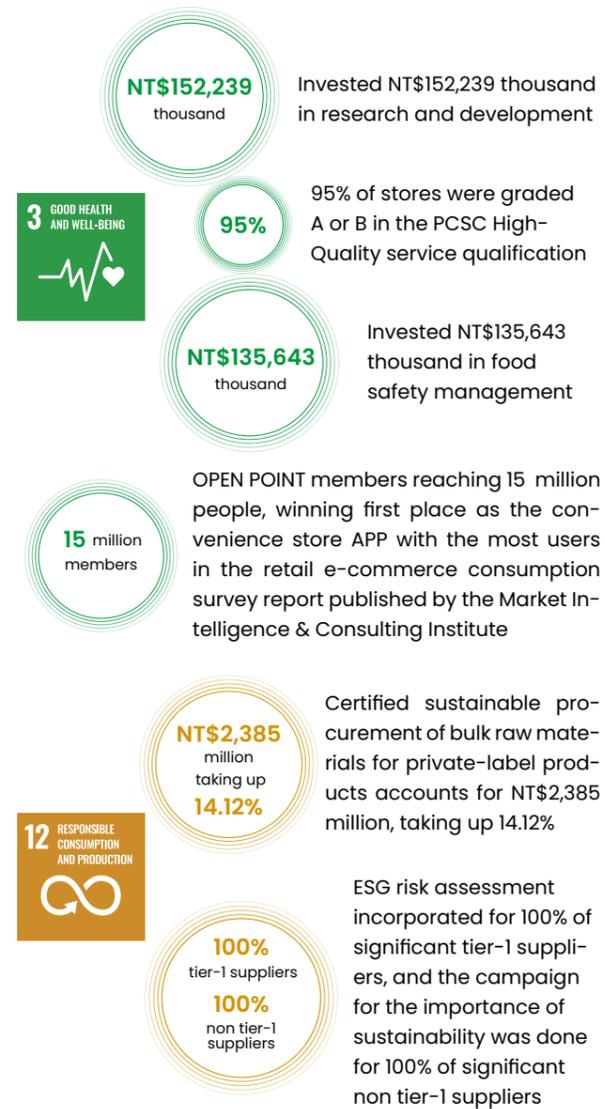


# 03

## Commitment to Sustainable Production and Sales

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



### Corresponding Material Topics



Customer Health and Safety



Product Labeling and Marketing Communication



Sustainable Supply Chain Management



Sustainable Procurement

Management Policies

- Product safety management regulations
- Product safety information collection and inventory tracking SOP
- Rules for Safety on Private-label Products
- Rules for Onsite Appraisal of Manufacturers by Private-label Product Committee
- Raw Material Supplier and Raw Materials Management Rules
- Management Measures for On-site Evaluation of Suppliers of Food Safety Products in Stores
- PCSC and PCSC Subsidiaries' Code of Conduct for Suppliers
- Food Product Manufacturer Risk Grading and Assessment Guide

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Policies and Commitment

- Control the raw materials through raw material management and quality assurance inspection to safeguard customer health and safety, ensure the quality of delivery through the cultivation and management of logistics personnel, service quality in the stores is optimized with service evaluation, quality assurance and ethical corporate management certification training to ensure the health and safety of consumers
- The Product Safety Management Regulations clearly stipulate that product labeling of delivered shipment must comply with the regulations of the competent authority, and the store must also check product labeling when receiving shipment to ensure the compliance of product labeling and marketing communications
- PCSC strengthens supply chain management to ensure service quality by identifying key significant suppliers, implementing supplier management measures, requiring suppliers to sign the code of conduct, and continuing to educate and evaluate suppliers
- The Sustainable Procurement Task Force to incorporate the terms of supplier ethical corporate management and environmental sustainability into the contract, and continue to increase the proportion of sustainably-certified raw material procurement

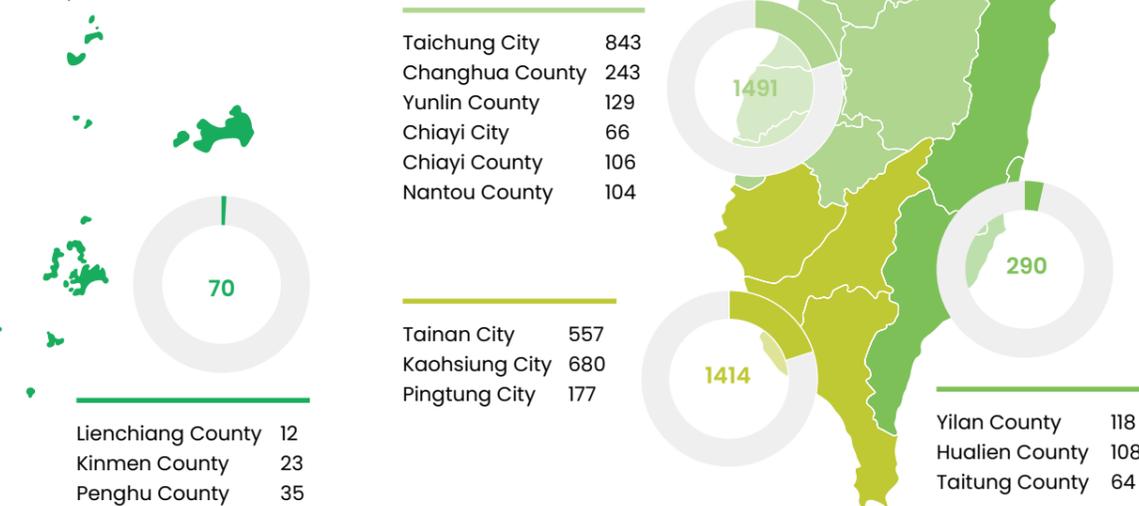
Management Actions

### 3.1 Product and Service Innovation

PCSC's goal is to provide a variety of innovative and quality products that exceed customers' expectations. To this end, it integrates internal resources to promote product and service innovation. We launched 6,942 products and 1,662 services in 2022 as well as actively developing private-label products own brand products. In 2022, private-label products accounted for 21.02% of total revenue, exceeding the annual target by 19.57%. By continuing to provide consumers with more high-quality products and convenient services, PCSC will become a good partner in people's daily life.

#### Stores

PCSC focuses on providing customer service characterized by convenience and peace of mind. As of 2022, we had 6,631 stores, 252 more compared to 2021, located in the northern, central, and southern parts of Taiwan 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.



