



# 2

## Create a Safe and Healthy Food Culture

- Food Safety Control
- Product R&D and Innovation

## Chapter 2. Create a Safe and Healthy Food Culture

Uni-President has operated in Taiwan for more than 50 years. The Group not only covers upstream, midstream and downstream in the food industry chain, but also has a leading position in the development of the food industry. Given high expectations of food manufacturers from society and consumers, we deeply understand that a sound food safety mechanism is not only a key issue for building the trust of consumers and society, but also the first line of defense for Uni-President's business operation. Thus, our food safety control system is based on the Uni-President Group's management, which establishes consistent management regulations, and ensures the safety and health of all products that are provided for the public from the perspective of the value chain, including traceability of raw materials, manufacturing, retail channels, and customer services. We also aim to have great influence on the food industry and bring the industry a positive development.

Targets for management	Achievement rate	2019 Key Achievements	2020 Goals	Middle to long-term target
<b>Food Safety 3-level management system</b>				
<ul style="list-style-type: none"> <li>Food Safety level 1 - No anomalies</li> <li>Food Safety level 2 issues decreased by 20% YoY</li> </ul>	△ (In progress)	<ul style="list-style-type: none"> <li>Food Safety level 1 - No anomalies</li> <li>Established a task to rectify the reason behind the failure to meet the goal of Food Safety Level 2</li> </ul>	<ul style="list-style-type: none"> <li>The number of customer complaints on Food Safety Level 1- No anomalies</li> <li>Food Safety level 2 issues decreased by 30% YoY</li> <li>Public sector audit - No violations</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of food safety culture by affiliated companies</li> <li>Fulfill 3 level of Food Safety management</li> </ul>
<ul style="list-style-type: none"> <li>Control on medical residue</li> <li>Zero residue in finished products</li> <li>Medical residue in ingredients decreased by 20% YoY</li> </ul>	◎ (Already achieved)	<ul style="list-style-type: none"> <li>Zero residue in finished products</li> <li>Medical residue in ingredients decreased by 67% YoY</li> </ul>	<ul style="list-style-type: none"> <li>Zero residue in finished products</li> </ul>	
<b>Safety management of traceability</b>				
Development of technology on key ingredients/materials replacement by multi-source	◎ (Already achieved)	<ul style="list-style-type: none"> <li>Applying of the new ingredient, green tea G07 in the production of Mine Shine green tea</li> <li>Ensure the security of milk supplies from domestic and overseas producers</li> <li>Diversified sources of pork are used in all product lines</li> </ul>	<ul style="list-style-type: none"> <li>The establishment of the second source for B2B tea leaves</li> <li>The quality and amount of milk supplies from domestic and overseas producers can be ensured</li> </ul>	Improve the safety management of the sources and lower the procurement risk of ingredients
<b>Product R&amp;D and Innovation</b>				
Research on the technology of taste mechanisms	◎ (Already achieved)	<ul style="list-style-type: none"> <li>"Uni Sunshine No Added Sugar Black Soy Milk" was launched</li> <li>"Original Peanut milk" was launched</li> <li>San Bei Dudu Sausage was developed</li> </ul>	<ul style="list-style-type: none"> <li>Research on high-value plant-based milk technology and product development</li> <li>Reduction of soy pulp and the application of its reuse technology</li> <li>7-E Bubble Matcha Au Lait(bubbles that can be microwaved) will be launched</li> </ul>	Developing towards product refinement while continuously improving the product quality and taste
R&D of technology for new products and processes of the bakery, fresh food and high-nutrition	◎ (Already achieved)	<ul style="list-style-type: none"> <li>"Uni Custard Bread," "Taro Bread," and "Honey Cake" were launched</li> <li>Noodles for fresh cold noodles and frying and boiling were improved again in quality</li> <li>Establishment of the technology of defrosting meat with changing temperatures</li> <li>Health 3D's certification for controlling blood fats has been upgraded</li> </ul>	<ul style="list-style-type: none"> <li>Development of bread with salty ingredients and refined pastry</li> <li>Fresh soy sauce noodles and beef noodle soups will be launched</li> <li>plan for upgraded certification for controlling blood sugar in Health 3D product</li> <li>Development of LP33 anti-allergy capsules that can be preserved at room temperatures</li> </ul>	Meet the needs of consumers, improving three main categories of products, including fresh food, bakery and nutrition care through R&D

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## 2.1 Food Safety Control



### Material topic

Food safety management mechanisms, Responsible marketing and labeling, and Compliance



### Policy and commitment

"No Food Safety Risk" is Uni-President's core value and commitment



### Target

Set up targets for Food Safety level 3 management and control on drug residue to fortify food safety and quality management. (For target achievements, please refer to the chapter of Key Achievements.)



### Responsibility and resource

- Establish the Food Safety Center and form the Food Safety Committee which connects the control on food safety of each division to reduce relevant risks
- Marketing & Planning Office is responsible for integrating the product labeling and marketing operation



### Action plan

- Set up the QC Laboratory and Food Safety Laboratory and actively acquire the TAF and TFDA Certification to enhance our food safety inspection capacity
- Formulate supplier management policies and complete the supplier management by performing the on-site evaluation and material supplier inspection
- Each plant acquires international food safety management system certifications, such as ISO 22000 and FSSC 22000 to improve the management capability of each factory
- Establish the SOP for package labeling review which is implemented by the joint work of each business group, research unit, marketing and planning office, production plant, and QC unit to prevent improper labeling and marketing



### Evaluation of the management approach

- Form the Food Safety Audit Team to regularly monitor and audit the internal food safety risk monitoring operation, in order to ensure the implementation of food safety control
- Continue to maintain the effectiveness of international food safety management systems and laboratory certifications
- Promote the customer satisfaction survey on complaint handling
- Comply with the food-related laws and regulations



### Grievance mechanisms

- Establish the Consumer Service Center and provide various channels (e.g. 0800 hotline, corporate website, service mailbox, and retailer feedback) for customers to inquire and complain about products
- Draw up the internal food safety project to provide channels for employees to report and complain about product-related matters

