

# **President Chain Store Corporation Biodiversity Policy and No Deforestation Commitment**

**Approved by the Board of Directors on April 30, 2024**

President Chain Store Corporation is dedicated to becoming the best retailer, providing the most convenient lifestyle services, and fulfilling our responsibilities as a corporate citizen. The Company assumes social responsibilities and follows the principles of biodiversity policy and zero-deforestation commitments in its operating locations and supply chain, formulates systems or management guidelines, as well as proposing and implementing specific promotion plans. President Chain Store Corporation's commitments are as follows:

## **Article 1 Biodiversity Policy Declaration:**

- I. Target year: Complete the process formulation and degree of quantifiable impact by 2025 to achieve Net Positive Impact (NPI) by 2050.
- II. Implementation principles:
  1. Commit to include a biodiversity assessment in the system.
  2. President Chain Store Corporation promises to conduct a biodiversity risk assessment for the value chain by following the mitigation hierarchy, covering operating locations, supply chain and partners (manufacturers and franchisees), as well as selecting material issues based on risk levels, set measurable management goals, take mitigation actions, as well as publicly disclose relevant results and share them with stakeholders.
  3. Require the value chain to commit to avoiding operating activities in areas with important biodiversity at home and abroad. The value chain includes operating locations, supply chain, and partners (manufacturers and franchisees).
  4. Commit to play an active role in the value chain of President Chain Store Corporation, covering operating locations, supply chain and partners (manufacturers and franchisees). In addition to entrusting a third-party ecological consulting company to assist in reducing damage to ecological resources with correction, minimization, or compensation measures, the goal of no net loss (NNL) is set in priority areas. We also actively engage in biodiversity discussions with stakeholders to ensure that President Chain Store Corporation and all stakeholders move towards the goal of achieving a net positive impact by 2050.

## Article 2 No Deforestation Commitment:

- I. Target year: Complete the process formulation and degree of quantifiable impact by 2025 to achieve no net deforestation by 2035 and no gross deforestation by 2050. All targets are set based on the principles of no gross deforestation and no net deforestation.
- II. Implementation principles:
  1. Commit to include a no deforestation verification mechanism in the system
  2. Complete inspections in order of levels and risks year by year with results published
  3. Commit to follow the principle of no net deforestation for our operating locations, areas adjacent to scope of our operations, supply chain, partners (manufacturers and franchisees) and stakeholder activities.
  4. Commit that the Company will play an active role, participate in afforestation activities, and follow the principle of zero net deforestation.
  5. Promise the Company's operating locations and supply chain will meet the principle of zero gross deforestation by the target year.
  6. Commit to engage in biodiversity discussions with stakeholders.

## Article 3 Risk Assessment of Operating Locations:

- I. Location: Operating locations close to the areas with ecological resources risk destroying animal habitats.
- II. Signboards: Bright light emitted by signboards has an impact on phototactic organisms such as insects, affecting animal behavior.
- III. Plants: Plants in operating locations that are not native to the area could have an impact on the local biological chain.