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, OPENPOINT app and MyShip. This allows consumers to make the most of PCSC as the base and service center for everything in life.

We believe that consumer choice can drive sustainable progress. To this end, we have set up task forces focusing on plastic reduction, carbon reduction, food waste reduction and sustainable procurement, a "smart circular packaging material recycling network" that offers a one-stop solution for the 3 major processes of sending, receiving and recycling circular packaging materials, the "Veggie Selection" private-label product of vegetarian food, launching a dedicated production line for vegetarian and vegan food in the fresh food factory and the "iLove Food" initiative that provides a 35% discount 8 hours prior to expiration. PCSC has internalized ESG as part of the company philosophy to fulfill the role of a good neighbor in sustainability in the communities.

#### OPEN POINT Membership System

PCSC has adopted the three strategies of membership, points and payment since 2020 to expand internal and external channels of the group, breaking the single-channel membership model in the retail industry to establish a cross-brand and cross-channel OPEN POINT ecosystem. So far, it has served more than 15 million members with channels covering over 50 top brands in their industries such as catering, department stores, hypermarkets, drugstores, aviation, tourism, banks, gas stations, etc., driving the number of active members to over 10 million in 2022 and surpassing the target of 9.6 million members set for 2022. In May 2022, it won the first place as the convenience store APP with the most users in the retail e-commerce consumption survey report published by the Market Intelligence & Consulting Institute (MIC) as "an app that people are highly dependent on." PCSC plans to further expand the scope of the OP membership ecosystem to provide consumers with more diverse and convenient membership service experience as a "lifestyle service platform" that meets customer needs.

#### 15 million members



To expand groups of customers OPEN POINT can serve, PCSC continues to optimize system performance, user interface and functions of OPEN POINT APP, as well as actively expanding the OPEN POINT ecosystem, point features and fields of application, allowing people to feel "it's wonderful to have OPEN POINT." In 2022, the number of members officially exceeded 15 million as an important milestone in membership expansion.

#### NO.1 Downloaded Apps



PCSC actively builds the point ecosystem. In 2022, the OPEN POINT ecosystem included 50 major channels with more than 20,000 stores. Members only need one account to collect and redeem points through these major channels with ease. OPEN POINT APP has over a million active users on a daily basis, with over 5 million active users every month. The app is now installed on over 10 million devices with the penetration rate continuing to be the leading retailers in Taiwan.

#### grew 20%



PCSC has set up a complete OPEN POINT member database as part of the membership system and the cornerstone of member management and strategic planning. The database combines consumption data in the stores collected by POS machines with the digital behaviour and footprint of the online app to clearly understand the profiles, consumption preferences and lifestyles of OPEN POINT members. Furthermore, data processing such as attribute labelling and member grouping has been implemented for the labels to be used for the purpose of NES model (new, existing and sleeping customers) and targeted marketing to effectively increase the proportion of member consumption and the continuous growth of per capita contribution. In 2022, the revenue from members grew nearly 20% in comparison with 2021.

## Innovative Products and Services

Based on the core concept of a comprehensive lifestyle, PCSC continues to uphold the principle of providing consumers with products and consumer experience that are value for money. To this end, we continue to improve the technical R&D of software and facilities, as well as further combining a number of innovative products and services to maintain its competitiveness in sustainability. In 2022, PCSC invested NT\$152,239 thousand in R&D to create a variety of new products and service models. We built the “Smart Circular Packaging Material Recycling Network” that connects over 6,500 stores, as well as launching the “X POS Machine” ahead of our peers to connect PCSC’s digital services to a 10.1-inch screen and turning it into a POS machine that allows self-checkout with simple settings. In the meantime, PCSC continues to invest in sustainable procurement. We built a new convenience store business model targeting home cooking needs. “OPEN NOW” is the first of its kind in the industry that connects stores to delivery services with the goal of expanding business opportunities in fresh food and groceries, continuing to create reassuring and convenient shopping experience for consumers.



X POS machine

### Smart Circular Packaging Material Recycling Network

PCSC started collaborating with the social enterprise Pack-Age+ in April 2021 to launch the “Circular Packaging Material Recycling Station” in selected stores to solve the pain point of sparse recycling stations and the time-consuming process of recycling by staff. In June 2022, the service was upgraded to connect over 6,500 7-ELEVEN stores to build a dense “Smart Recycling Packaging Material Recycling Network.” Consumers do not have to look for recycling points, and recycling companies do not have to travel from store to store to collect circular packaging materials. Instead, a simple trip to a nearby 7-ELEVEN completes the 3 processes of sending, receiving and recycling circular packaging materials. For the moment, PCSC collaborates with Gama-nia on customer gifting so that customers receiving the gifts can recycle the bags in the stores. In the future, PCSC plans to work with more companies to make circular packaging materials more popular.

PCSC developed and launched the X POS machine together with other manufacturers in April 2022. What sets the machine apart is that it faces the direction of consumers, and it is equipped with a code scanning device. It can be turned into a self-checkout device with simple settings, saving space for additional self-checkout machines. In addition, the machine has a 10.1-inch screen that can display the latest information on products and events to attract the attention of customers waiting in line for checkout. The dual screens are presented in a vertical setting similar to that of a smart phone, which makes it easily understandable to people accustomed to mobile devices.

X POS gathered over 100 IT technicians to develop the system, connecting the ibon ticketing system, ibon kiosks, and devices such as digital mobile device pick-up service, iPre-order, iGroup-buying, OPEN NOW, smart vending machines and other smart retail devices to integrate consumer digital experience and increase membership activity of PCSC. In February 2023, the machine was made available in 6,758 stores in Taiwan with the current total reaching 14,000 machines.

- Logistics Technology Series
- Sending, receiving and recycling circular

- 14,000 machines
- 10.1-inch screen

## OPEN NOW

PCSC built a new convenience store business model targeting home cooking needs. “OPEN NOW” is the first of its kind in the industry that connects stores to delivery services with the goal of expanding business opportunities in fresh food and groceries. It adopts the three strategies of “24-hour delivery service,” “real-time store satellite stock” and “increased frozen food, fresh fruits and vegetables” to provide consumers with fresh food in small packages, simple and fast cooking, instant cooking and other light cooking needs, making PCSC the closest fresh grocery supply station to home.



