conformity with the core values of our tax policy, PCSC is committed to following the tax laws and regulations of the areas in which it operates, reporting and paying taxes based on the principle of honesty, fulfilling its obligations as a taxpayer and supporting the government as it promotes sustainable development policies, including industrial innovation, R&D and reinvestment.

### Operating revenue, pre-tax profit and loss, income tax payable and income tax payment in each country/region in which PCSC and its subsidiaries operate in 2020



### Income tax

(Unit: NT\$million)

Financial Disclosure	2019	2020
Profit before income tax	15,164	13,810
Income tax expenses	3,052	2,470
Income tax paid	3,380	2,572

### Effective Tax Rate

The effective tax rate for 2019 and 2020 were lower than the industry average as Taiwan was the primary source of operating profits and the income tax rate for profit-seeking enterprises in Taiwan was 20%. Even though some operating profits were from Mainland China (at 25%) and the Philippines (at 30%), the overall tax rate of PCSC was still lower than GICS industry average tax rates for the food and consumer staple retailers.

Year	2019	2020 (Note 4)	Industry average tax rate (Note 1)
Reported tax rate (Note 2)	20.1%	17.9%	26.3%
Cash tax rate (Note 3)	22.3%	18.6%	26.6%

(Note 1) Industry average tax rates were taken from GICS's (Global Industry Classification Standard) for food and consumer staple retailers.

(Note 2) Reported tax rate (%) = income tax expenses/profit before income tax.

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

(Note 4) The subsidiary in the Philippine suffered from the impact of the COVID-19, resulting in losses in the current year and decreasing the Group's effective tax rate compared with the previous year.

### External Participation

PCSC participates in industry associations to work with others by exchanging experience brainstorming, bringing together the resources of various businesses and others to facilitate development in sustainable operations, food safety and sustainable environment.

In terms of food safety, PCSC serves as the President of the Taiwan Delica Foods Development Association (TDF). PCSC donates NT\$5 million every year as operating expenses for the association, hoping to collaborate with the corporates in the industry to establish supply chain management platforms, to control raw material development and product quality, to improve on, manufacturing process, equipment; and technology evaluation and implementation, as well as to facilitate external communications. We hope to provide our customers fresh food with technology and quality that is above world standards.

In the area of business sustainability, we participate in many trade associations and guilds to stay updated with the latest information on sustainable development and exert our influence to support sustainable business development. Other than taking part in business associations and alliances, PCSC does not make any contribution or participate in other lobbying or interest groups. In 2020, PCSC did not make any political donations or donate to candidates, election organizations or events.

### List of industry associations in which PCSC is a member

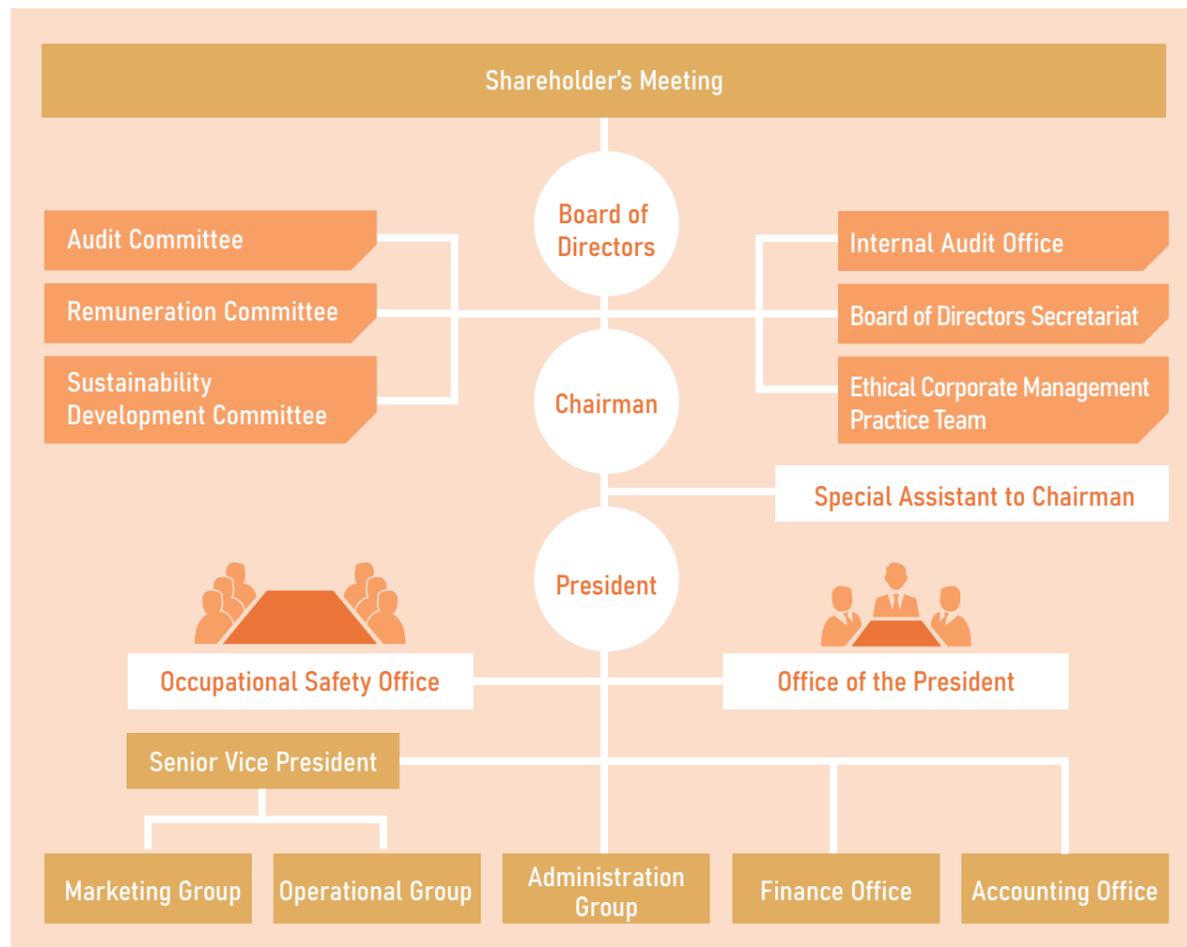
List of External Public Associations	Membership Capacity	Focus	2020 Membership Fee
Taiwan Delica Foods Development Association	President		5,000,000
Taiwan Quality Food Association	Director	Food Safety	10,000
The Business Council for Sustainable Development of Taiwan	Honorary Member	 Corporate Sustainability	120,000
Marketing Communications Executives International	Member		15,000
Taipei Department Stores Association	Member		9,000
Chinese National Association of Industry and Commerce, Taiwan	Member		20,000
Taiwan Coalition of Service Industries	Director		5,000
Taiwan Chain Stores and Franchise Association	Director		30,000
Zero Energy Building Technology Alliance	Member	 Environmental Sustainability	None (Note)