## Article 4 Risk Classification System:

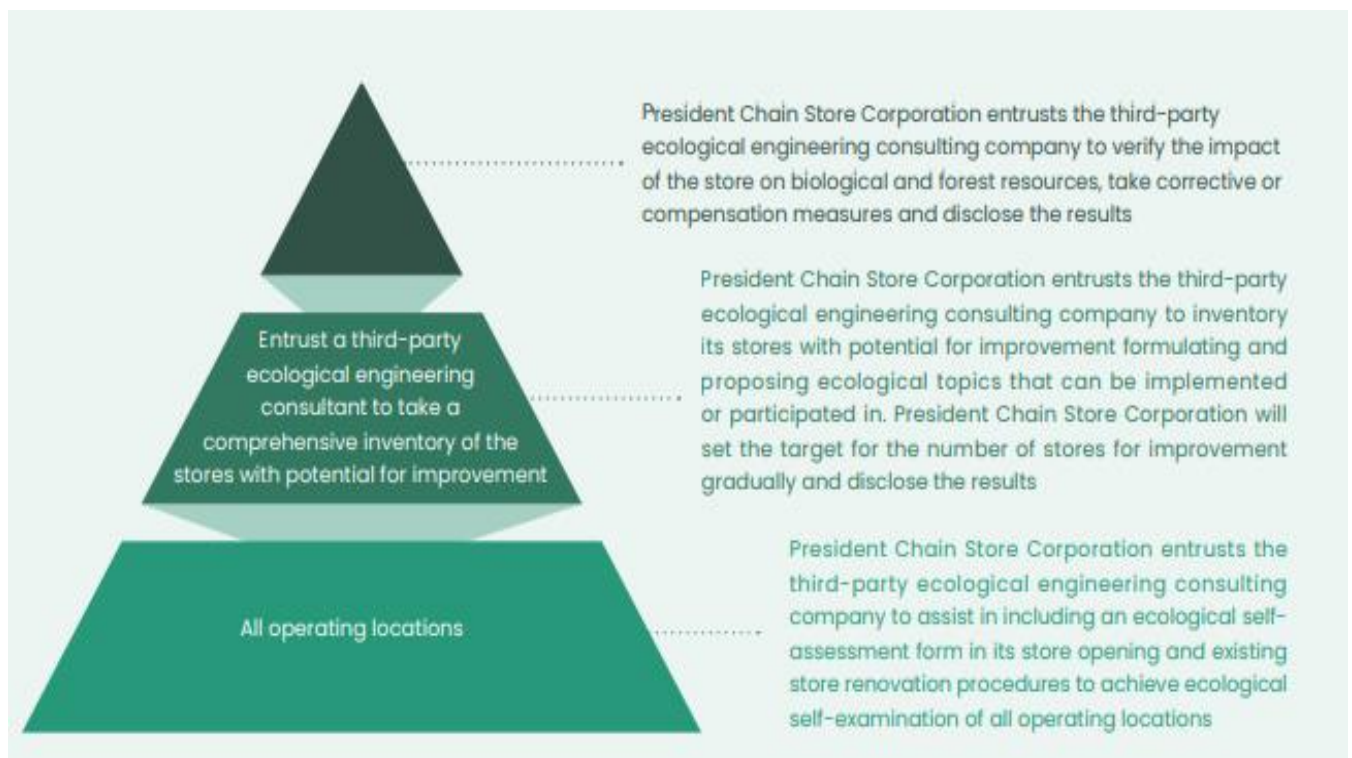
- I. Classification system for operation locations: Areas defined by national regulations are classified as high-risk stores. Stores inventoried by third-party experts as feasible are for medium-risk. All other stores are classified as low-risk. Execution strategies are formulated in line with these three categories.
  1. High-risk stores:
    - i. Definition of the stores: Determined by land use zoning, including natural reserves, natural parks, wildlife sanctuaries, important wildlife habitats and nature conservation.
    - ii. Direction for implementation: President Chain Store Corporation entrusts the third-party ecological engineering consulting company to verify the impact of the store on biological and forest resources, take corrective or compensation measures and disclose the results

2. Medium-risk stores:

- i. Definition of the stores: Entrust a third-party ecological engineering consultant to take a comprehensive inventory of the stores with potential for improvement.
- ii. Direction for implementation: President Chain Store Corporation entrusts the third-party ecological engineering consulting company to inventory its stores with potential for improvement formulating and proposing ecological topics that can be implemented or participated in. President Chain Store Corporation will set the target for the number of stores for improvement gradually and disclose the results.

3. Low-risk stores:

- i. Definition of the stores: All operating locations.
- ii. Direction for implementation: President Chain Store Corporation entrusts the third-party ecological engineering consulting company to assist in including an ecological self-assessment form in its store opening and existing store renovation procedures to achieve ecological self-examination of all operating locations.