In addition, “OPEN NOW” actively expands diverse delivery services while satisfying the demand for fast parcel pick-up. To this end, PCSC joins hands with the foodomo delivery platform to include “parcel collection” in the delivery service for the first time. Furthermore, the store parcel pickup service is combined with delivery so that customers can preorder products from the convenience store to have the products and parcels delivered at the same time, creating a new fast business model.

- 24-hour delivery service
- Real-time store satellite stock
- Increased frozen food, fresh fruits and vegetables

## 3.2 Customer Health and Safety

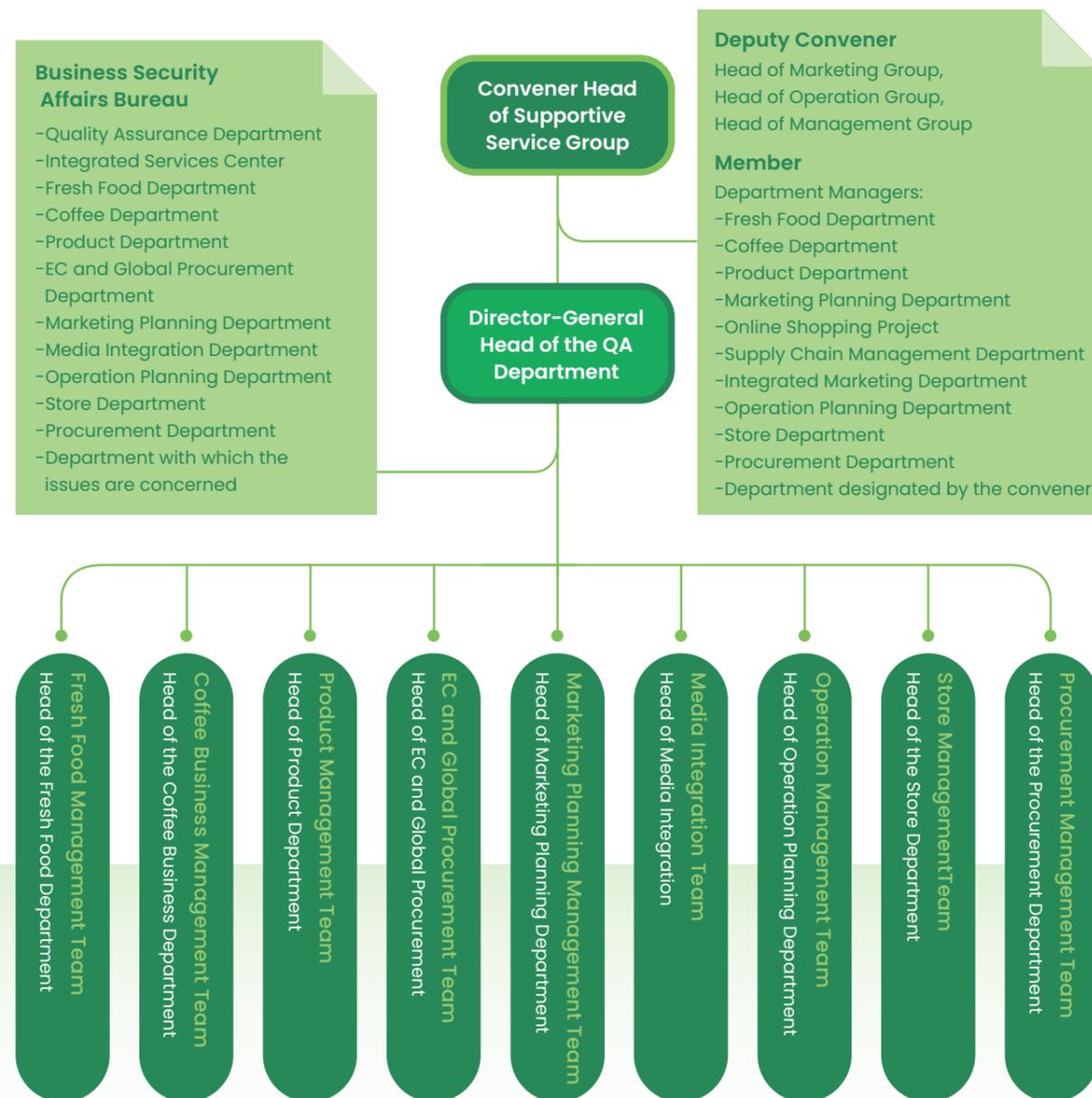
Product safety is the cornerstone of PCSC operations. A healthy diet has become one of the top priorities for consumers nowadays. As a member of the food retail industry, PCSC provides products with a variety of health concepts to meet the nutritional needs of consumers in their daily diets to fulfill our responsibility and obligation to consumers. PCSC follows the internal “Private-label product Policy” to stay on top of the value chain of products, from raw materials, logistics to stores with management mechanisms and continuous tracking.

In the meantime, we fulfil our promise of product safety through product safety information and a comprehensive internal reporting mechanisms. In 2022, a total amount of NT\$135,643 thousand was invested in food safety management.

- No preservative or hydrogenated oils are used from raw materials to product for private-label fresh food. Each product must be inspected by a third-party testing agency. Fructose is also not added. If the ingredient is contained in raw materials, it will be tracked and managed internally.
- Microbiological standards for fresh food products are formulated according to the regulations, as well as requiring suppliers to provide qualified third-party inspection reports and perform regular inspections of all product categories.
- For private-label products that may contain GMO materials approved by the Ministry of Health and Welfare, the information will be disclosed.

## Product Safety Committee

The Product Safety Committee is divided into three main levels. The convener is appointed by the President, with the Marketing Group Vice President and Operation Group Vice President serving as deputy conveners. The Quality Assurance Department Manager serves as the Director-General on the second level. Under the Director-General, a separate Business Security Affairs Bureau is responsible for the integration and collection of issues related to product safety. The third level consists of 9 task forces with each department head as leader. The Product Safety Committee focuses on safety and quality, and establishes a unified management system for its private-label products, with the scope of 100% of its private-label products. One meeting was convened in 2022, with the discussion focusing on reporting and tracking important business security information, planning and responding to changes in regulations.



(Note) In 2023, the Management group will shift to the Supportive service group, and the Supply chain department will be changed to the Marketing planning department.

