

02

ACHIEVING SUSTAINABLE GOVERNANCE

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



Corresponding Material Topics



Management Policies

Policies and Commitments

- PCSC Principles of Legal Control and Breakthrough
- Personal Data Protection Management System and Policy
- [Personal Data Protection Handbook](#)
- [PCSC Risk Management Policy](#)

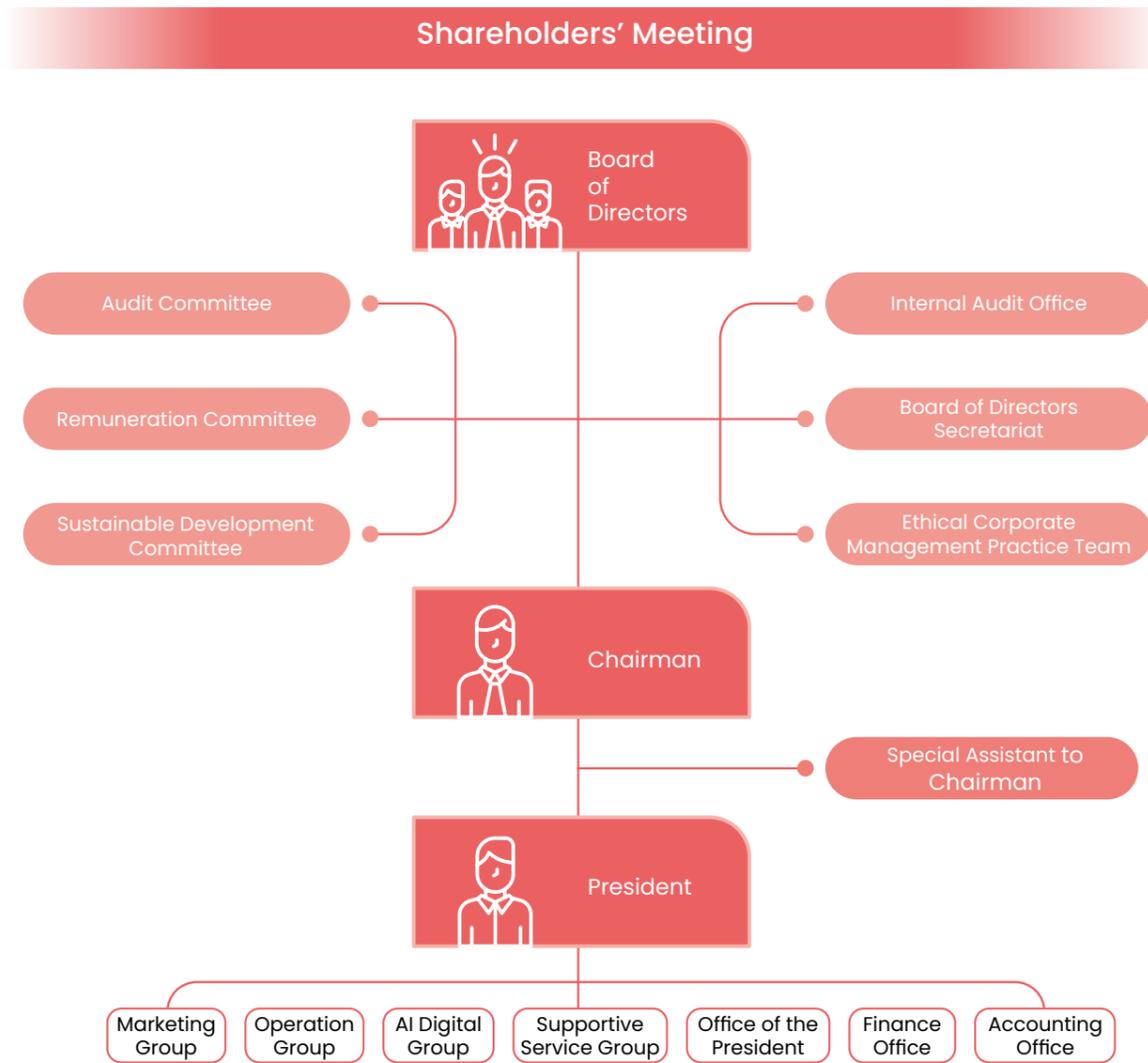
Management Actions

- PCSC has established a Regulation Identification Committee to ensure and strengthen legal compliance through legal information reporting, regulation identification and legal breakthrough.
- PCSC has set up a Personal Data Protection Task Force to ensure the safety of consumer data through internal audits and external verification of personal data (Taiwan Personal Information Protection and Administration System, TPIPAS), crisis prevention and education and training.
- PCSC set up a Risk Management Committee to classify various risks and formulate management policies. The Committee monitors and gives feedback on risk identification on a monthly basis, as well as compiling the information of each department every 6 months and reporting to the Sustainable Development Committee at the end of the year. Each dedicated unit offers feedback on risk response measures through a form to realize risk identification, measurement and reporting.
- In December 2022, the PCSC Board of Directors approved the resolution to divide the "Risk & Information Security Management Office" under the Sustainable Development Committee into the "Cybersecurity Committee" and the "Risk Management Committee" with independent operations to strengthen information security management and gain more comprehensive risk control.

2.1 Corporate Governance

Board of Directors

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



As the highest governing body of PCSC, the Audit Committee, Remuneration Committee and Sustainable Development Committee have been set up under the Board of Directors to enhance financial information disclosure, managerial performance and stability and the Company's sustainable development. To this end, it carries out top-down management and supervision to ensure the sound operations of the Company. 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 ^(Note 1). The Chairman serves as the Chairman of the Board to implement and supervise all company matters without taking up the role as the Company's President. The PCSC board is characterized by diversity. The average age of board members is 63 with 2 female directors included. Their backgrounds range from business administration, economy, marketing, accounting, law to information engineering. Their education, work experience, professional expertise and remuneration can be found on pages 19-27 of the 2022 Annual Report ^(Note 2). In 2022, each director received an average of 6.77 hours of training, covering topics such as environment, society and governance. For detailed information on director training, refer to page 35 of the annual report ^(Note 2).