### 2.1.1 Food safety management mechanism of the Group

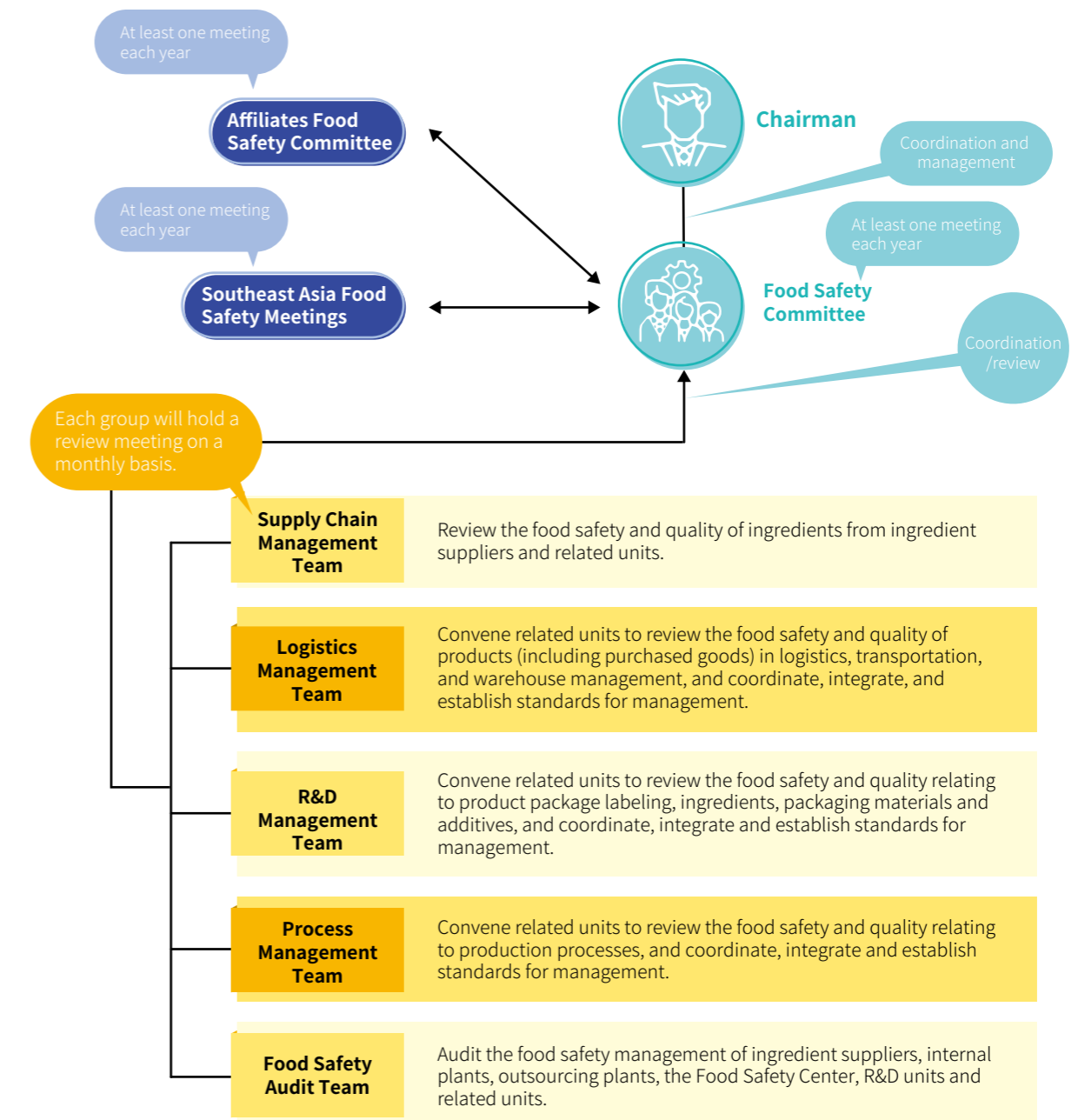
The food industry involves diversified products and complex ingredients/materials, so there are many risk factors that affect food safety, and the risks may also influence each other. Hence, we believe that risk management is based on the improvement of the governance structure and the internal capabilities and cultural shaping of the organization. With that, the Food Safety Committee is the highest management unit for Food Safety control, coordinating on the Group's overall management and audit system, and it encourages all members to gain awareness on food safety and respond immediately, while shaping the Group's food safety culture.

### • Food Safety Committee

The Chairman of Uni-President is the convener of the Committee who appoints the head of the Food Safety Center, Procurement Department, Logistics Group, Central Research Institute, Technical Group, each business unit, Food Safety Audit Team, and Public Affairs Office as members. The Food Safety Committee set up five working groups. The Committee holds at least one food safety meeting every month to discuss and resolve matters related to food safety and quality management. Uni-President establishes operating procedures of the Food Safety Committee in accordance with the "Organizational Structure and Operating Procedures of the Food Safety Committee," which covers 100% of our product types.

The Food Safety Committee held 40 food safety meetings in 2019 (including one for Southeast Asia and one for the Uni-President Group.)

### Procedures, Teams and Responsibilities of the Food Safety Committee



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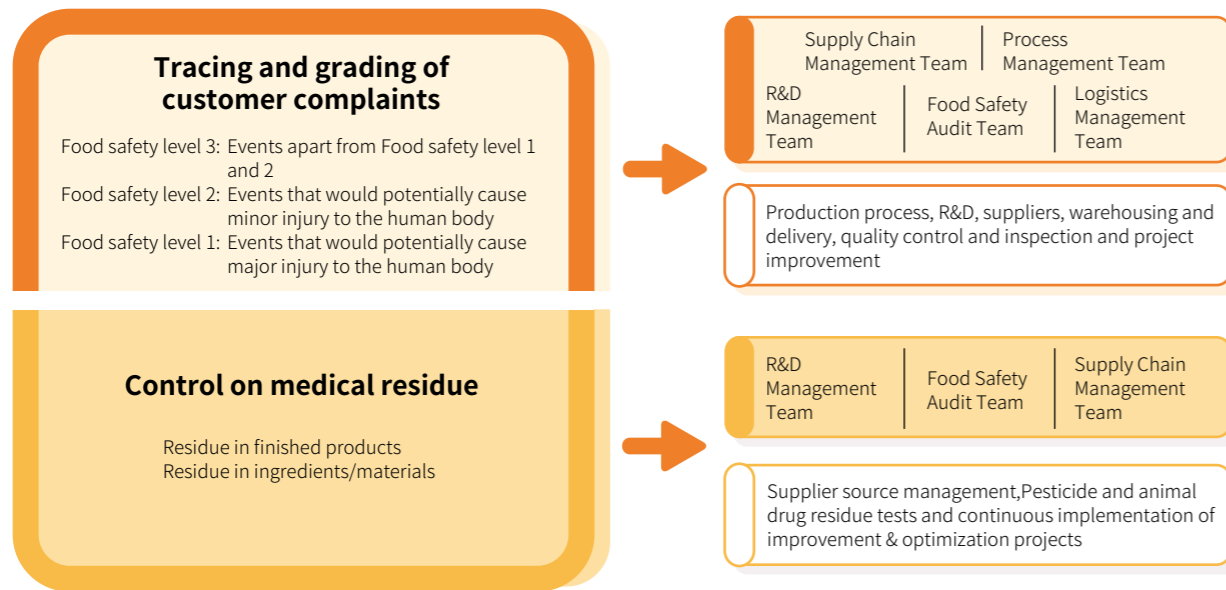
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• **Strengthen the core work of food safety**

To fortify the control on the risk of food safety, Uni-President has set goals for the tracing and grading of customer complaint incidents and drug residue management every year since 2018 and distribute the goals to five working groups to respectively implement the management target and achievement tracing. Since 2019, we have also used the weighted incident frequency as the management evaluation indicator to improve the safety and control risks caused by setting the number of cases as the target in the past. There were three complaint cases regarding Food Safety level 2 occurring in 2019; the main cause of these incidents was the discrepancy of flavor and quality, hence the target of Food Safety level 2 could not be reached. Subsequently, the project team was set up by the Food Safety Center in response to this situation, and is responsible for optimizing and improving control processes of the production, for instance, revising the maintenance standard for the production equipment, increasing the frequency of daily maintenance, as well as promoting the memory quality evaluation training to improve the personnel's sensitivity, so as to prevent the recurrence of relevant risks.

**The Core Working Practices of Food Safety Management**



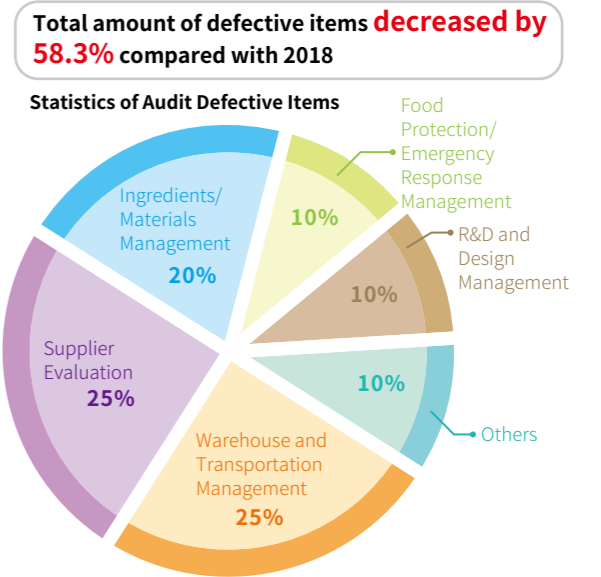
• **Audit of Affiliates**

In addition to coordinating the Uni-President Group's management system by the Food Safety Committee, we also perform audits of affiliates to stimulate their improvement. Thus, we prepare an annual audit plan for affiliates at the beginning of each year, and perform audits on affiliates based on the "Affiliate Food Safety System Evaluation Items." In 2019, Uni-President's seven affiliates were audited, including President Chain Store Corporation, Uni-President Organics Organization, Uni-President Natural Industrial Corporation, President Pharmaceutical Corporation, President Nisshin Corporation, President Kikkoman Inc., and Tait Marketing and Distribution Co., Ltd. With the promotion of the core work of food safety, our affiliates have gradually fortified their management measures of themselves and on suppliers. The audit result of each affiliate in 2019 has improved compared to 2018, and all defects were filed and followed by the Food Safety Center and expected to be corrected during the first half of 2020.