## Collection and Inventory for Product Safety Information

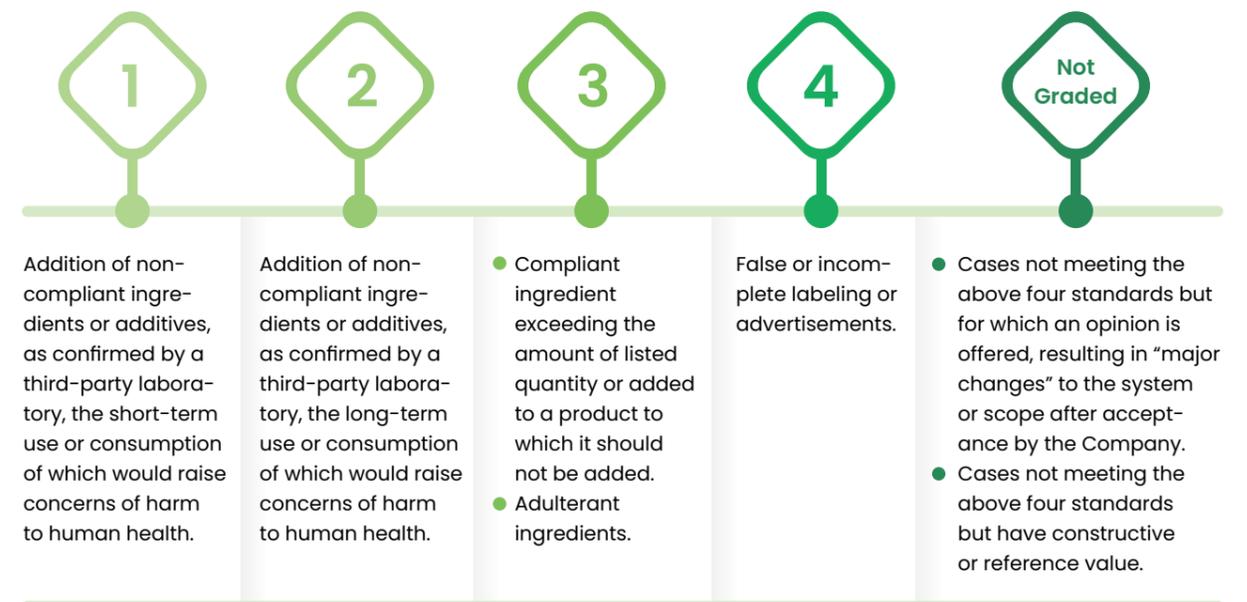
Staying abreast of the latest product safety information has been key to PCSC's making product quality management a reality. Product safety information is negative reports collected by PCSC on its private-label products, information on unqualified products, and information on regulations promulgated by relevant authorities and issued in other countries. PCSC gathers and tracks information related to product safety in accordance with our "Product Safety Information Collection and Review Tracking Standards." The information is handled using layered management. The Standards apply to all PCSC privately labelled products. In 2022, the Company collected 416 product safety-related memos, including 0 A-level information, 265 B-level information and 151 L-level information.

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

(Note) A-, B-, and L-level information is based on the date that the information was announced internally.

## Internal Reporting System

PCSC has established an internal product supervision mechanism based on the "Rules for Safety on Private-label Products." This mechanism invites employees to come together to play a role in supervising product safety. In cases where employees in logistics, directly operated stores, or franchisees have doubts or questions about ads, labeling or ingredients, they can use this mechanism to provide feedback. Issues raised in this way are forwarded to the Product Safety Committee and the person making the report receives a reward based on the severity of risk involved with the safety issue. In 2022, no incident was reported internally.



## External Grievance Mechanism

PCSC established an "Integrated Services Center" to act as the internal and external channel for issues involving products and services. Consumers can voice their complaints or suggestions to the Integrated Services Center via hotline or email. The Center creates a file for each issue and in cases that require follow-up, cases are only closed after customers receive information on how PCSC responded to and handled the issue. In 2022, the Center handled 92.1% of the cases online in real time with 100% of the cases closed <sup>(Note)</sup>. 100% of the stakeholder letters were answered without receiving a major complaint.

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

## Product Value Chain



## Raw Material Management

### Tracking and Traceability

To effectively monitor product safety and take up the responsibility of PCSC as a retail business, PCSC works with the Taiwan Delica Foods Development Association to set up a Material and Quality Assurance System (MAS) for private-label products. This ensures that product raw materials and suppliers can be tracked and managed. The main document in the MAS system is the product specification document, which records the sources of raw materials and the suppliers. As of the end of 2022, 100% of the Company's private-label food products had the corresponding product specification document in the MAS system.

PCSC meets the definition of a vendor of box meals as set forth in Article 9 of the Act Governing Food Safety and Sanitation and set up a traceability system for the meal box category in accordance with the official document (Food and Drug Administration Document No.1071300516 authorized by the Ministry of Health and Welfare on 26 June, 2018), a total of 527 products in the meal box category <sup>(Note)</sup> have undergone traceability management (must be traceable) in 2022, taking up 100% of all box meal items in the current year.

<sup>(Note)</sup> Indicating the products which consist of grains (rice or noodles), processed grains, agricultural, livestock and seafood ingredients, which are processed to be served to groups or individuals. Those products are served with clear labels or pictures of the ingredients and are served in boxes or large containers. The products can be eaten after brief heating up. Those products do not include the baked items served in the box.

## Quality Certification

To manage and stay on top of product quality, PCSC's Quality Testing Laboratory obtained certifications following test items specified by TFDA and TAF (ISO/IEC 17025:2017). After a product is made, the laboratory first samples and tests it for microorganisms with chemical methods, ensuring product safety before it is put on the shelf. As of the end of 2022, the laboratory conducted 627 test items per the announcements and requirements of the competent authority including CNS, the Taiwan Food and Drug Administration, etc. Another 125 test items of self-inspection that do not follow directives from the aforementioned announced methodologies were conducted.



TAF Certification Items	
Scope of microorganisms for ISO/IEC 17025:2017 certification	4 items
Caffeine	1 item

TFDA certification items	
Microorganisms	4 items
Colorants	8 items

In 2022, a total of 1,008 tests were run on products and raw materials, with 1,008 passing the test. The passing rate was 100%. The quality testing laboratory resulted in costs of NT\$37,877 thousand, including NT\$20,716 thousand for entrusted laboratories <sup>(Note)</sup>, accounting for 0.021% of the Company's operating revenue.