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

In order to ensure the independence of the board, per the regulations set forth in the "Rules of Procedure for Board of Directors Meetings," if Board members or the corporation they represent have interest in a matter before the Board which could adversely impact Company interests, they can state their opinions and provide consultations but are not permitted to participate in discussion or voting. They must recuse themselves during discussion and voting, and they are prohibited from serving as proxy for other directors ^(Note). The Board of Directors must convene at least once every quarter to discuss the Company's business performance and development strategies as well as major investment issues. In 2022, the Board convened 8 times with an average attendance rate of 99.04%.

(Note) The independence of the Board can be found on [page 22 of the 2022 Annual Report](#)

Functional Committee

In order to improve the supervisory function and strengthen the Company's management, the PCSC Board of Directors has set up an Audit Committee, a Remuneration Committee and a Sustainable Development Committee responsible for the discussions of the Company's major proposals and issues such as economy, environment, society, human rights, risks and cyber security. For the members of each committee, resolutions and relevant information, refer to PCSC's website. ^(Note)

(Note) The description of functional committees can be found on the [PCSC's website](#)

Remuneration System for Directors and Senior Management

PCSC has a clear and reasonable remuneration policy for directors and managers. According to Article 32 of the Company's Articles of Incorporation, no more than 2% of the current year's profits will be appropriated as the directors' remuneration, and a reasonable remuneration will be assessed and given in consideration of the directors' contribution to the Company's operations, continuing education and sustainable management. The remuneration is reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is adjusted according to the actual operating conditions and laws to maintain the balance between the Company's sustainable operations and risk control. The salary of the Company's senior executives is based on personal performance, including financial indicators such as the Company's profitability, to evaluate their contribution to the overall operations while taking into consideration the market salary level and the Company's operating performance. The bonus distribution is based on the Company's bonus and performance management methods, as well as factoring the Company's annual operating performance and individual performance.