**Affiliate Food Safety System Evaluation Items**



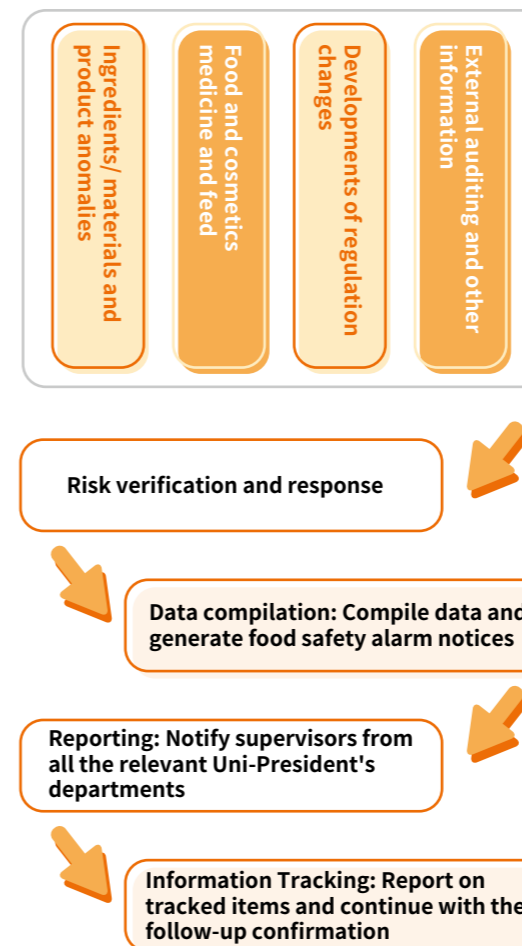
**2019 Audit Results of Affiliates**



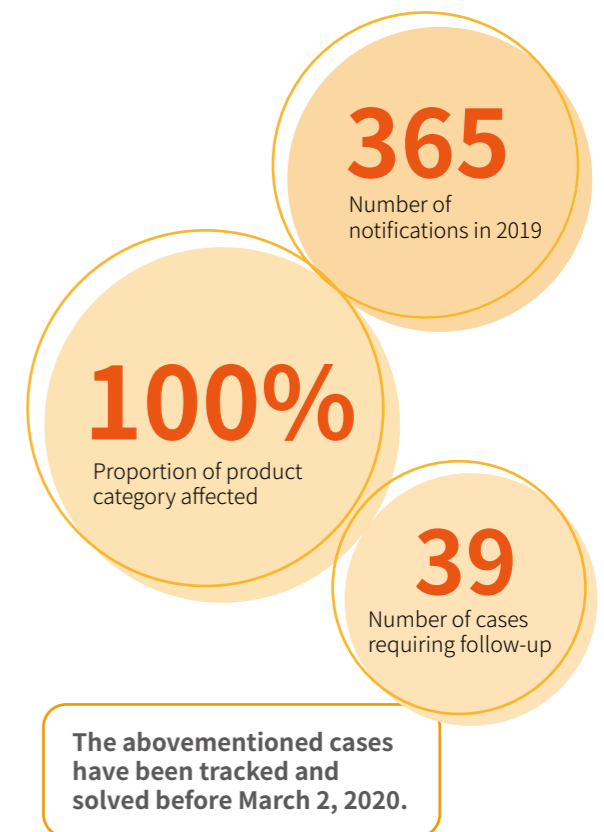
• **Communication and connection of food safety information**

In order to implement the communication on food safety and maintain the efficiency of the plant management mechanism, we have built the Food Safety Center Rapid Alarm System (FSCRA) to gather the information relating to Uni-President products every day and timely notify respective responsible units. With FSCRA, related units can take advance or timely countermeasures to optimize management of food, cosmetics, drugs, and feed safety.

**Operating procedures**



**List of Alerts from the Food Safety Center Rapid Alarm System (FSCRA) in 2019**



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• Regulations identification system

With rapid changes in food safety regulations, responding to regulatory changes immediately is important for food safety risk management. We have set up a "Product Regulatory Change Management Process," evaluated the impact of regulatory changes of the products' safety, health, quality and inspection methods via joint cooperation between the Food Safety Center and related units, and adopted corresponding measures to ensure all of Uni-President's products are in compliance with relevant laws and regulations, in order to avoid damage to consumer health and the company's reputation.



In 2019, the Food Safety Center supervised 75 cases of regulatory changes, which covers all product categories (100%).

The Food Safety Center initiated 70 regulation identifications in accordance with regulatory changes. All of them were completed by January 7, 2020.

The Act Governing Food Safety and Sanitation and its enforcement rules proclaimed by the Taiwan Food and Drug Administration, Ministry of Health and Welfare, are the major laws and regulations applicable to Uni-President products. Please visit the TFDA website for details regarding related laws and regulations (<https://www.fda.gov.tw/TC/law.aspx?cid=62>). The root cause and punishment are as follows:

<b>Root cause</b> The Public Health Bureau, Tainan City Government, sent a letter on April 2 which indicated that the package labeling of the "Wakuwaku Miso Flavor Instant Noodles" received complaints for having the "Preparation Suggestion" with less-than-6mm font width, which was not in accordance with the regulation. (The font length conformed to the regulation.)	<b>Offenses/ Punishment</b> The incident violated Subparagraph 10, Paragraph 1, Article 22 of the Act Governing Food Safety and Sanitation, hence a penalty of NTD 30,000 was imposed in 2019. The violating product was to be recalled and corrected by September 15, 2019.	<b>Corrective action</b> 1. Source prevention: Add a "scale" on the electronic drawing attached in the "Product Packaging and Labeling Review Form" to compare the word font size directly. 2. Review process optimization: After the completion of "Product Packaging and Labeling Review Form," the "1:1 Written sample draft" provided by packing material manufacturers will be submitted to the review unit to physically measure the font size. With the confirmation of the review unit, packages of products can then be packaged, printed, and produced samples by the packing material manufacturers.
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2.1.2 Enhance Food Safety Inspection Capacity

Considering that food safety inspection capacity is the foundation for ensuring food safety, Uni-President has set up quality control laboratories in each production plant, while the food safety center has also set up a food safety laboratory to jointly perform inspections on ingredients/materials and finished products. If the inspection result is confirmed to be inconsistent with the acceptance criteria, it shall be judged as unqualified by the QC department, and the procurement unit shall be informed to return the product, or it shall be suspended from use. In addition, the procurement unit would require the supplier to propose improvement and recurrence prevention measures in order to enhance the stability of supply quality.

• TFDA and TAF laboratory certifications

We continue to invest the budget and equipment and improve the test item to strengthen our testing capability while actively acquiring the certificates of the TFDA (Taiwan Food and Drug Administration) and TAF (Taiwan Accreditation Foundation) to fortify Uni-President's control on food safety.

TAF and TFDA Certification Acquired by the Laboratory in 2019

	Food Safety Center Food Safety Laboratories	QC Laboratories				
		Yongkang QC Lab	Xinshi QC Lab	Zhongli QC Lab	Yangmei QC Lab	Hukou QC Lab
TAF(ISO 17025)	V	V	V	√ <sup>Note 2</sup>	V	V
TFDA	Note 1	V	V	V	V	V

Note1: The expiry date of TFDA certification was January 11, 2019.  
 Note2: The expiry date of Zhongli QC Lab certification was December 16, 2019. We have submitted the extension certification on October 2, 2019 and its review was completed. The new certification is issued on May 25, 2020.

In 2019, the QC Section and Food Safety Laboratory compiled a total of 209 groups of practical testing items (excluding the test items for projects commissioned by external clients) for ingredients, materials, and finished products. These items include the physical and chemical properties and safety factors. All methods of testing have been certified by the TFDA or the TAF. In addition, tests and inspections are conducted with respect to the methods specified by the Ministry of Health and Welfare and the Bureau of Standards, Metrology and Inspection or internationally accepted test methods (e.g. AOAC).