(Note) This union has collected NT\$10,000 per year for the past two years, but after that the organization's surplus was sufficient so that no further fees were collected as dues.

## 2.2 Corporate Governance

### Governance Framework

PCSC believes that sound corporate governance is crucial to the stable development of a business. PCSC's sound and rigorous corporate governance framework is built on distinct layered management. In the meantime, it designates functional committees or task forces to deal with specific major issues, allowing PCSC to stand firm in the industry and continue to grow. In 2020, PCSC ranked in the top 5% in the Taiwan Corporate Governance Evaluation System, and was selected again by the TWSE Corporate Governance 100 Index, FTSE4Good TIP Taiwan ESG Index, FTSE4Good Emerging Index, MSCI ESG Leaders Indexes, and MSCI Global SRI Indexes. In addition, PCSC was listed on the Dow Jones Sustainability World Index and Emerging Markets Index for the second year running. It was ranked as the number one in the industry and selected as the industry leader in the food retail business in 2020.



### Board of Directors

To enhance financial information disclosure, managerial performance and stability, and the Company's sustainable development, the Audit Committee, Remuneration Committee and Sustainability Development Committee have been set up under the Board of Directors, PCSC's highest governing body. It carries out top-down management and supervision to ensure the sound operations of the Company.

PCSC's Board of Directors consists of 13 directors (including 3 independent directors). They are elected through a nomination system and serve a 3-year term, whereby shareholders select names from a list of candidates. The PCSC board is characterized by diversity. The average age of board members is 60 and 2 female members are included. The backgrounds range from business administration, economy, marketing, accounting, law to information engineering. Their education, professional expertise and remuneration can be found on pages 19-23 of the 2020 Annual Report.

In order to ensure the independence of board, per the regulations set forth in the "Regulation Governing Procedure for Board of Directors Meetings," if Board members or the corporation they represent have interest in a matter before the Board which could adversely impact Company interests, they can state their opinions and provide consultations but are not permitted to participate in discussion or voting and must recuse themselves during discussion and voting to avoid conflicts of interest among those at the highest levels of governance for the Company. They are also prohibited from serving as proxy for other directors. The Board of Directors must convene at least once every quarter to discuss the Company's business performance, development strategies and major investment issues. In 2020, the Board met 6 times with an average attendance rate of 99%.

(Note) The Annual Report can be downloaded from the Market Observation Post System or the investor relations website (<http://www.7-11.com.tw/company/ir/>).

### Board Performance Evaluation

PCSC has set forth the "Rules for Performance Evaluation of Board of Directors" to implement corporate governance and enhance the functions of the Company's Board of Directors and functional committees, and set performance targets to enhance operational efficiency. A number of measurement items linked to corporate governance and corporate sustainable development have been selected so as to ensure the Company's sustainable operations.