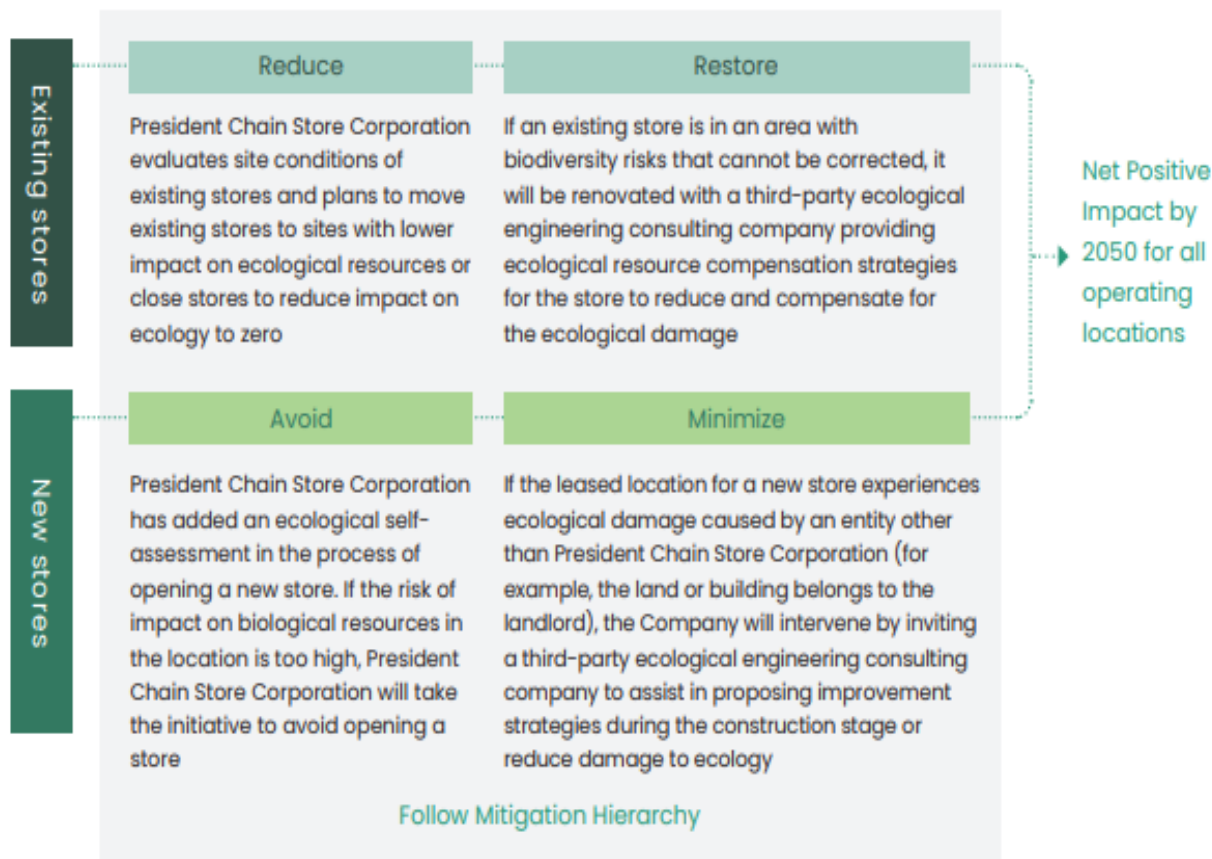


## Article 5 Strategies for Operating Locations

- I. Existing stores
  - 1. Reduce: President Chain Store Corporation evaluates site conditions of existing stores and plans to move existing stores to sites with lower impact on ecological resources or close stores to reduce impact on ecology to zero.
  - 2. Restore: If an existing store is in an area with biodiversity risks that cannot be corrected, it will be renovated with a third-party ecological engineering consulting company providing ecological resource compensation strategies for the store to reduce and compensate for the ecological damage.
- II. Opening stores:
  - 1. Avoid: President Chain Store Corporation has added an ecological self-assessment in the process of opening a new store. If the risk of impact on biological resources in the location is too high, President Chain Store Corporation will take the initiative to avoid opening a store.
  - 2. Minimize: If the leased location for a new store experiences ecological damage caused by an entity other than President Chain Store Corporation (for example, the land or building belongs to the landlord), the Company will intervene by inviting a third-party ecological engineering consulting company to assist in proposing improvement strategies during the construction stage or reduce damage to ecology.

## Article 6 Risk Assessment Procedure, Progress and Planning

- I. In 2022, President Chain Store Corporation screened its operating locations with the International Biodiversity Assessment Tool (IBAT) to inventory the land use zoning and take risks associated with impact on biodiversity into consideration. The results showed 11 stores located in nature reserves designated by the government, national parks, national natural parks or important wildlife habitats, covering a total area of approximately 0.2 hectares (the stores are all located within existing developed areas and commercial facilities approved by the government for lease).
- II. In 2022, President Chain Store Corporation evaluated the possibility of collaborating with a third-party ecological engineering consulting company. In the future, we plan to refer to different methodologies and structures, consider the level of biodiversity impact, and sort existing stores based on the principle of mitigation hierarchy. First of all, stores located in areas with biodiversity risks will be relocated or closed. If no corrective measures can be taken, a third-party ecological engineering consulting company will provide a compensation strategy for each store to restore the ecological damage associated with biodiversity. For new opening stores, biodiversity risks will be added to the store assessment form, and



## Article 7 Supplier Agreement

- I. President Chain Store Corporation promises to engage in management associated with “biodiversity policy” and “zero deforestation” for all suppliers.
- II. In 2022, President Chain Store Corporation added a new clause of “No Deforestation & Biodiversity” to the “President Chain Store Corporation and President Chain Store Corporation Subsidiaries’ Code of Conduct for Suppliers” to enhance raw material suppliers’ attention to commitments on zero deforestation and biodiversity. The details cover not reclaiming forests by burning or felling, not purchasing products from manufacturers that violate relevant international laws or destroy conservation areas and peatlands, supporting biodiversity and protecting the rights and interests of farmers and laborers, etc.
- III. A new version of the contract has been signed by new suppliers, and contracts will be gradually replaced for all existing manufacturers by the end of 2023. In the future, we will expand our supplier management practices and work with suppliers to achieve the vision of biodiversity protection and zero deforestation.

Article 8 Revision history: First edition was deemed invalid in May 2023.

Revision was published in April 2024.