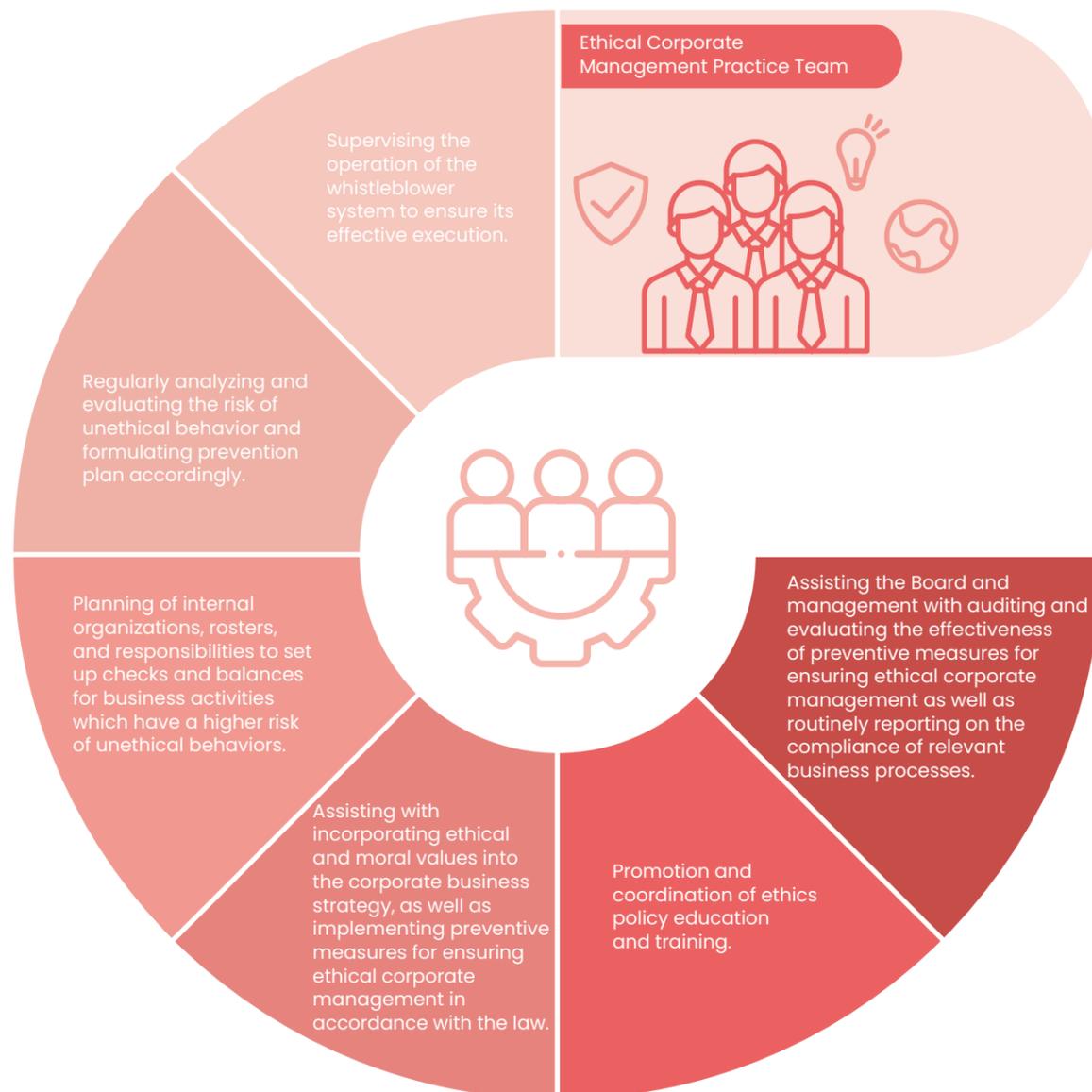
PCSC has set forth the "Rules for Performance Evaluation of Board of Directors" ^(Note) to implement corporate governance and enhance the functions of the Company's Board of Directors and functional committees, as well as setting performance targets to enhance operational efficiency. A number of indicators that have been selected are highly linked to corporate governance and corporate sustainable development so as to ensure the Company's sustainable operations. In 2022, it was assessed that the Board of Directors, individual board members and each functional committee have a good grasp of the Company and the committee's goals and tasks, which meet the Company's operational needs, effectively promote the Company's sustainable operations, social responsibilities, risk management and long-term strategic development, as well as realizing the spirit of corporate governance.