As of December 31, 2019, up to 614 test items of Uni-President's laboratories have been certified by the TAF and TFDA as food-related test items.

List of TFDA and TAF Certified Items

Laboratories	Food inspection		Non-food inspection TAF certified items
	TFDA certified items	TAF certified items <sup>Note 2</sup>	
Food Safety Laboratory of the Food Safety Center	NA <sup>Note 1</sup>	<ul style="list-style-type: none"> <li>Beta agonist (21 items)</li> <li>Tetracycline (7 items)</li> <li>Chloramphenicol (4 items)</li> <li>Plasticizer (18 items)</li> <li>Aflatoxin (5 items)</li> <li>Antioxidant (11 items)</li> <li>Animal medication (48 items)</li> </ul>	<ul style="list-style-type: none"> <li>Heavy metal (12 items)</li> <li>Nitrofurantol metabolite (4 items)</li> <li>Pesticide (380 items)</li> <li>Antibiotic and their metabolites (16 items)</li> <li>Ionophore coccidiostat (5 items)</li> <li>Heavy metal (8 items)(Applicable to environmental water)</li> </ul>
QC Laboratories (Yongkang/ Xinshi/ Zhongli/ Yangmei/ Hukou)	<ul style="list-style-type: none"> <li>Microorganism (14 items)</li> <li>Moisture (2 items)</li> <li>Crude ash (1 item)</li> <li>Caffeine (1 item)</li> </ul>	<ul style="list-style-type: none"> <li>Microorganism (32 items)</li> <li>Toxin (1 item)</li> </ul>	<ul style="list-style-type: none"> <li>General ingredient (15 items)</li> <li>Preservative (17 items)</li> <li>Microorganism (1 item - Applicable to aquatic feed products)</li> </ul>

Note 1: The Food Safety Laboratory of the Food Safety Center possesses both the nitrofurantol metabolites and chloramphenicol certificates of the TAF and TFDA. However, since our consideration of the higher wider circulation of TAF, we will stop applying for antioxidants, nitrofurantol metabolites and chloramphenicol certificates of TFDA after the expiration of the TFDA certificate in 2019.  
 Note 2: In 2019, each laboratory has added new TAF certified items which are showed as follows: Food Safety Laboratory of the Food Safety Center - Pesticides (6 items), heavy metals (1 item), beta agonists (1 item), antioxidants (11 items), and animal medication (48 items); Zhongli QC Lab - Ingredient: crude protein (1 item); Yangmei QC Lab - Ingredient: propanoic acid (1 item).

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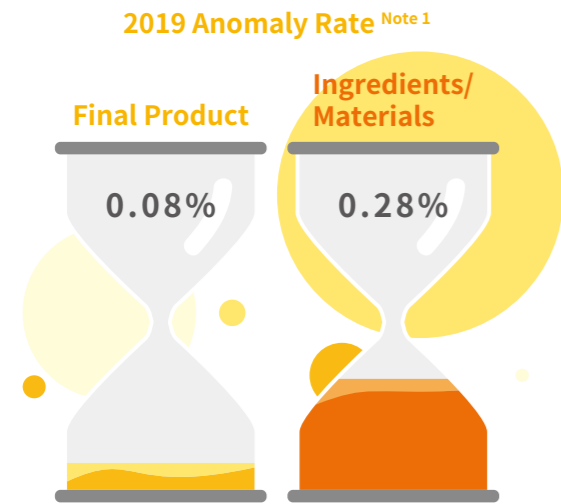
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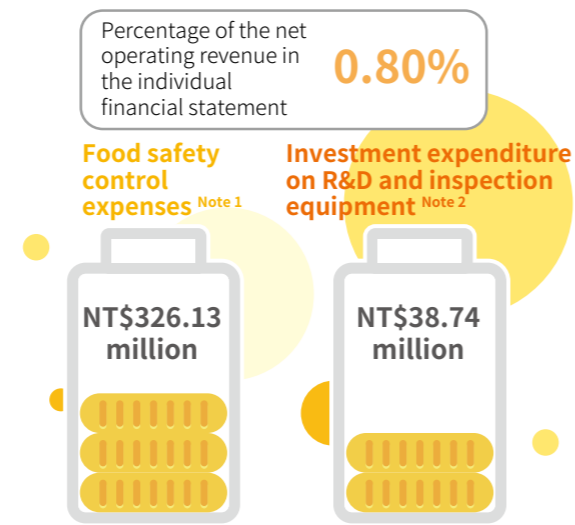
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**Anomaly Form of Finished Products and Ingredients/Materials Inspection in 2019**



Note 1: Anomaly rate = Number of anomalies/total number of tested pieces

**2019 Food Safety Control Expense Statistics Form**



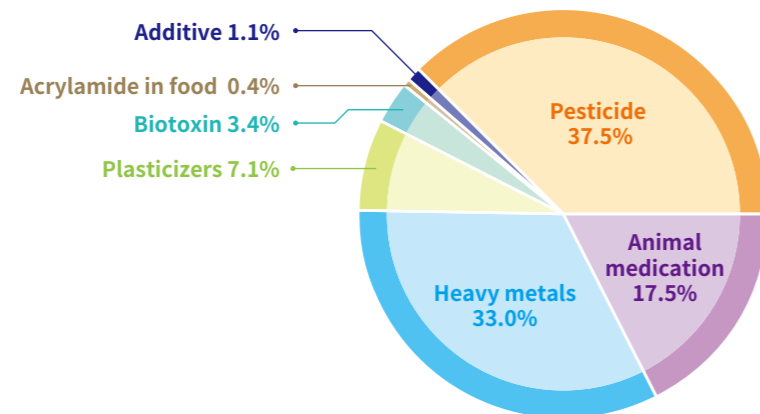
Note 1: Food safety control expenses include laboratory expenses and external inspection fees

Note 2: Expenditure includes the equipment investment of the Central R&D Institute, Food Safety Center, and Technical Group

**Expand food safety impact and offer inspection service for external units**

In order to meet the requirements of food safety in Taiwan, Uni-President not only performs self-inspections within the factory, but also shares lab technology and resources in related industries by undertaking inspection cases from external units (including food manufacturers, suppliers, schools, catering industry, and fresh food industry). Of these externally commissioned inspection cases, most were mainly for pesticides, heavy metals and animal drugs in 2019. Uni-President will continue to improve lab software and hardware facilities and professional inspection capabilities of employees, in the aim of contributing to food safety in Taiwan.

**Analysis of the types of external commissions accepted by the food safety laboratory in 2019**



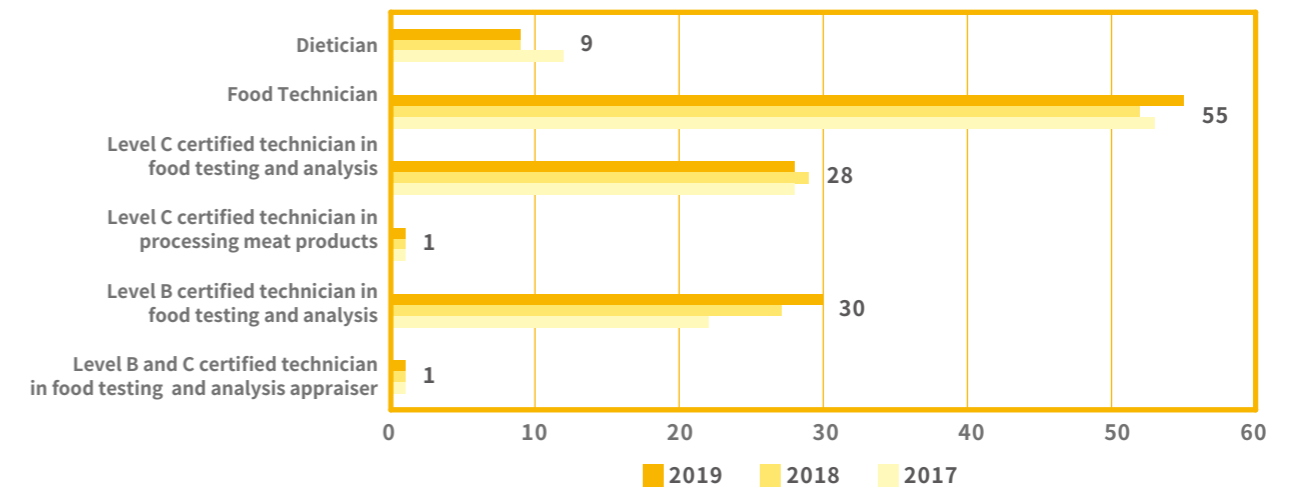
**2.1.3 Mold the Overall Food Safety Culture**

The prevention system for food safety relies on the cooperation of all personnel in Uni-President. Therefore, we constantly enhance our software and hardware ability, and actively cultivate relevant talents and form the joint participation culture to integrate food safety control into our daily operation. "No food safety, no Uni-President" is the major code of conduct for our employees.