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

## Logistics Management

PCSC products are shipped to stores after production. Ensuring product quality during transportation is the key to stable product quality and safety. Therefore, even though the logistics company is not a main element in the scope of disclosure in this report, its operations are still disclosed due to its impact on product safety. After PCSC products and raw materials are manufactured by suppliers or contract manufacturers, they are shipped to stores by a logistics company. To ensure that the quality of products is maintained and guaranteed throughout the entire process of shipping, storage, and display and to reduce potential risk to products due to temperature, employees or sanitation, we partner with logistics companies on initial logistics and in-store product management and service audits. Initial logistics involves cooperation on shipping, taking product quality management processes from the store and pushing them upstream to the supplier end to set up a comprehensive quality control mechanism. In 2022, the initial logistics mechanism was implemented on 100% exclusive selling and privately labelled products including rice, fresh noodles, salads, cooked food, refrigerated flavored breads, sweet potatoes and fresh foods.

## Store Management

### Product Labeling

Transparent product labeling is key to PCSC's promise to safeguard the rights and health of its customers. Our "Product Safety Management" rules stipulate that new suppliers' product labeling must conform to the Commodity Labeling Act, Act Governing Food Safety and Sanitation or relevant government laws and regulations. We also require suppliers to sign an agreement guaranteeing that the ingredients, manufacturing, labeling and advertisements for their products all conform to relevant laws and regulations. In addition to screening potential new suppliers, product labels are the items that the logistics center must check upon receiving a shipment (including bar codes, expiration dates and Chinese labeling). PCSC also uses its "Packaging Internal Control Design System" to keep abreast of the information on our private-label product labels. This ensures that all products have clearly labeled information from manufacturing to shipping to final sale in the store.

In 2022, PCSC continued to focus on developing products with reduced saturated fat, trans fat, sodium and sugar. In the meantime, PCSC strengthened the voluntary labeling of health and nutrition information on food products from its private-label brands, stating whether there are added chemicals, low-fat, low-sodium, low-sugar, or other nutrient content of voluntary labeling in private-label products, etc. by following MOHW's "Guidelines for Nutrition Labeling of Packaged Foods" and "Nutritional Claims of Packaged Foods," as well as other health and nutrition-related voluntary labeling and other products that help promote health and nutrition, totaling NT\$6,272 million in revenue.

In the meantime, PCSC is also committed to obtaining relevant labels for its private-label products. In 2022, the raw materials for PCSC's private-label products were inspected by an external body to confirm no GMOs were adopted. To make it easier for consumers to make purchase decisions, PCSC is also committed to clearly displaying labels relevant to GMOs on the outer packaging in accordance with MOHW's "Guidelines for Labeling Packaged Food Containing GMO Raw Materials" and Guidelines for Labeling Bulk Food Containing GMO Raw Materials." Among private-label products, the ones whose outer packaging was marked with a label stating "Does Not Contain GMO" reached a revenue of NT\$87,773 thousand in 2022.

### PCSC High-Quality service qualification

PCSC conducts an annual PCSC High-Quality service qualification assessment on all its directly-operated stores and franchises, with items including basic service, professional service, comfort of the environment and appropriate responses. The results of the assessment are graded A (excellent), B (meets expectations) or C (needs improvement). In 2022, a total of 2,999 stores were graded A out of all the stores that were audited, accounting for 59.15% of the stores. Operations specialists visit stores receiving a grade of C to provide guidance, and hold meetings to draft improvement plans, conduct drills on the shortcomings as well as re-evaluating after 2 months to ensure improvement, providing the consumers with a great shopping environment. We set dual goals of the proportion of A-level stores and the combined proportion of A-level and B-level stores. In the service quality evaluation in 2022, the

2022 Annual Initial Assessment Grade	Number of stores audited	Percentage
<b>A</b> Excellent	<b>2999</b>	<b>59.2%</b>
<b>B</b> Meets expectations	<b>1827</b>	<b>36%</b>
<b>C</b> Needs improvement	<b>244</b>	<b>4.8%</b>

combined proportion of A-level and B-level stores reached 95.19% , which is higher than the target (95%). The proportion of A-level stores is slightly lower than the high-standard target we set (70%). We will continue to provide in-depth counseling through district consultants to improve the overall service quality, organize a quarterly training session for cadres, as well as focusing on the four tips for conversing with customers to enhance the overall service quality in the stores.

### Quality Assurance Audit

PCSC performs quality assurance audits through the engagement of an external management consulting company. In 2022, 98.02% of all stores underwent this audit. In 2022, 98.02% of all stores underwent this audit. A total of 28,130 stores were inspected with a pass rate of 95.36%. The stores were unqualified mainly due to expired products. PCSC provided concrete suggestions for the issue and followed up to ensure that improvements were made.

### QA and Ethical Corporate Management Certification Training and Audits

To maintain the quality of the overall workforce, PCSC continues to provide quality assurance education and training for both new hires and existing employees in addition to the store audits described above. A total of 82,947 people participated in the training in 2022 (including employees who have quit). PCSC hired a management consulting company to audit the quality assurance training certification status of stores, with 99.06% of the stores audited in 2022.

## 3.3 Sustainable Supply Chain Management

PCSC has four main types of suppliers, including private-label product manufacturers, suppliers of raw materials through direct transactions, suppliers of egg products and suppliers of items related to store food safety. We ensure that suppliers adhere to our stringent quality standards using our supplier management rules and evaluation system.

### Significant Supplier Identification

#### Significant Suppliers

If viewed from a wider perspective, PCSC has three types of suppliers, including private-label product contractor manufacturers, non-private-label product suppliers and other suppliers. Among these, private-label product suppliers have the closest relationship with PCSC, and PCSC also has a greater responsibility correspondingly. From our private-label product contractor manufacturers, PCSC identifies "tier-1 suppliers" and "non-tier 1 suppliers." Tier-1 suppliers are defined as suppliers that trade directly with PCSC's private-label brand such as food manufacturers. Non-tier 1 suppliers are defined as suppliers of raw materials for private-label products that PCSC does not directly trade with. Based on the procurement amount and the corresponding risks of product categories, we also take country-specific risks into consideration (such as the impact of local regulations on cross-border procurement of raw materials), the sector-specific risks and commodity-specific risks faced by industries or products (such as food safety, packaging materials and other resources, etc.), and whether they have signed the "PCSC and PCSC Subsidiaries' Code of Conduct for Suppliers" to further identify "significant tier-1" and "significant non-tier 1" suppliers so as to strengthen the control mechanism of significant suppliers.