(Note) The Rules for Performance Evaluation of Board of Directors can be found on the [PCSC's website](#)

Ethical Corporate Management

Ethical management is one of the most significant 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 corporate management within the Company. The status of the Company's performance of ethical corporate management is disclosed on our official website and in the annual report each May. There was no incident of corruption, bribery or event that violated the Fair trade Act, conflict of interest, money laundering and insider trading in 2022.

Ethical Corporate Management Practice Team



The Results and Plans of Promoting Ethical Corporate Management

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, and store managers. In terms of external collaboration with suppliers, we have formulated ethical corporate management clauses to ensure ethical corporate management from suppliers. In 2022, a total of 1,147 supplier contracts and raw material supply agreements, as well as a total of 1,090 procurement contracts were signed. The signing rate of the ethical corporate management and CSR-related clauses in the aforementioned contracts is 100%.

Ethical Corporate Management Grievance Channels

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

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

Fiscal and Tax Governance

PCSC actively opened new stores in 2022 and drove growth through the integration of strategies for online and physical businesses. The annual consolidated total revenue hit a record high with a 10.54% growth compared with the previous year. The pandemic ceased to be a factor affecting the operations. For further detailed information, please refer to the PCSC financial statement available on the Market Observation Post System.

In the meantime, PCSC stays in conformity with the core values of our tax policy by being 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.

Direct economic value distribution

| Item | 2022 (NT\$1,000) |
|---------------------------------|--|
| Operating costs | 121,633,971 |
| Employee wages and benefits | 7,583,938 |
| Payment to providers of capital | Interest: 433,240 Dividend: 9,356,600 |
| Payment to government | 1,269,828 |
| Community investment | 90,340 |

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 2022.

| Revenue: NT\$290,434,137 thousand | | | |
|-----------------------------------|-------------|-------------|---|
| Region | ROC | Philippines | Others (including Mainland China and Japan) |
| Amount | 248,245,454 | 35,264,978 | 6,923,705 |
| Percentage | 85.48% | 12.14% | 2.38% |

Pre-tax profit and loss: NT\$14,069,981 thousand

| Region | ROC | Philippines | Others (including Mainland China and Japan) |
|------------|------------|-------------|---|
| Amount | 13,082,792 | 1,523,659 | (536,470) |
| Percentage | 92.98% | 10.83% | -3.81% |

Income tax payable for the current year: NT\$1,897,728 thousand

| Region | ROC | Philippines | Others (including Mainland China and Japan) |
|------------|-----------|-------------|---|
| Amount | 1,830,365 | 60,538 | 6,825 |
| Percentage | 96.45% | 3.19% | 0.36% |

Income tax paid: NT\$2,601,713 thousand

| Region | ROC | Philippines | Others (including Mainland China and Japan) |
|------------|-----------|-------------|---|
| Amount | 2,204,672 | 352,875 | 44,166 |
| Percentage | 84.74% | 13.56% | 1.70% |

Effective Tax Rate

The effective tax rate for 2022 and 2021 were lower than the industry average of as Taiwan was the primary source of operating profits and the income tax rate for profit-seeking enterprises in Taiwan was 20%. The average tax rate for the food and consumer staple retail industry in GICS comes from related industries around the world, with the average increased due to the influence of countries with high tax rates.

| Year | 2021 | 2022 | Industry average tax rate ^(Note 1) |
|---|--------|--------|---|
| Reported tax rate (%) ^(Note 2) | 17.01% | 21.32% | 26.40% |
| Cash tax rate (%) ^(Note 3) | 23.33% | 18.49% | 26.60% |