**Cultivate food safety talents**

Uni-President attaches great importance to food professional talents and encourages employees to acquire relevant food licenses to improve their expertise in the food industry. We have established the "Rewards and Allowances for License and Certificate Acquisition," which applies to all Uni-President employees. As of December 31, 2019, a total of 124 employees obtained food safety certifications, showing an increase of 4.2% compared to 2018. In addition, to raise food safety awareness and enrich food safety knowledge of employees, we continue to arrange courses related to food safety and hygiene management and food inspections. In 2019, the number of participants in food safety training reached 19,232, with a total training of 49,621 hours.

**Professional Licenses and Certificates in the past 3 years**



**Food safety hotline encouraging employees to jointly maintain the safety of food**

For product safety and label content, Uni-President has established "Employee Participation in Product Safety Measures" to encourage employees to report any concerns regarding advertisement, labels, ingredients, and legal inconsistencies of current Uni-President products over hotline or mailbox. The Audit Division will process these reports before the Food Safety Committee convenes related units to conduct an investigation. Then, the responsible units will review and take respective actions based on the significance of each report. We also protect and reward employees reporting the information. Currently the maximum reward is up to NT\$5 million. Employees can express their opinions on all company food products (100%) on the food safety hotline. In 2019, there were 2 cases of employee feedback on the food safety hotline, all of which were tracked and solved before August 23, 2019. The cases are related to doubts on contents of labels, which were assessed by relevant personnel who verified that the contents were in compliance with relevant regulations, and there was no misunderstanding for consumers.

**2.1.4 Traceability and Implementation of Supply Chain Management**

Uni-President produces a wide variety of products with complex ingredients/materials. How to maintain the flavor of the product while decreasing factors that impact food safety is the key to food safety risk management. Thus, we not only minimize the use of ingredients and additives, but also reduce food safety risks by improving our traceability, supplier management, and audit system.

**Supplier management mechanism**

Uni-President has formulated the code of conduct and management requirement for suppliers. Not only do we build up the basic management regulation for material suppliers, but we also include the ethics regulation, labor and safety (including labor rights), social and environmental responsibilities in the code of conduct. In addition, we require suppliers to respect employees, focus on the safety of the working environment, promote social and environmental responsibilities, and observe the law and regulation of countries and regions in which they operate. Moreover, suppliers are also encouraged to request their upstream manufacturers to recognize and adopt relevant codes.

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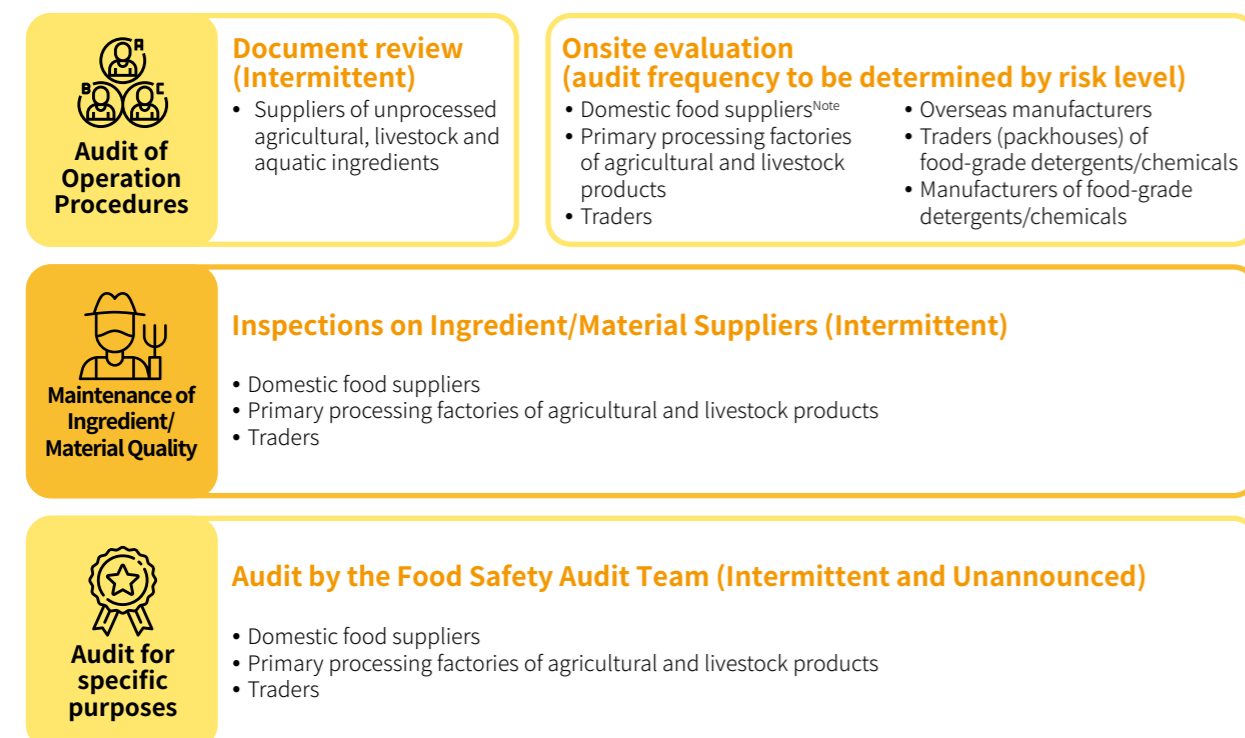
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Meanwhile, the on-site evaluation and audits are performed to understand and evaluate the risks of production from different types of suppliers. To optimize the audit mechanism, we have appointed the Food Audit Team, previously under the Food Safety Center, to become an independent unit in 2017 in order to raise the reporting level and allow it to directly report to the President's Office. After the system change, the supplier review mechanism falls into 3 dimensions based on the risk level and purpose of audit. We can improve our control on the ingredient and material quality, supplier operation regulation, and the food safety via the audit and deficiency traceability of the three dimensions.