There were 17 significant suppliers in 2022 with definitions as follows:

Significant Suppliers	Definition of Significant Key Suppliers	Number of Significant Key Suppliers in 2022
Significant Tier-1	Procurement amount over NT\$30 million, supplying packaging and items directly related to food products in store and the suppliers have signed the PCSC Subsidiaries' Code of Conduct for Suppliers, or the transaction amount is ranked within top 5 for own brand private-label brands for the previous year and the suppliers have signed the PCSC Subsidiaries' Code of Conduct for Suppliers.	7
Significant Non-tier 1	PB raw materials suppliers that have signed the PCSC and PCSC Subsidiaries' Code of Conduct for Suppliers with transaction amount reaching top 10 for the previous year	10
Total Number of Significant Suppliers	Total number of significant key tier-1 and significant key non-tier 1 suppliers	17

### Supplier Code of Conduct

PCSC hopes to make itself an example to encourage suppliers to practice corporate social responsibility. In addition to the aforementioned management rules and assessment systems, we have also formulated the "PCSC and PCSC Subsidiaries' Code of Conduct for Suppliers" with requirements for suppliers' performance in Environment, Social and Governance, as well as requiring them to sign an "Agreement on Ethical Corporate Management and the Corporate Social Responsibility." For suppliers unwilling to sign the agreement, PCSC will examine their existing internal regulations and the scope of commitment. Additionally, they will be required to commit to certain important items. If communication fails but it is still necessary to purchase from the supplier, the supplier will be asked to sign a "Affidavit on the Ethical Corporate Management" to require our supplier to practice corporate social responsibility. In 2022, 100% of PCSC suppliers signed the "Agreement of the Ethical Corporate Management and the Corporate Social Responsibility."

### Content of the Code of Conduct

The principles and agreement stipulate that suppliers are not to obtain inappropriate gains through bribery, monopoly, or the giving of gifts, are not to violate labor laws or regulations (including hiring rules, hiring child labor, working conditions, salary and remuneration, occupational safety and health), are to guarantee labor equality, a non-discriminatory workplace, fundamental human rights, and provide products that conform to environmental protection and food safety laws and regulations to reduce their impact on the economy, society and environment.

### Supplier Management

#### Supplier Management Policy

In order to stay updated with and monitor supplier quality, we included a dedicated chapter on "Product Safety Management" to ensure all suppliers conform to laws and regulations and to PCSC's rules in terms of company incorporation, product quality and testing. PCSC requires all suppliers to sign a "Product Quality

Guarantee Agreement." Among them, a number of the rules are set for suppliers and manufacturers of our private-label products based on the nature of each, since they have a more direct impact on our operations and brand. These rules clearly require that specific standards be adhered to for product manufacturing, packaging, testing and appraisal.

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

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

Additionally, we do our utmost to ask that suppliers of private-label products to obtain food safety and sanitation management system ISO 22000 certification to improve supplier quality. During 2022, suppliers of private-label products (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products) numbered 39 companies. If calculating using the number of the plants, there were a total of 78 manufacturing sites, among those 45 were manufacturers of private-label food products within Taiwan. Of these, 44 manufactures 100% obtained international food safety management system ISO22000 certification.

#### 2022 ISO 22000 Certification

Type of supplier	Number of suppliers for private-label brand food products	Number of domestic manufacturers of private-label brand food products	Number of ISO22000:2018 obtained by domestic suppliers for private-label brand food products	
			Number	Percentage
Suppliers for private-label brand food products	39	45	45	100%

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

### Supplier Training

PCSC's Supply Chain Management Department communicates regularly each year with major suppliers of materials for its private-label products on the concepts of sustainable procurement and traceability management, as well as asking them to provide us with materials that meet PCSC's sustainable procurement standards. In addition to the signing of contracts, PCSC actively conducts supplier training by providing suppliers with examples of peers with excellent ESG performance for benchmarking, as well as working with suppliers on promoting ESG services with key technologies (please refer to the column of the report: [smart recycling machine](#), [smart circular packaging material recycling network](#)).

## Supplier Appraisal System

PCSC follows the aforementioned rules to undertake periodic evaluations of suppliers of private-label products, suppliers of raw materials by direct transaction, and suppliers of egg products, drafting different assessment criteria based on the characteristics and risks of each supplier type. This rigorous assessment allows us to provide safe and quality food for customers. Our stringent standards enable us to stay on top of product quality and safety on behalf of our customers. Significant supplier assessment points, standards, frequency, and results are disclosed below. In response to current ESG developments, the percentage of ESG-related assessment items among overall assessment score will also be disclosed below.

In 2022, PCSC reached the target of “100% achievement rate for the PB (Note 1) joint procurement + direct transaction with stores + farm suppliers audits” and the target of “100% of PB/PL (Note 2) on-site evaluations for manufacturers.” We will continue to keep the high standards as a target in the future.

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

(Note 2) Refers to private-label products designed by PCSC, such as iseLect collection of frozen foods and snacks, etc.

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

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

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

aspect to which we attach great importance. The 2022 tier-1 supplier assessment showed 9 suppliers with issues such as failing to conduct regular inspections of safety protection measures, unclear announcements and labeling, or failing to follow up properly after employee health checks, all of which have been addressed with mitigation plans provided.

In order to effectively reduce ESG risks for the overall supply chain and increase suppliers’ attention to sustainability issues, PCSC has set a long-term goal of increasing the proportion of tier-1 suppliers with ESG risk assessment and the proportion of non-tier-1 suppliers in raising the awareness for sustainability. In terms of tier-1 suppliers, we interacted with significant tier-1 suppliers in 2022 to understand the feasibility of ESG risk assessment implementation, as well as further designing an ESG risk assessment mechanism to achieve the Company’s annual goal. For non-tier-1 suppliers, we collected promotional materials of ESG trends and importance to achieve the Company’s annual goal of completing 100% of the planning and sorting of sustainability promotional themes and materials.

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

### New Supplier Assessment

We set our standards based on the relevant legal conditions, quality certification, management systems, and plasticity of materials of new suppliers. We also include economic, environmental and social standards in the assessment system to evaluate and stay on top of supplier quality. Potential suppliers are all required to undergo these assessments and pass before they are accepted as new suppliers. In 2022, a total of 10 new suppliers and manufacturers came on board. All of them passed this assessment.

The passing score for local suppliers of disposable food packaging materials in the stores went from 70 to 75 points ahead of schedule in August 2022. In order to ensure consumer rights and product safety, we expect to increase the passing score for new domestic and overseas suppliers of store food packaging supplies to 75 points by 2025 to fulfill the responsibilities of supplier selection and management.