(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

2.2 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. To strengthen the management and control of cyber security and control risks in a more comprehensive manner, the "Risk & Information Security Management Office" was divided into the "Cybersecurity Committee" and "Risk Management Committee" at the end of 2022. The "Risk Management Committee" integrates and manages all potential risks associated with strategies, operations and finances that may have an impact on the operations and profits. In October 2022, a total of 5 risks were compiled and identified for the year. From 2023 onwards, all departments will monitor and give feedback every month, and the Risk Management Committee will collect the risk identification data of all departments every six months and report to the Sustainable Development Committee once a year. The five major risks identified in 2022, corresponding management organizations and various risk management implementation and dedicated units are as follows:

Risk Identification

| Type | Risk Management Measures | Dedicated Unit |
|---------------------|---|---|
| Finance Risks | PCSC's Finance Office takes laws, policy and market changes into consideration when formulating various strategies, processes and indicators, regularly analyzing and assessing changes of relevant risk and taking appropriate countermeasures to reduce the Company's overall potential risks. PCSC also continuously reviews and updates the cash flow forecast in order to adjust the cash level in a timely manner following the pandemic situation to ensure liquidity. | Finance Office |
| Compliance Risks | Based on the functions, all departments and business units analyze and assess major policy, law and technological changes and adopt appropriate countermeasures to reduce potential operational risks in the future. Moreover, PCSC also has an inter-division Regulation Identification Committee that regularly holds "Regulation Identification Meetings" to keep abreast of the latest changes to laws and regulations so as to be able to adopt appropriate countermeasures. Additionally, each unit's supervisor also sets up a "Crisis Management Task Force" to effectively control and manage any potential or current market risks or crisis. | Various business units/Regulation Identification Committee/Crisis Management Task Force |
| Food Safety Risks | 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 risks can have a serious impact on the Company's image as well as income and profits. To this end, a product safety process control mechanism has been set up to enhance management of the supply chain as a long-term effort on the part of the Company. The countermeasures are listed as follows: 1. Establishing the Merchandise Safety Committee and holding regular meetings to discuss topics such as government laws and regulations, contract manufacturers and supplier assessment deficiencies, product safety information, food safety testing programs and implementation progress. 2. Establishing the Product Safety Information Collection and Inventory Tracking Operational Standards, collecting private-label product safety information and setting up inventory and tracking procedures to ensure the safety of our products. 3. With measures such as contractual cooperation, production site management, ingredient tracing mechanisms and systems, supplier grading, management and on-site assessment system, distribution centers and periodic store checks, as well as occasional sampling of raw materials and finished products, we continue to stay on top of the entire supply chain from production to store in order to set up a food safety net for our consumers. | Operations Group/Marketing Group |
| Franchisee Risks | 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 countermeasures. | Operations Group/Marketing Group |
| Cybersecurity Risks | PCSC takes stock of information and communication systems and services, assesses their management and technical vulnerabilities, as well as the types of threats they may face, the degree of impact and the probability of occurrence to invest in protection resources for risk management and control in line with the value and impact they bring to the Company's operations. It continues to strengthen the cybersecurity risk management and control mechanism to reduce the threat of external hackers and internal human error, as well as building a cybersecurity management system that complies with laws and regulations to protect consumers' personal information and the Company's business secrets. | Cybersecurity Committee |

There was a case of labor dispute at Books.com Co., Ltd., a subsidiary of PCSC, in 2022. We communicated with the employee as soon as the incident occurred and reached a settlement agreement. In the follow-up, PCSC did a comprehensive review of relevant contracts and labor conditions of all affiliated companies to ensure that they are reasonable and compliant. In the meantime, PCSC reiterated major guidelines in its Human Rights Policy, such as “providing a friendly and safe working environment” and “prohibiting forced labor.” We entrust a third party to conduct inspections on labor conditions and occupational safety and health matters in stores, as well as continuing make diverse complaint channels available to ensure that employees can be taken care of in a prompt and proper manner in case of labor rights and interests infringement. We also actively organize various meetings that employees can participate in to facilitate two-way communications on matters such as labor conditions, working environment, workplace health and safety to attach importance to and protect the rights and interests of employees.