<p>Measurement Items for Performance Evaluation for Board of Directors</p>	<ul style="list-style-type: none"> <li>▶ Degree of participation in the Company's operations</li> <li>▶ Improvement of the quality of decision-making by the Board of Directors</li> <li>▶ Board composition and structure</li> <li>▶ Election and continuous development of Directors</li> <li>▶ Internal control</li> </ul>
<p>Measurement Items for Performance Evaluation for Individual Directors</p>	<ul style="list-style-type: none"> <li>▶ Understanding of the goals and missions of the Company</li> <li>▶ Recognition of duties as Directors</li> <li>▶ Degree of participation in the Company's operations</li> <li>▶ Management of internal relationship and communication</li> <li>▶ Professionalism and continuing education</li> <li>▶ Internal control</li> </ul>
<p>Measurement Items for Performance Evaluation for Members on the Functional Committees</p>	<ul style="list-style-type: none"> <li>▶ Degree of participation in the Company's operations</li> <li>▶ Recognition of duties as Members on the functional committees</li> <li>▶ Improvement in the quality of decision-making by functional committees</li> <li>▶ Composition and election of functional committee members</li> <li>▶ Internal control</li> </ul>

### ■ Results of Board of Directors Performance Evaluation in 2020

The Board of Directors, individual directors and various functional committee members have a good understanding of the goals and missions of the Company and committees, meet the Company's operational needs, and can effectively facilitate the Company's sustainable operations, social responsibilities, risk management and long-term strategic development, as well as adhering to the spirit of corporate governance.

### Audit Committee

Based on the "Regulations Governing the Exercise of Powers by Audit Committee of Public Companies," PCSC set up the Audit Committee in 2012. The Audit Committee assists the Board of Directors in overseeing and controlling the fair presentation of the Company's financial statements, the hiring (and dismissal), independence, and performance of certificated public accountants, effective implementation of the internal control system of the Company, compliance with relevant laws and regulations, and management of the existing or potential risks of the Company.

The Committee is composed of three independent directors with Shu, Pei-Gi serving as convener. It meets at least once every quarter. In 2020, the Audit Committee convened 4 times with an attendance rate of 91.67%.

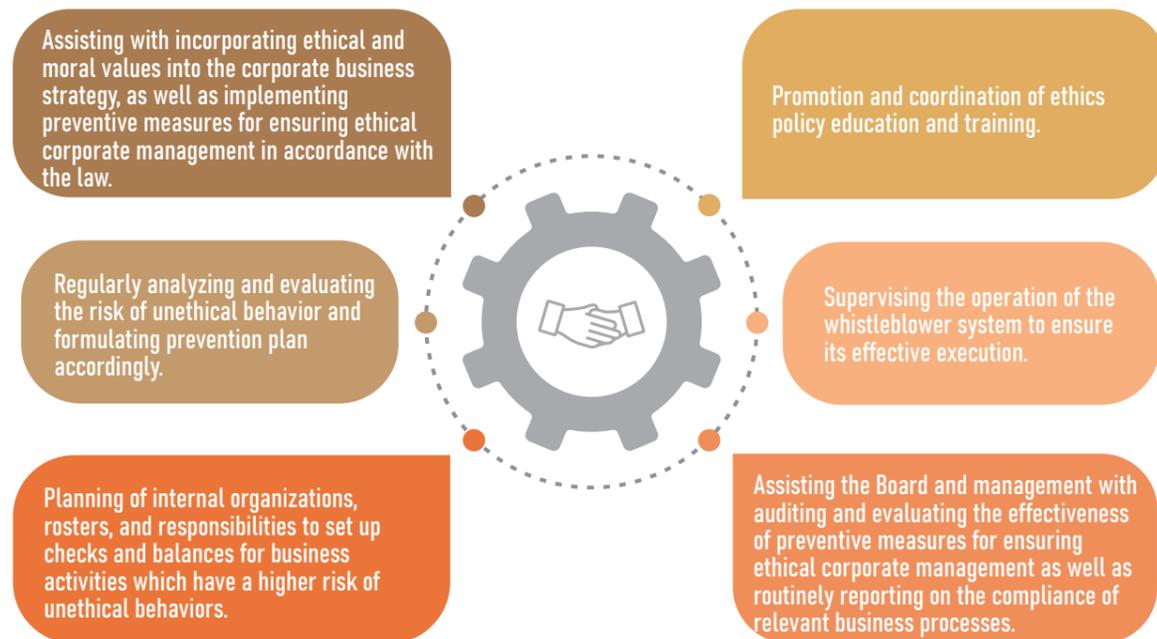
## Remuneration Committee

Based on the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter,” PCSC set up a Remuneration Committee in 2011. It primarily assists the Board of Directors in implementing and assessing the Company’s overall remuneration and benefits policy as well as remuneration for directors and managers. The Committee is composed of three independent directors with Wang, Wen-Yeu serving as convener. The Committee convened at least 2 times a year. In 2020, the Committee convened 3 times with an attendance rate of 88.89%.

### Ethical Corporate Management

Ethical management is one of the most important guiding principles for PCSC. PCSC established its “Ethical Corporate Management Practice Team” under the Board of Directors, as well as drafting the “Corporate Governance Best Practice Principles,” “Ethical Corporate Management Best Practice Principles,” and “Ethical Corporate Management Operating Procedures and Code of Conduct” to serve as the base for promoting ethical operations within the Company. The status of the Company’s performance is disclosed on our official website and annual report each May. There was no incident of corruption, bribery or event that violated the Fair trade Act in 2020.