Contract Manufacturers		
Legal conditions	Taiwan	Hold legal business registration and factory registration, etc. (industry type listed on the registration must include processing of product types for outside organizations)
	Overseas	For manufacturers overseas, incorporation of the company must conform to relevant laws and regulations in that country.
Quality certification	Food product contract manufacturers	Manufacturers in Taiwan are required to have ISO 22000 Management System Certification. The scope of inspection should include items they produce for PCSC. Overseas manufacturers are required to have a minimum of HACCP or ISO9001 Management System Certification or some other international food safety system certification.
	Non-food product contract manufacturers	International quality certification/verification is a priority, such as ISO 9001.
Comprehensive management system	Good product quality management, own product testing capabilities, production management and sanitation management.	

**Suppliers of Raw Materials through Direct Transactions**

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

**Suppliers of Egg Products**

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

**Suppliers of Store Supplies**

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

**Existing Supplier Assessment**

**Assessment Items**

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



**Contract Manufacturers**

	ESG Assessment		
	Environment (E)	Social (S)	Governance (G)
Management and laws and regulations			●
HACCP (Hazard Analysis Critical Control Point)/Food Product Safety System			●
Process and product control	●		●
Non-conforming product control and tracing			●
Environmental sanitation	●	●	●
Worker health and safety	●	●	●
Facilities and equipment	●	●	●
Vector control	●		●
Food safety/emergency handling			●
Testing and measurement	●		●
Storage and shipping		●	●
CSR	●		



**Suppliers of raw materials through direct transactions**

	ESG Assessment		
	Environment (E)	Social (S)	Governance (G)
<b>Factory type</b>			
Factory equipment and environmental sanitation management	●		●
Employee safety and health management			●
Manufacturing process control	●	●	●
Product quality control			●
Raw materials control			●
Storage and shipping control		●	●
Customer complaints and continuous improvement			●
Formulate relevant scope of environmental protection			●
Quality and supply capacity assessment	●		
<b>Trade type</b>			
Factory equipment and environmental sanitation management	●		●
Employee safety and health management		●	●
Manufacturing process control			●
Product quality control			●
Raw materials control			●
Storage and shipping control		●	●
Customer complaints and continuous improvement			●
Formulate relevant scope of environmental protection	●		
Quality and supply capacity assessment			
<b>Primary raw farm materials</b>			
Raw materials control			●
Quality and supply capacity assessment			
Factory cleanliness and sanitation	●		●
Manufacturing process control			●



Suppliers of Egg Products

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



Suppliers of In-store Supplies

	ESG Assessment		
	Environment (E)	Social (S)	Governance (G)
Management			●
Quality management			●
Environmental conditions	●		
Product development			
Procurement and raw materials intake testing			
Procurement and raw materials intake testing			
Health, safety and work conditions		●	
Finished products			
Storage and shipping			
Customer complaints			
Product specification checks			

**Conformity Standards**

Assessment results are scored into four categories: A (≥90 points), B (80-89 points), C (70-79 points), D (<70). Passing standards are as follows:

In the event of failure to meet standards, a penalty will be imposed as per the “Product Quality Guarantee Agreement” or “Supplier Assessment Agreement.”

PCSC views suppliers producing private-label products with grades of C or below and non-food manufacturers with grades of D or below as “suppliers with high sustainability risks.” There was no supplier with high sustainability risks in 2022.

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

(Note) The quality assurance management was in August 2022, increasing the passing score for Level-C to 75 points and above for local suppliers of disposable food packaging materials.

**Frequency of Assessment**

The frequency of assessment differs based on the results of the previous on-site assessment.

**1. Food Manufacturers**

Contract manufacturers are divided into food product, non-food product, domestic and overseas categories with different assessment frequency. PCSC formulated the “Food Product Manufacturer Risk Grading and Assessment Guide” to serve as a basis for assessing the risk levels of domestic food product manufacturer. We also completed the risk grading for private-label brand food product manufacturers in 2021 as reference for determining on-site assessment frequency in 2022.

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

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

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

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

**2. Non-food Manufacturer**

For domestic manufacturers of non-food products, an on-site assessment grade of C or above constitutes a pass. Assessment frequency is once every 12 months and assessment must be completed within the same year. If the assessment result indicates a failure to meet our standards, the case is handled as a failure on the part of domestic food product manufacturers. For overseas manufacturers of non-food products, an on-site assessment grade of C or above constitutes a pass. Assessment frequency is once every 24 months and assessment must be completed within the same year. If the assessment result indicates a failure, the manufacturer must immediately halt production arrangements and pass a re-assessment within 6 months before resuming production. Otherwise manufacturing on behalf of PCSC must be terminated.

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

In addition to manufacturers, suppliers of raw materials through direct transactions, suppliers of egg products, and suppliers of in-store supplies are slated for assessment every 3 to 18 months, depending on their assessment grade. If an organization fails, a re-assessment is to be performed until it reaches a passing result. Follow-up action is to be taken as per relevant rules (such as the "Supplier Assessment Agreement" or the "Product Quality Guarantee Agreement").

#### Assessment Results

In 2022, there were a total of 39 suppliers of private-label brand food products with whom PCSC had a cooperative relationship <sup>(Note 1)</sup> (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products). 100% <sup>(Note 3)</sup> of those suppliers were audited <sup>(Note 2)</sup>. A total of 114 audits were performed on the 39 suppliers on P.73-75 with 114 passing, with the compliance rate of 100%.

(Note 1) Defined as

- (1) Suppliers that passed the assessment prior to 2022 and passed internal submission.
- (2) New factories which passed the assessment prior to 2022.
- (3) Those eligible to halt assessment in 2022 are also included.

(Note 2) Assessment items are those listed in the "Assessment Criteria."

(Note 3) One manufacturer and 3 suppliers of raw materials through direct transactions ended their transactions and cooperation with PCSC based on the result of the last supplier assessments. In addition, the assessment frequency as stated in the Raw Material Supplier through Direct Transactions and Raw Materials Management Rules is between 3-18 months. Therefore, audits were not necessary in 2022 according to the corresponding rules.

In 2022, there were 13 suppliers of disposable products <sup>(Note 1)</sup>, with 100% <sup>(Note 2)</sup> audited. Please refer to the table on P.73-75 for these 13 suppliers. A total of 16 audits on supplier assessment items were performed, resulting in 16 passing audit results and a passing rate is 100%.