Emerging Risks

In order to stand firm in this fast-changing food retail 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.

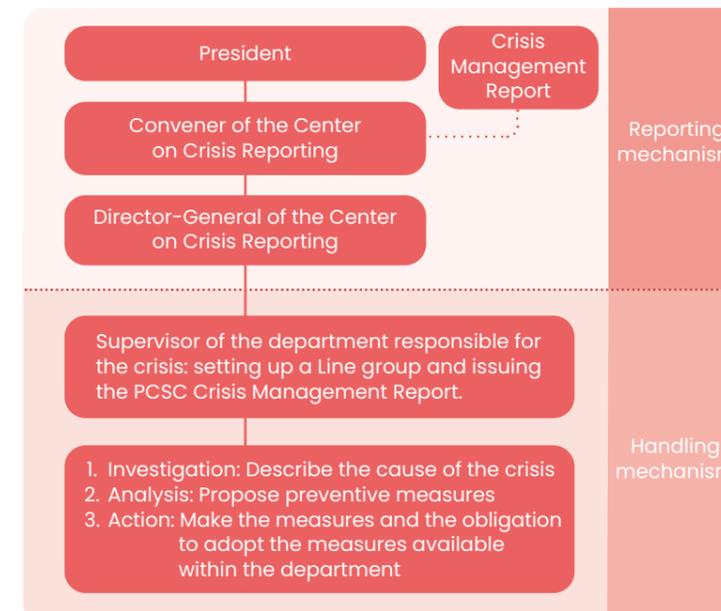
PCSC has integrated the way we identify and respond to emerging risks into our risk management structure. Emerging risks that have been identified are as follows:

| Type | Emerging Risk | Future Impact | Countermeasures |
|-------------------------------------|--|--|---|
| Social - employment and life crisis | Changes in the demographic structure | PCSC refers to the population estimation released by the National Development Council, and the information provided by government agencies such as the aging society and utilization of human resources to conduct scenario analysis, predict future population changes, and estimate the impact on the human resources and customer base of the stores in the medium and long term. | <ol style="list-style-type: none"> 1-1. Plan to collaborate with schools to develop diverse employment channels, and establish a human resources recruitment platform to integrate resources for human recruitment. 1-2. Create a local recruitment mechanism to increase the recruitment of middle-aged and elderly partners, and propose flexible work arrangements to rearrange the work processes for middle-aged and elderly partners. 1-3. Plan to introduce various AI intelligence and labor-saving tools in stores, such as self-checkout machines and self-service coffee machines, to achieve the goal of saving labor and personal costs as well as meeting the needs for the workforce. |
| | According to the statistics published by the Ministry of Interior, only 139,000 babies were born, making it the third consecutive year where there were more deaths than births. The low birth rate and an aging population are expected to lead to a reduction in the working age population and an aging consumer group in the next few years. | Convenience stores and logistics which is vital to their operations, require high labor input. In addition, an aging society will also lead to changes in the main consumer group. Therefore, PCSC may experience the impacts listed below as a result of this risk: <ol style="list-style-type: none"> 1. Impact on talent recruitment and personnel costs. 2. The impact of different product structures and services required by the elderly consumer group. | <ol style="list-style-type: none"> 2-1. Focus on developing products for the elderly and introduce the veggie selection lifestyle store. 2-2. Evaluate the age-friendly store design to provide a friendly environment for consumption. |