### Supplier management strategy



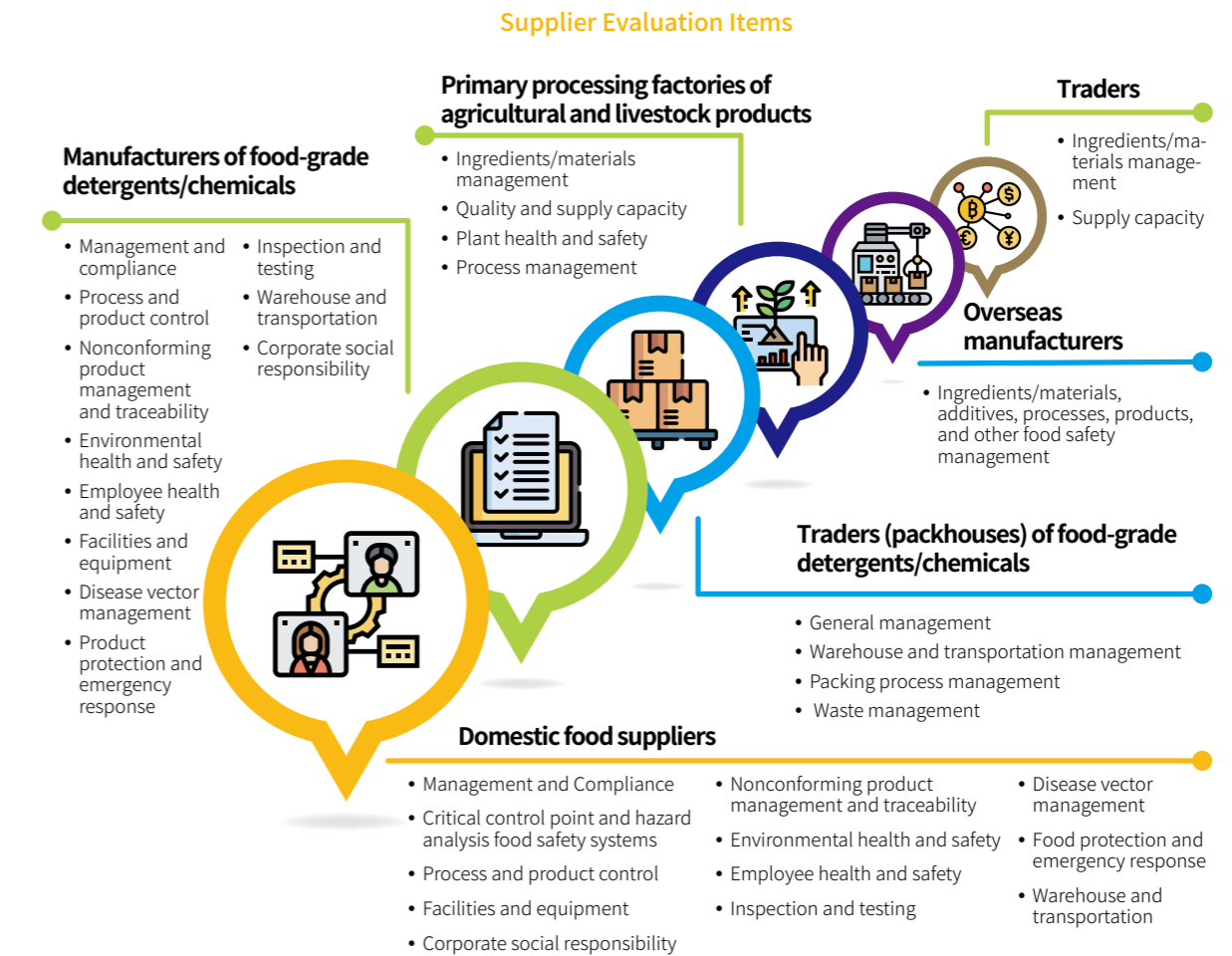
### Supplier management mechanism



Note: Including suppliers of packaging materials that have direct contact with foods/products

### Onsite evaluation

Uni-President has established the "Supplier Evaluation Procedures" according to the "Regulations on Good Hygiene Practice for Food" and "Food Safety Management Principles," to set up different evaluation items based on types of suppliers.



In 2019, 158 out of 548 suppliers<sup>Note 1</sup> applicable to the Supplier Evaluation SOP completed the on-site evaluation, a 28.83% evaluation completion rate. The pass grade is 60 marks or above. Suppliers must receive this score and have a clean record of severe defects to be qualified, for example: whether the Food Safety and Hygiene Management System fails or whether the food has immediate safety hazards but immediate improvement is possible. The team adopted a defect tracking and improvement program for follow-up, in order to reduce the recurrence of defects. After the evaluation, suppliers are requested to fill in the "Ingredients/Materials Suppliers Onsite Guidance and Improvement Follow-Up Form" and report the improvement of defects within one week. Suppliers not listed in the qualified supplier list after the review must re-perform an on-site evaluation. Suppliers may receive another evaluation based on the root cause of defects and follow-up result of the improvement, and may be listed as new qualified suppliers if they are qualified. However, suppliers punished (administrative fines) for violation of related laws and regulations will be rejected for re-evaluation.

Note 1: Food suppliers having transactions in 2019 included suppliers not covered by the Supplier Evaluation SOP, such as raw milk suppliers (dairy farms), suppliers of packaging materials having no direct contact with foods, wheat suppliers that import wheat independently, and outsourced factories.

The on-site evaluation of all overseas suppliers was completed in 2016, and all were qualified. With respect to the risk control principles, there was no on-site evaluation for foreign suppliers in 2019 due to the absence of recent material risks. Hence, on-site evaluation of overseas suppliers will be planned and implemented as necessary in the future.

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### On-Site Evaluation Rate in 2019

Total suppliers	548	On-Site Evaluation Completed	158	Rate of On-Site Evaluation Completed 28.83%	28.83%
Suppliers applicable to the Supplier Evaluation SOP <sup>Note</sup>	338	On-Site Evaluation Completed	158	Rate of On-Site Evaluation Completed 46.75%	46.75%

Note: Uni-President performs supplier on-site evaluation with frequencies of 1 year, 2 years, and 4 years based on the supplier type and risk level.

#### • Inspections on ingredients/materials suppliers

In addition to the regular implementation of on-site evaluation on whether the operating procedures of suppliers are in compliance with the company's regulations, we have classified the acceptance anomalies of ingredients/materials into food safety level 1, 2 and 3, in order to maintain the quality of ingredients/materials. The Food Safety Audit Team is responsible for on-site visits and improvement tracking verification on the anomalies of food safety level 1 and 2, whereas the QC department decides whether to perform inspection on an irregular basis for food safety level 3, and prepares a "Checklist on Audit Management for Inspections of Ingredient/Material Suppliers on an Irregular Basis" according to the main inspection results. Any one of the inspected items that does not comply with eligibility standards is regarded as a deficiency, and suppliers of the unqualified items shall complete the Checklist of Ingredient/Material Suppliers Quality Improvement within one week.

#### The inspection results of ingredients/materials suppliers in 2019

Inspection subject	Suppliers of ingredients/materials rejected by QC for nonconformities during the incoming acceptance or suppliers of ingredients/materials (excluding raw cheese farms) with anomalies found during our manufacturing
Inspection topics	Audit of the management (e.g. regulation conformity) of ingredients & materials/processes/finished products/others
2019 Inspection Results	In 2019, the QC Section audited 36 suppliers in 67 visits. Process management was the main cause of defects. Corrections of all defects had already been completed before December 31, 2019.

#### • Supplier tracing and auditing

In accordance with the "Level 2 Ingredients/Materials Traceability Inventory and Production Audit Regulations" developed based on the "Food Traceability System," the Food Safety Audit Team conducts traceability and production audits based on the type of manufacturer and trader. The audit items include production history, production process (for manufacturers), COA inspection, and GHP management (including warehousing) inspection. In terms of production history auditing, we trace the suppliers' ingredients/materials, which are regarded as secondary ingredients/materials, during production. The inventory items include import declarations, import licenses, certificates of ingredient/material origin, COA, shelf-life, food safety inspection reports, etc.

In 2019, the Food Safety Audit Team audited 301 suppliers on-site in 809 visits. Good Hygiene Practice (GHP) was the main defect. Corrections of all defects were all completed by March 20, 2020.

#### • Establishment of the traceability system

With reference to the "Regulations Governing the Traceability of Foods and Relevant Products" announced by the Ministry of Health and Welfare, we require food companies to record and trace the supply source or product flow of food and related supply processes. Uni-President has conducted traceability in accordance with the "Food Traceability Management System" established based on internal regulations, which covers 100% of our product types (excluding animal and aquatic feed).

In 2019, Uni-President has developed the Food Traceability Management System with a total of 184 products, accounting for 42% of all Uni-President food products (excluding feed for livestock and aquatic animals). We also achieved 100% development of the Food Traceability Management System and use of electronic receipts according to the legal requirements. The complete data has been uploaded to the Ministry of Health and Welfare's "Food Traceability Management System (Ftracebook)" (<http://ftracebook.fda.gov.tw>).