## Ethical Corporate Management Practice Team



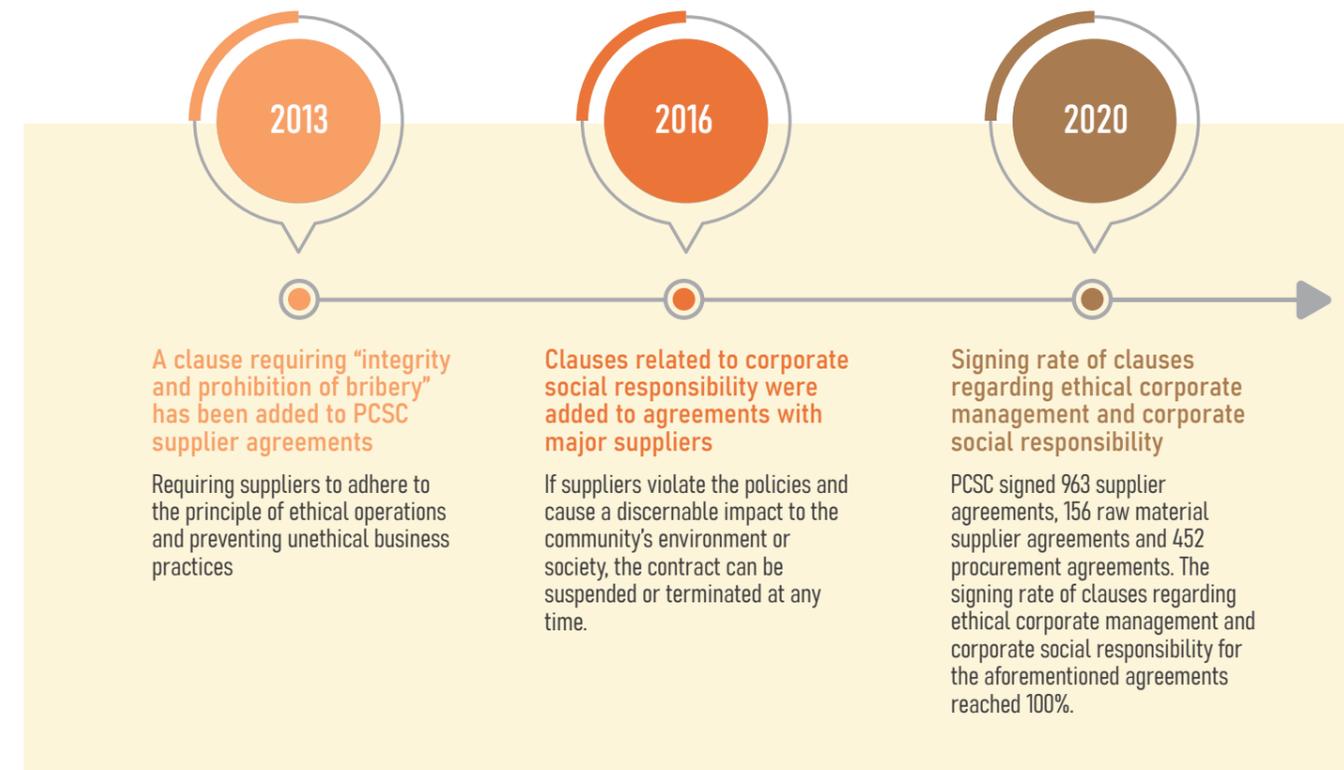
### Internal Education and Training and External Regulations

PCSC raises awareness of ethical corporate management through a monthly publication, featuring cases or reminders collected by the Ethical Corporate Management Practice Team to promote the concept and policy. Relevant education and training applies to all PCSC employees, including store managers.

All Employees | 100% completed training

Store Managers | 100% completed training

In terms of external collaboration with suppliers, we have formulated ethical corporate management clauses to ensure ethical corporate management from suppliers.



### Ethical Corporate Management Grievance Channels

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

After stakeholders send their feedback by email through our website, messages are passed directly to the dedicated unit, which is then required to update the status of the case within a specified time frame. PCSC keeps track of the number of reports as well as the status each month.

### Risk Management

PCSC’s ability to respond to and deal with risks has been an important key to its continued growth and stable operations. Our risk management covers the entire group and all its subsidiaries. Every member, from the Board of Directors and management at all levels to the staff, participates and implements risk management policies. We set up corresponding dedicated units based on the categorization of the risk. From here, we identify, analyze, evaluate, monitor, respond to and report all risks while improving our countermeasures. The dedicated units and risk management for PCSC’s primary risks are as follow:

Risks of All Aspects

Type	Risk Management Measures	Dedicated Unit
 <b>Economic</b>  Strategic operational risk	Business groups and subsidiaries plan and assess risks before deciding on investment and operations. The Office of the President periodically performs analyses of relevant indicators and holds PCSC and affiliated enterprises quarterly meetings. We conduct periodic review of specific types of affiliated enterprises cases to track and analyze the operation performance. Also, we adjust the operation strategies according to the observation on market competitiveness and consumption trend ensuring that each business unit's operational strategy conforms to the operational goals and vision.	Office of the President
 <b>Economic</b>  Finance, Liquidity, and Credit Risks	PCSC's Finance Office takes laws, policy and market changes into consideration when setting various strategies, processes and indicators, periodically analyzing and assessing changes of relevant risk and taking appropriate countermeasures to reduce the Company's overall potential risk.	Finance Office
 <b>Corporate Governance</b>  Market Risks	Various business units, based on function, analyze and assess major domestic and foreign policy, law and technological changes and adopt appropriate countermeasures to reduce future potential operating risks. Moreover, PCSC also has an inter-division Regulation Identification Committee that periodically holds "Regulation Identification Meetings" to keep abreast of the latest changes to laws and regulations so as to be able to adopt appropriate countermeasures. Additionally, each unit's supervisors also establish a "Crisis Management Team" to effectively control and manage any potential or current market risks or crisis.	Various business units/ Regulation Identification Committee/ Crisis Management Team

Type	Risk Management Measures	Dedicated Unit
 <b>Social</b>  Food Safety Risks	<p>PCSC attaches a great deal of importance to consumer health and safety and has made food safety its top priority while continuing to invest each year to ensure rigorous quality control. Food safety risk can have serious impact on the Company's image and impact income and profits. Consequently, a product safety process controls mechanism has been set up to enhance management of the supply chain as a long-term effort on the part of the Company. Countermeasures are as followed:</p> <ol style="list-style-type: none"> <li>1. Establishing the Product Safety Committee and holding regular meetings to discuss such topics as government laws and regulations, contract manufacturers and supplier assessment deficiencies, product safety information, food safety testing programs and implementation progress.</li> <li>2. Establishing the Product Safety Information Collection and Tracking Operational Standards, collecting relevant product safety information and set up tracking procedures to ensure the safety of Company products.</li> <li>3. Using measures like contractual cooperation, production site management, ingredient tracing mechanisms and systems, supplier grading, management and on-site assessment system, distribution centers and periodic store checks, as well as occasional sampling of raw materials and finished products to stay on top of the entire supply chain from production to store. We are continually setting up rigorous food safety protection networks for our consumers.</li> </ol>	Operational Group/ Marketing Group
 <b>Economic</b>  Risks maintaining franchisee order	<p>To keep individual stores growing and the overall operations of the Company stable, PCSC continues to optimize its franchising mechanism, improving the remuneration to franchisees, and keeping franchises in good order as a countermeasure.</p>	Operation Group / Marketing Group
 <b>Environmental</b>  Climate risks	<p>PCSC has integrated our climate risk management into the existing risk management framework, in which 5-related department identify climate risks and opportunity, including (1)transitional risks of laws and regulations, market and techniques and reputation; (2)short term and long term physical risk. PCSC formulates management strategies and targets according to all the material topics. Please refer to "Climate Change Mitigation and Adaption Measure" in Chapter 6.</p>	All business units

▪ **Emerging Risks**

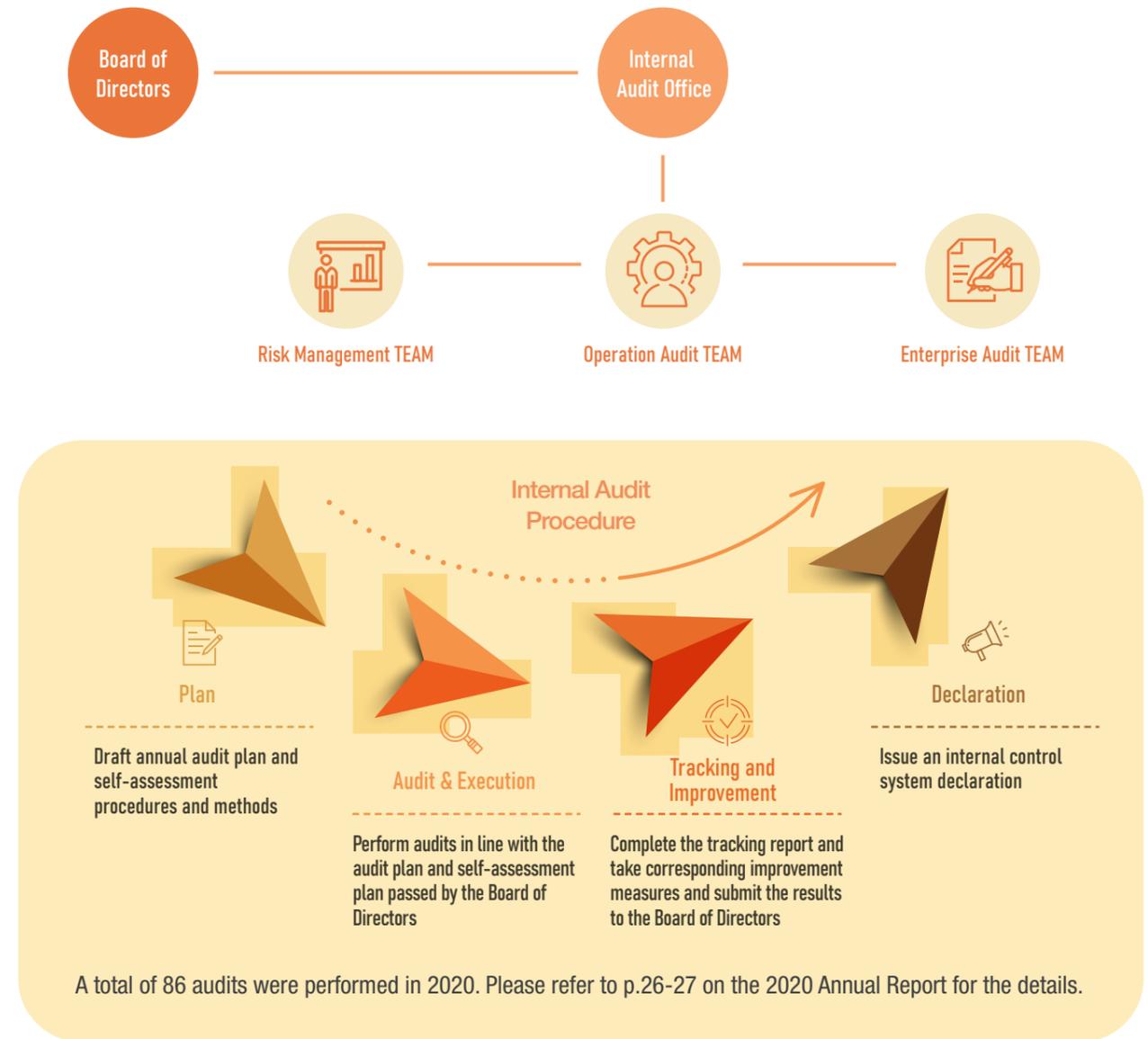
In order to stand firm in this fast-changing retail food industry, PCSC places great importance on significant social, economic, and environmental trends to better control risks that might affect the Company's profits and sustainable operations. PCSC has integrated the way we identify and respond to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