| Type | Emerging Risk | Future Impact | Countermeasures |
|----------------------|--|--|--|
| Economic - Inflation | Recession | Due to the impact of extreme weather events in recent years, the production and quality of raw materials for agricultural products have been unstable. The phenomenon is now coupled with geopolitical risks, making oil and energy prices skyrocket, which in turn has increased production and transportation costs and fluctuations in bulk staples. These two uncertainties have led the overall price to continue to increase and result in inflation. | <ol style="list-style-type: none"> 1. Engage with multiple suppliers to improve bargaining power and reduce the risk of shortage risk. 2. Integrate companies in the Group for joint purchases that will lower the costs to maintain price competitiveness. 3. Replace energy-saving equipment in the stores, such as energy-saving light bulbs, refrigerators, etc., to cope with the risk of electricity price hikes. 4. Continue to develop innovative products and new brands, such as Star Rated Cuisine that launch new fresh food products with 5-star hotels/restaurants to enhance the sense of value and reduce price sensitivity. |
| | Geopolitics and extreme weather events lead to unpredictable inflation. Tthe 2023 WEF Global Risks Report also pointed out that Taiwan will face rapid or continuous inflation and commodity price shocks, resulting in a great impact on the economic aspect of the food retail industry. According to the Taiwan Institute of Economic Research, the annual growth rate of consumer price index was 2.95% in 2022, and the annual growth rate of the wholesale price index was 12.43%. Among them, the growth rate of the consumer price index has hit a new high since 2009. According to the latest forecast released by the Directorate General of Budget, Accounting and Statistics in February 2023, the annual growth rate of the consumer price index in 2023 will be 2.16%. | The commodity structure of convenience stores focus on food, daily necessities and services. The potential risks associated with inflation are as follows: <ol style="list-style-type: none"> 1. The rising price for raw materials leads to increased operating costs and reduced profits. 2. The impact of recession reduces the consumer spending power. 3. The energy price increase leads to the increase in operating costs and decrease in store profits. | |

Crisis Management

Organizational Chart of the Headquarters’ Crisis Handling Task Force



In addition to managing risks, PCSC has also set up a comprehensive dedicated risk management unit and SOP for dealing with crises to minimize potential losses. The Company drafted the “PCSC Crisis Management Mechanism” to minimize losses caused by crisis. We also promptly review crisis SOP by making the president the head of the Center on Crisis Reporting. The head of the Support Service Group acts as the convener of the Center on Crisis Reporting. When a crisis occurs, the supervisor responsible for the department will report the incident for timely response. From the occurrence, handling to external response, this rigorous mechanism strengthens PCSC operations.

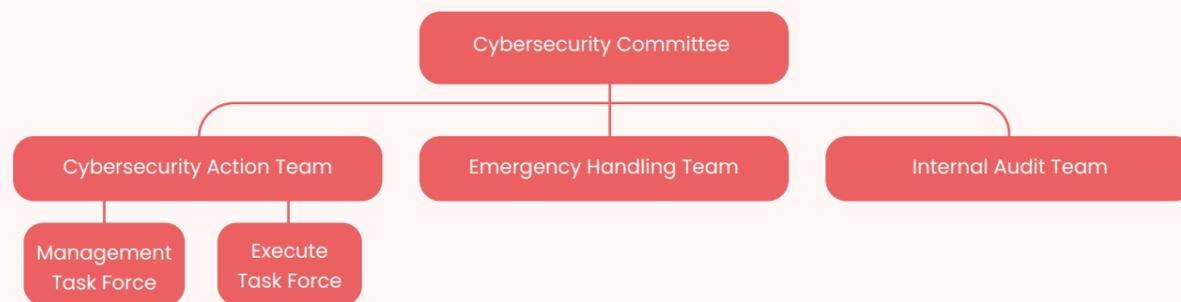
2.3 Information Security and Privacy Protection

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

Cybersecurity Committee

The "Cybersecurity Committee" is the highest decision-making unit for PCSC's information security management. It was turned into an independent unit from the "Risk & Information Security Management Office" originally under the "Sustainable Development Committee" in 2022, with the Chief Information Security Officer as the convener. The "Cybersecurity Action Team," "Emergency Handling Team" and "Internal Audit Team" under the committee hold at least one review meeting a year, with the convener regularly reporting the implementation and results of cybersecurity implementation to the Sustainable Development Committee (Note).