(Note 1) Refers to domestic suppliers of disposable paper cups, bowls and similar items which come into contact with food and are provided to the consumers.  
(Note 2) One suppliers have stopped transactions with PCSC before the month of the assessment with their application of halting the evaluation approved. As a result, those entities were not required to be audited according to our rules in 2022.

	Number of Suppliers	Percentage of Audits Completed	Number of Audits	Number of Passing Results	Passing Rate
Suppliers of private-label brand food products with whom PCSC had a cooperative relationship (including manufacturers, suppliers of raw materials through direct transactions and suppliers of egg products)	39	100%	114	114	100%
Domestic suppliers of in-store disposable products	13	100%	16	16	100%

### 3.4 Sustainable Procurement

To stay updated with international trends and maximize PCSC's external impact in sustainability, we set up a Sustainable Procurement Task Force in 2021 to prioritize the purchase of equipment with eco-friendly or energy-saving labels. We set and review the annual procurement amount and actively increase the percentage of raw materials with sustainability certifications to enhance the benefits of sustainability for the overall supply chain in terms of environmental protection, animal welfare, energy saving and carbon reduction. The manufacturers that produce private-label products choose PB joint-purchase materials to stay in line with the principle of prioritizing the procurement of agricultural products that value environmental protection, animal welfare and traceability. We also help raw material suppliers develop the philosophy of sustainable operations to ensure effective management of the source of private-label products.

### Green Procurement and Sustainable Raw Materials

#### Green Procurement

PCSC actively manages equipment, consumables and building materials by promoting green procurement, purchasing equipment and consumables that have obtained energy labels, environmental labels or certifications, or have actual environmental protection benefits for use in stores. Green building materials are chosen for store renovation to maintain smooth operation and service quality while reducing the consumption of natural resources and negative impact on the environment.

The total amount for green procurement in 2022 reached NT\$1.19 billion, accounting for 9.43% of the total annual procurement amount of PCSC and reaching the 9% annual target. The target for 2025 has been set at 10%.

Categories of Green Procurement	Items for Procurement	Amount (NT\$ thousand)
Energy Star	Meets the requirements of the United States' Energy Star product energy efficiency	LCD screens, laser printers 156,643
FSC certification	The manufacturing process of wood products is in compliance with FSC requirements	OURS publications, Stirrers, disposable chopsticks for boxed meals 50,857
RoHS	Verifying that electrical and electronic products comply with the EU's RoHS Directive  (Restriction of Hazardous Substances Directive)	Uninterruptible power supplies, ST, Switch, WAP, POS cash registers/ back-office computers 440,208
Energy-saving Label	1. Air Conditioner Efficiency Label - Cooling Seasonal Performance Factor (CSPF) Level 1 2. Energy Label, Bureau of Energy, Ministry of Economic Affairs	Inverter air conditioners, circulation fans, LED lamps 318,340
Green Building Material Label	Obtaining the Green Building Material Label of the Taiwan Architecture & Building Center or adopting patented eco-friendly construction methods	Green building materials 92,135
Actual environmental protection benefits	Plastic replacement	Eco-friendly packaging materials used in stores: PLA coffee cups, ice cream/slushy cups, PLA/paper straws 41,666
	Customized equipment that has been tested by PCSC and proven to have energy-saving benefits	Energy-saving devices 90,406
<b>Total amount of green procurement:</b>		<b>1,190,255</b>

### Sustainable Raw Materials

PCSC prioritizes the procurement of raw materials with environmental protection, animal welfare and energy-saving or carbon reduction labels, as well as working with suppliers to provide customers with more sustainable choices. In 2022, the procurement amount of joint-purchase raw materials for private-label products with sustainability certification reached NT\$2,385 million, reaching 14.12%, of which over 90% of the two categories of pork and beef raw materials have obtained sustainability certifications respectively. FSC certification has been 100% introduced to the iseLect refrigerated beverage packaging materials sold in 2022. In addition, stores sell coffee with rainforest certifications with the revenue of all certified products reaching NT\$320.36 million.

Category	Certification	Certification/Label
Soy	U.S. Soy Sustainability Assurance Protocol	
Vegetables Rice	TGAP	
Aquaculture	ASC (The Aquaculture Stewardship Council)	
Beef	AAWCS(The Australian Livestock Processing Industry Animal Welfare Certification System)	
Pork	Better Life Label、Certified Humane®、G.A.P Certification、WELFAIR™、IAWS(Interporc Animal Welfare Spain)	
Poultry	Taiwan Animal Welfare System, PAACO (Professional Animal Auditor Certification Organization)	
Wild Fisheries	MSC (Marine Stewardship Council)	
Packaging	FSC、PEFC	

### Local Procurement

PCSC supports local agriculture, fishery, vegetables and fruits with three strategies of “stable procurement,” “sustainability” and “planned support.” We believe that supporting local products not only reduce carbon footprint to realize environmental sustainability, it also brings economic benefits to local farmers as a way to help the society. In 2022, over 60 products in our private-label products use Taiken 9 and Tainan 11 rice certified with a “Taiwan Rice Label” from the Agriculture and Food Agency, Council of Agriculture, Executive Yuan. In the meantime, PCSC works on building a high-quality fresh vegetable and fruit supply chain by cooperating with more than 40 production and marketing groups as well as over 300 fruit farmers. The products are sold on the “iPre-order” platform. PCSC also launched the Youth Deep Roots Program together with the Good Neighbor Foundation to turn the stores into a platform for young local entrepreneurs by helping them put great products on the shelf.

In 2022, PCSC procured and used a total of 63,000 tonnes of special agricultural products worth NT\$7.45 billion, including rice, chicken, pork, eggs, vegetables and fruits. The percentage of agricultural products procured by suppliers in Taiwan accounted for 76% of the total at NT\$4.76 billion, which was 64% of the overall procurement amount. In the future, we will continue to increase the proportion of local procurement, actively cooperate with stakeholders, and maximize our sustainability impact as a retail business by providing consumers with more benign choices that are friendly to the environment and society.

Area	Procurement quantity (metric tonnes)	Percentage of suppliers by area (%)	Procurement amount (NT\$100 million)	Proportion of procurement amount (%)
Locally sourced agricultural products (Local)	48,717	76%	47.6	64%
Non-locally sourced agricultural products (foreign origin)	15,147	24%	26.9	36%
<b>Total</b>	<b>63,864</b>	<b>100%</b>	<b>74.5</b>	<b>100%</b>