Type	Social - employment and life crisis	Social - infectious diseases
Emerging Risks	Demographic structure changes	Pandemic
	PCSC is in the business of convenience store and logistics for which intensive manpower is required. In 2020, the population in Taiwan showed negative growth for the first time. Taiwan has been facing significant demographic changes due to the decreasing birth rate and population growth rate, as well as an aging population. PCSC expects the decrease in labor force will have a great impact on all labor-intensive industries.	With the COVID-19 pandemic wreaking havoc all over the world in 2020, the impact on people's health and livelihood was considerable. With the competent authority tightened the requirements on public health and health and safety regulations, consumer psychology and behavior were also altered.  PCSC stands on the front line to provide the public with convenient products and services, bringing together people and products from everywhere. Faced with the uncertainty caused by infectious diseases, it is important to ensure that customers have access to high quality products and services that are healthy and safe in addition to ensuring continuous operations.
Future Impact	<p>PCSC uses the aging society and human resource information from National Development Council and government agencies to predict the demographic change and the impact on the store manpower and consumers:</p> <ul style="list-style-type: none"> <li>The decrease in the labor force and the aging population will have an impact on PCSC's recruitment, personnel costs and work allocation in the future.</li> <li>With the percentage of the elderly continuing to grow, the elderly will become our main target group in the future, bringing significant impact on product development and services.</li> </ul>	<ul style="list-style-type: none"> <li>To prevent or control epidemics, requirements by competent authorities such as improving the operational environment, food safety, employee health and health management have increased operational costs.</li> <li>Being face-to-face with customers, open display, on-site beverage making and open dining areas are all possible channel of disease transmission. Integrating prevention measures increases operational costs, but an outbreak could have an adverse impact on our reputation.</li> <li>Epidemic prevention measures, such as home quarantine, could affect employee attendance, business travel, contractors performing on-site work, or have an impact on supply stability and logistics efficiency, posing challenges to continuous store operations.</li> <li>In the time of the pandemic, we formulate 3 to 5 years simulation plans to stay on top of consumers' changing demand and growing online business.</li> </ul>
Countermeasure	PCSC keeps a close watch on changing trends of aging population. PCSC develops products targeting senior citizens and designs elderly-friendly stores based on the perspectives of the elderly. In terms of manpower allocation, PCSC collaborates with government and charity group to employ elderly laborers. PCSC facilitates the learning and adaption of those elderly employee by redesigning the roles and responsibility. The introduction of AI technology and labor-saving tools helps streamline the operation structure process, reducing personnel costs and demand for labor.	<p>PCSC proactively and strictly adhere to infectious disease prevention laws and regulations. To this end, PCSC has set up an epidemic crisis taskforce and reporting system while hosting regular meetings. WFH measures and online conference system have increased work flexibility and reduced risks for clusters.</p> <ul style="list-style-type: none"> <li>The stores have adopted electronic payment to prevent the spread of the disease. PCSC also enhance sanitation mechanism internally and require our contractors to implement disease prevention plan.</li> <li>The primary objectives for our products are to ensure food safety and stable product supply. We have placed products in the warm food section in the fridge, develop online and mobile marketing channels, implement mobile pickup function, i-preorder and MyShip and invest in delivery service, providing customers with fast, convenient and varying services.</li> </ul>

▪ **Internal Audit**

To prevent operational risks, ensure operational compliance and urge the Company to achieve its goals, PCSC established the Company's "Internal Control System," "Internal Audit Implementation," and "Procedures of Internal Control Self-evaluation" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau to perform audits.