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

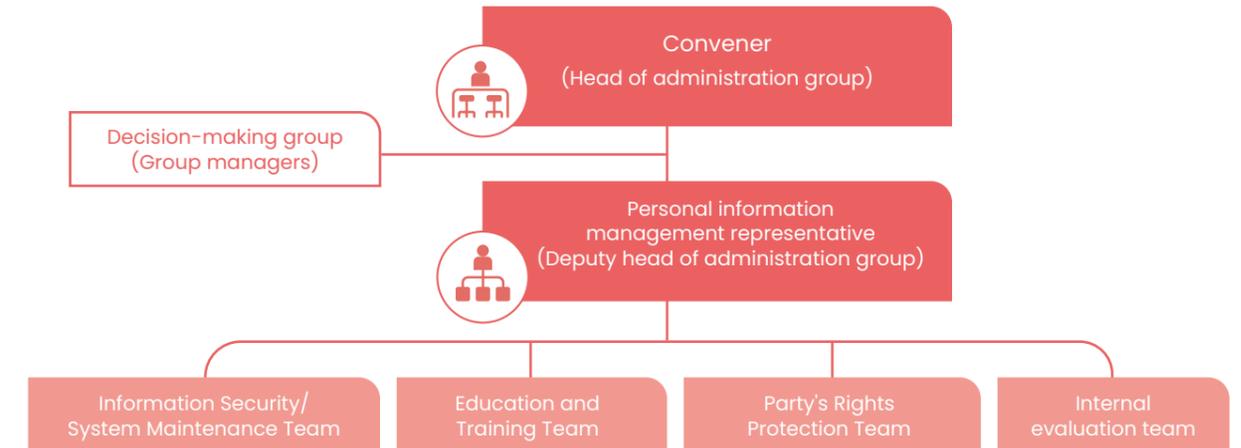


Personal Data Protection Task Force

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

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

Organizational Structure of the PCSC Personal Data Protection Task Force



Adjustments will be made to the aforementioned task force by making the head of the Supportive Service Group the convener and the head of the Department of Legal Affairs the personal data management representative.

Internal Audit and External Certification

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

In order to further ensure cybersecurity, PCSC first obtained the third-party TPIPAS certification in 2014 (Taiwan Personal Information Protection and Administration System). In 2022, the Company updated its certification with the validity period for 2 years. Besides the personal information protection certification, PCSC obtained the ISO 27001 international certification for cybersecurity regarding the in-store POS system to complete the cybersecurity management mechanism.

Grievance Mechanism

To provide customers with comprehensive personal data protection, PCSC has also set up personal data issue reporting and contacts that correspond to our various personal data collection channels. In 2022, no complaint was received regarding customer privacy infringement from the competent authority of external parties.

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

In 2022, phrases with a political nature were displayed on the Open Channel in the stores as the consequence of a cybersecurity incident occurring on the server leased by the outsourced company. PCSC urgently required the stores to restart the screens, strengthen the security management of the digital signage, building a real-time monitoring system and third-party cybersecurity checks. We expect to make changes in 2023 with Presco Netmarketing taking over to further ensure cybersecurity.

2.4 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 the operations of each company organization comply with government regulations.

In 2022, PCSC actively communicated with the employees about the importance of legal compliance. Training sessions on the "Fair Trade Act" and "Regulations Managers Must Learn: Competition Law in the Digital Economy" were organized for management level with 603 people attending. 214 executives of affiliated companies were invited to participate in the "Regulations Managers Must Learn: Competition Law in the Digital Economy" course. In the meantime, 9 legal education training courses were organized for other employees, with a total of 69,174 people passing the training in 2022.

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."

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

Violations in 2022

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 2022, there was an incident with store staff selling cigarettes to an underage person. In the follow-up, PCSC organized an information campaign in the district, requiring all cadres reiterate the importance of following relevant regulations during the district group meetings and store manager meetings. A notice was placed on the bulletin board for all personnel to read and sign. Stores were required to err on the strict side when determining the age of a customer to prevent similar incidents. Moreover, a specific vanilla raw material from France used in Haagen-Dazs ice cream was polluted with Ethylene oxide in 2022. PCSC voluntarily removed 5.995366 metric tonnes of products from the shelf and notified the competent authority in a document.

In 2022, PCSC paid a total of NT\$51,500 in fines due to 2 violations that year. There were no other major violations with fines above NT\$100,000.