#### 2.1.5 Responsible Production and Control of Manufacturing Risks

Given that production management is important for reducing food safety risks, Uni-President has set up a sound food safety management system and supervises the management effectiveness of each production plant by verifying the varying production management. We also implement food processing hygiene management in each plant through the self-audit mechanism and monitoring and verification of the food safety audit team.

#### • International food safety management systems

Each plant of Uni-President has acquired the certification of CAS (Certified Agricultural Standards), ISO 9001 (Quality Management System), TQF (Taiwan Quality Food), ISO 22000 (Food Safety Management System), or FSSC 22000 (Food Safety System Certification). In addition to TQF which is the basic certification system that shall be required by each plant every year, FSSC 22000 is the management mechanism which is based on ISO 22000 and approved by the Global Food Safety Initiative, and therefore has stricter specification requirements. Uni-President's food production plants except essential oil plant have acquired the FSSC 22000 certification, and the Yongkang feed factory and essential oil plant have obtained the ISO 22000 certification. For detailed product certifications of each plant, please refer to "The plants' food products certified by ISO 22000 and FSSC 22000 in 2019" in the appendix list.

In 2019, food products certified by FSSC 22000 accounted for 99.99% of Uni-President's total food products.

Note: Product certification proportion = Annual production of certified food products/total annual production of food products (unit: the minimum unit of each product)

#### • Factory Self-audit system

Apart from improving the management regulation of each plant via the food safety management system, we also have a self-inspection system based on different types of production plants to minimize the relevant risks.

#### 2019 Self-audit regulation and achievement

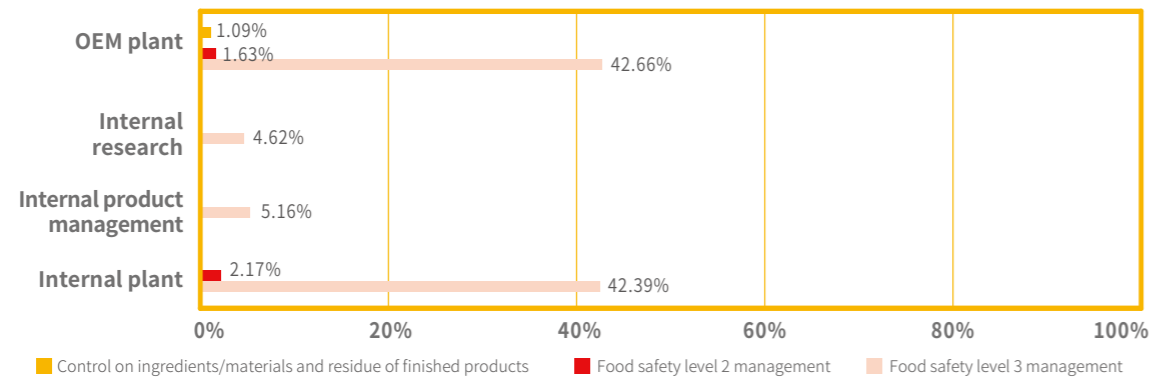
Type of production plants	Management regulations	Audit status
Food factories	<p>We have established the "Internal Food Factory Quality Audit SOP" based on the "Regulations on Good Hygiene Practice for Food" to implement a three-level management audit mechanism.</p> <ul style="list-style-type: none"> <li>Level 1: Factory self-audit</li> <li>Level 2: Audit of all Uni-President food factories performed by general factories</li> <li>Level 3: The Technical Group reviews the audit of all general factories and evaluates the need for spot checks based on the risk.</li> </ul>	<p>2019 Level 2 Audits</p> <ul style="list-style-type: none"> <li>Total number of food manufacturing factories (A): 23</li> <li>Number of audited manufacturing factories (B): 23</li> <li>Proportion between the number of audited factories and affected products A/B: 100%</li> </ul> <hr/> <p>2019 Level 3 Audits</p> <ul style="list-style-type: none"> <li>Number of manufacturing factories spot-checked by the Technical Group: 23</li> </ul>
Feed factories	We have established the "Internal Quality & Food Safety Audit SOP" based on ISO 9001 and ISO 22000.	100% <sup>Note</sup>

Note: Only one feed factory completed the internal audits in 2019

• **Monitoring and audits of food safety risks**



In addition to the self-inspection of each plant, we also conduct food safety risk monitoring and audits for internal plants, OEM plants and QC/research units by the independent food safety audit team and the Group's core target of food safety work. By doing so, we can ensure the implementation of food safety control by each production and QC/ research unit and their reports directed to the CEO office to achieve the goal of zero food safety risk. We had audited 52 plants and units in 368 visits by the end of 2019, and defects found in audits have been corrected.

2019 Audit of food safety risk in the production and QC research units



• **Optimize production process and improve operation efficiency**

Since there are various products and diverse production processes in the food industry, one of the crucial ways to maintain the safety of food is to improve the production efficiency and minimize personnel operation factors that may have impacts on food safety. Thus, we review the product and packaging processes of each plant and introduce the automatic technique, in the hope of reducing the complicated manual and improving the production yield rate and operation quality. In 2019, nine projects have been adopted including the automatic packaging process, automatic equipment cleaning, various applications in production lines, etc.

Madou Plant - Toast baking tray automatic cleaning equipment	Yongkang Factory - Composite packaging automatic adjustment
<ul style="list-style-type: none"> <li>Baking tray 180 degrees flipping deep cleaning technique</li> <li>Hot air circulation system</li> <li>Terraced tank cleaning</li> <li>Automatic machine cleaning</li> </ul> 	<ul style="list-style-type: none"> <li>With the control of vibration frequency, the single-package gathering tank is able to achieve the automatic material supply and single-package finished product transportation</li> <li>For the split packaging, the design of the number of multi-head sets and feeding time difference changes from 1:1 to 1:2</li> <li>Amplitude and frequency of vibrating the tray are designed based on hand slapping to avoid material sticking during the composition and sealing</li> </ul> 

• **Logistics control**

To allow all products to be distributed to each distributor through the complete logistics system in order to minimize the food safety risk, we aim at the transportation of chilled products and formulate the "Refrigeration Transportation Control Procedure" which is applicable to the checking before shipment, loading and unloading control, and driving safety. In addition, the personnel, cars and operations of contracted car dealers are audited on a regular basis according to the "Audit Regulation for Contracted Car Dealer" to reduce product transportation risks and ensure service quality. In 2019, 67 fleets received and passed audits. Uni-President has reviewed the management contract and audit mechanism of our logistics fleet, in order to maintain the safety and rights of drivers, and we have begun to negotiate with contracted car dealers. Apart from raising the insured amount of the third-party liability insurance, the Advanced Driver Assistance System (ADAS) is expected to be applied to the fleet by 2021.

Four requirements for transportation management to reduce transportation risk

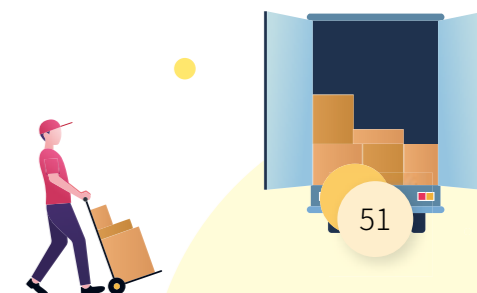
Driving Safety	Product Safety	Transportation Management	Industrial Safety Management
<ul style="list-style-type: none"> <li>Equipment inspection of different models before loading</li> <li>Radiator cooling water, battery fluid, and wiper fluid level</li> <li>Engine oil, fuel, steering fluid, and brake fluid level</li> <li>Alternator belt, tire pressure, engine noise</li> </ul>	<ul style="list-style-type: none"> <li>Multi-point distribution process control</li> <li>Low-temperature transport vehicle</li> <li>Condensing unit inspection and pre-cooling before loading</li> <li>Full temperature control to ensure a refrigerating temperature between 0°C and 7°C or a freezing temperature between -18°C and -25°C</li> <li>Room temperature transport vehicle: Goods to be transported in the car without exposure to sunshine or rain</li> </ul>	<ul style="list-style-type: none"> <li>Loading and unloading control</li> <li>Required GPS and temperature monitoring systems required for vehicles</li> <li>Goods stacking and product packaging control measures</li> <li>Handling of emergencies</li> </ul>	<ul style="list-style-type: none"> <li>Code of Conduct for drivers and staff</li> <li>Driving safety management regulations</li> </ul>

2.1.6 Responsible Marketing and Protection of Consumer Rights

Uni-President creates product value with its core competencies and communicates with consumers in an ethical manner. To eliminate consumer misunderstanding of product information and meet consumer needs, we set up regulations on product labeling and after-sales service based on responsible marketing, and dedicate efforts to safeguarding consumer rights.