▪ **Internal Audit Organization**



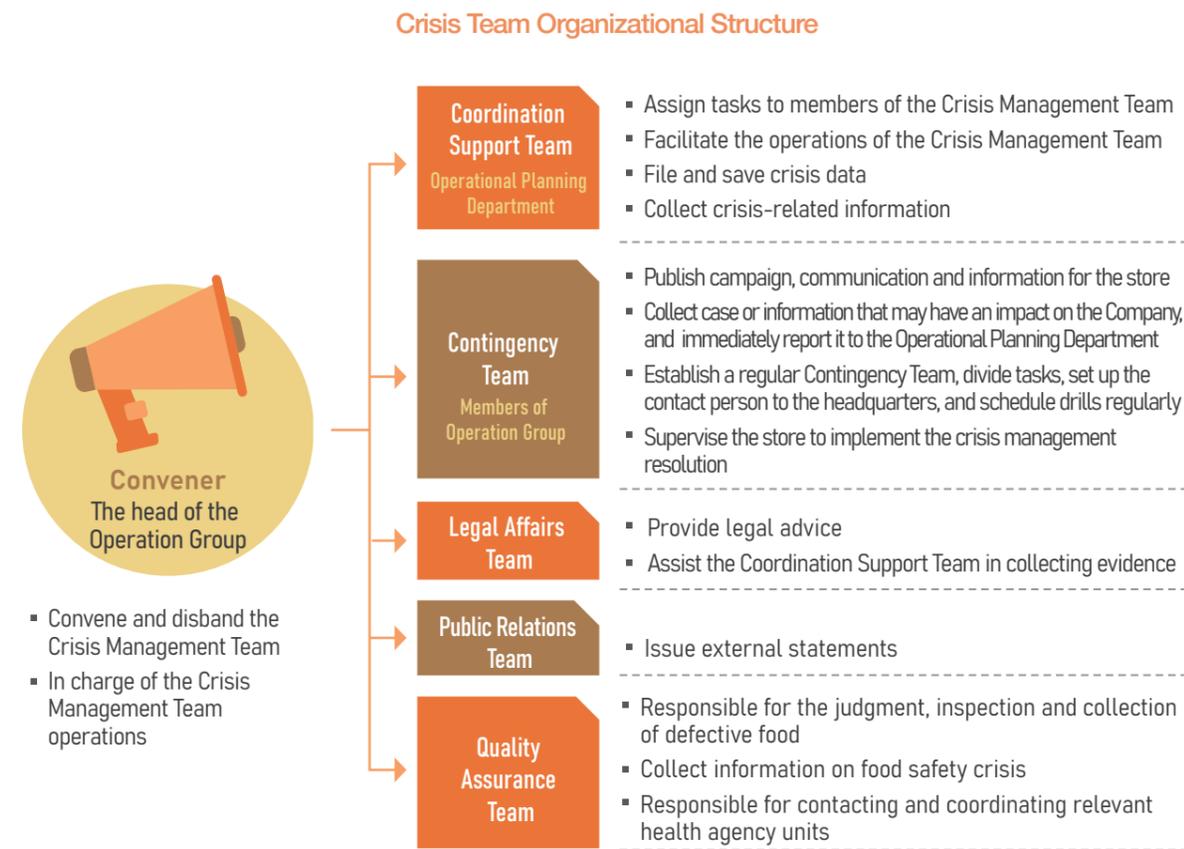
▪ **Crisis Management**

In addition to managing risks, PCSC has also set up a sound risk management responsibility team and SOP for dealing with crises to minimize potential losses.

The Company established a cross-departmental "Crisis Management Team" with its "PCSC Crisis Management Handbook" and the "Guidelines to Crisis Management and Contingency of the Operating Group", with reference to the parent company President Enterprises Corporation's crisis management principles to enhance and update the structure.

PCSC has set up a “Crisis Management Team” headed by the head of the operation group, governing “Contingency Team,” “Legal Affairs Team,” the “Public Relations Team” and the “Quality Assurance Team.” The crisis reporting principles have also been formulated to standardize the procedure from occurrence, handling to external response, ensuring PCSC operations in the process.

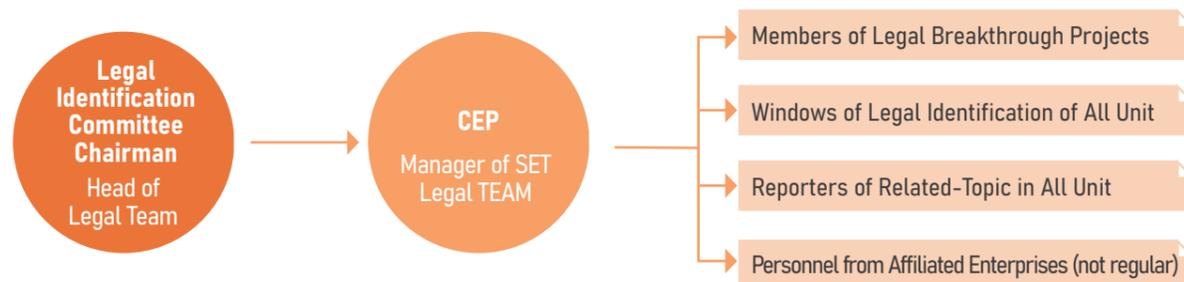
In 2020, a customer conflict in a store was covered by the media. The crisis was reported in accordance with the regulations. The police were assisted during the investigation with no other incident.



## Legal Compliance

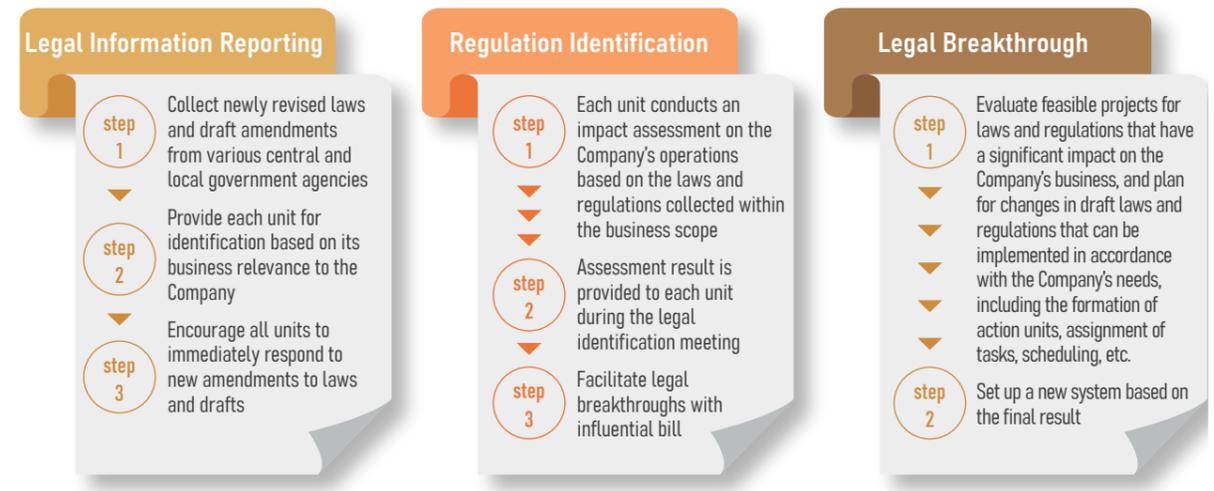
PCSC has formulated the PCSC Principles of Legal Control and Breakthrough, stating that the Legal Identification Committee as the guiding body on legal compliance. The legal identification contact is included in each unit to ensure legal compliance in order to stay updated with the trends in legal revision, ensuing operations of each company organization complies with government regulations.

### Legal Identification Committee



### Legal Compliance Mechanism

With the establishment of the Legal Identification Committee, PCSC is committed to fulfilling the goals of “legal information reporting,” “regulation identification” and “legal breakthrough.”



### Violations in 2020

One of PCSC’s major sources of revenue comes from food sales. Food is a staple that has a huge impact on everyday life. Therefore, PCSC lays great emphasis on food safety. Food products sold through PCSC stores must all comply with the Act Governing Food Safety and Sanitation as well as its sub-laws. The sub-laws include “Regulations on Good Hygiene Practice for Food,” “Food Sanitation Standards,” as well as other relevant laws issued by the Ministry of Health and Welfare. In 2020, PCSC violated the Act Governing Food Safety and Sanitation for selling expired food. There were 3 violations in total, with a total of NTD\$180,000 fine. PCSC has not violated product labeling or marketing regulations.

In addition to the Act Governing Food Safety and Sanitation, PCSC also pays attention to operational compliance in the three major aspects of economy, environment and society. In 2020, PCSC did not violate major environmental, economic or social regulations. However, the Company did receive 7 violations with a total of NT\$281,200 in fine from the competent authority for violating the Pharmaceutical Affairs Act, the Tobacco Hazards Prevention Act, the Labor Standards Act, and the Road Traffic Management and Penalty Act. PCSC has conducted a thorough review of the penalties and implemented improvement measures. Please refer to the table below and page 58 of the 2020 Annual Report for detailed descriptions of all penalties, amounts of individual penalties and improvement measures.

Law Violated	Incident	Fine	Improvement Measure
Act Governing Food Safety and Sanitation	Some stores sold expired product due to inventory mistake	NT\$180,000	1. Stores are asked to check the products that are close to expiration (Note) 2. An external management consulting company is entrusted every month to inspect on expired products 3. The Quality Assurance Department will provide the result of the external management consulting company of each store on expired products in real time online to each store for further inspection

(Notes) Products that are close to expiration are the ones that will expire within a month.