• **Product labeling and creation review**

The product label and marketing creation provide customers with first-hand product information. Adhering to information transparency and non-exaggeration, we maintain the national regulation as the minimum standard to label all ingredients used in a product and have established the "Package Labeling Review SOP," which combines various business groups, R&D units, marketing and planning offices, production plants and QC units to jointly set the Level 2 key points for primary and secondary review, in order to review the diction of package labels and advertisements, including trademarks, brand names, nutrition labeling, recycling labels, manufacturing source and certification marks, so as to provide consumers with the correct information of the product and prevent misunderstandings. In 2019, a total of 1,326 pieces were reviewed, of which 955 labels were approved, whereas 371 labels were rejected mainly due to errors in word use.





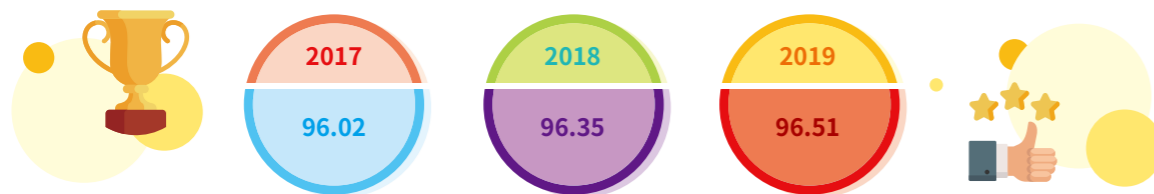
Check on tiny but crucial details level by level



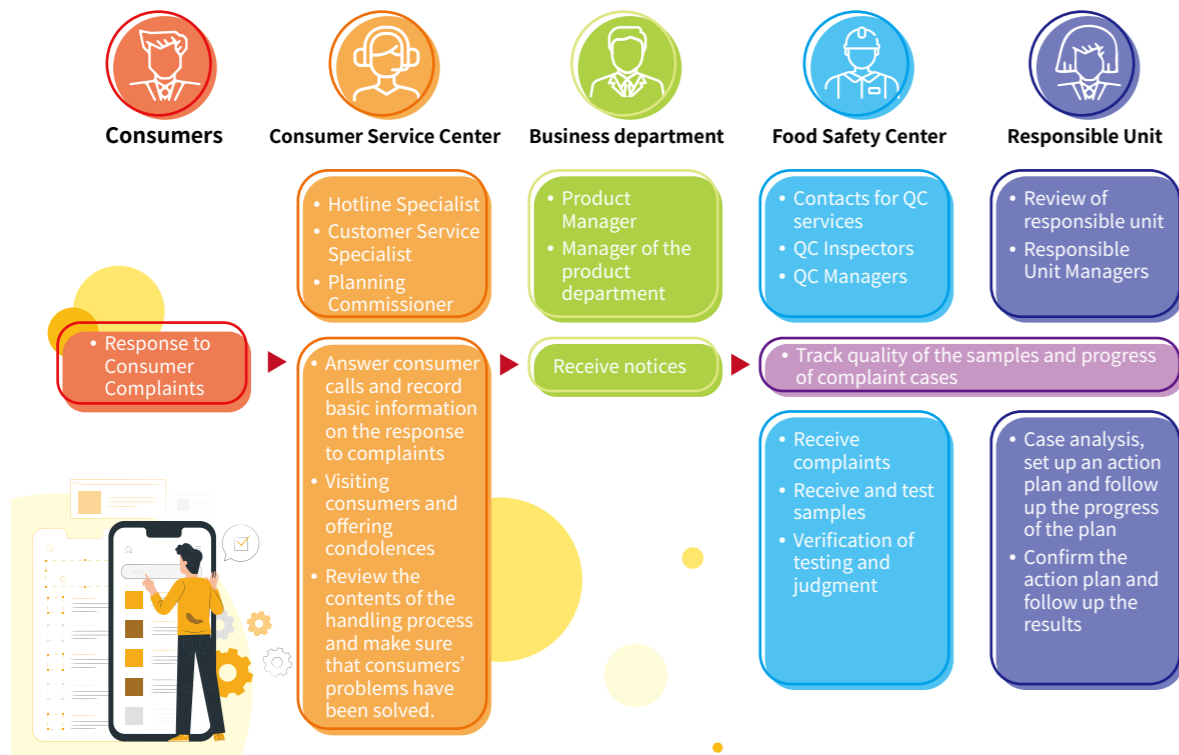
Product inquiries and services for consumers

Through various channels (0800 hotlines, corporate website, service mailbox, and retailer feedback), the Consumer Service Center provides consumers with product inquiries and services based on the target: Voluntary consumer contact within one hour from calling, and dealing with general customer complaints within 24 hours. We also gather the product use comments of consumers and convert constructive recommendations into optimization actions through systematic management, which enable us to develop more products that better meet consumer requirements. After closing a customer complaint case, the Consumer Service Center will perform a survey on consumer satisfaction regarding the customer service staff, so as to improve and provide better services. Since 2016, the survey on consumer satisfaction has exceeded a score of 95 for four consecutive years. We will continue to uphold an ethical and responsible attitude for consumers to enjoy a good service experience.

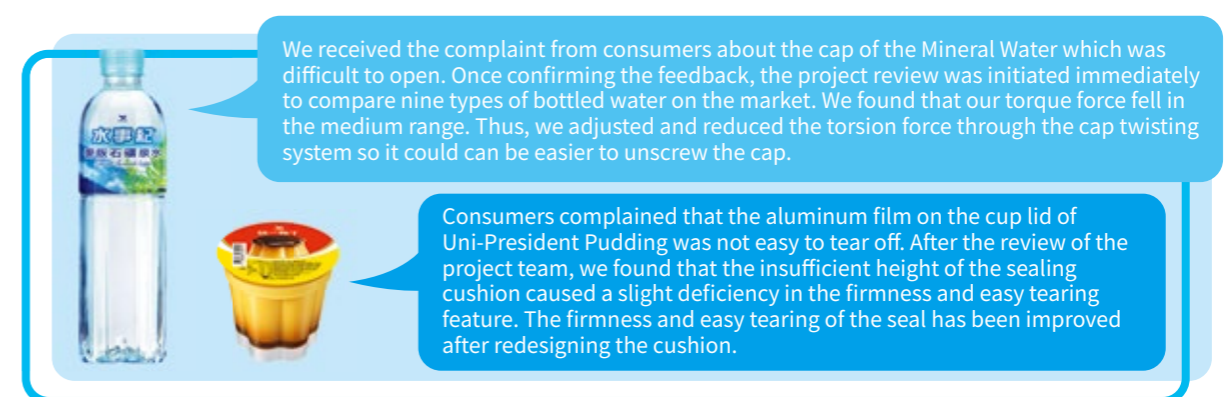
Satisfaction Score



Consumer Service Center Complaint Handling Process



Listen to user's experience to improve the experience on packaging materials



2.2 Product R&D and Innovation

"Putting consumers in a relaxed, delicious and healthy mood by enjoying food" is Uni-President's core value in R&D. For business strategies, we will adopt a safety management model for ingredients/materials in consideration of food safety risks and the public's awareness on health and environmental protection in recent years, in order to ensure food safety for consumers. Uni-President further combines the core of R&D resource, in the hope of achieving a leading position in the food industry and guiding Taiwan's food industry towards innovation and technology development. Not only do we create new types of products which are integrated with the current environmental awareness, but we also actively reduce the environmental impact of products.

2.2.1 Pursue Safe and Delicious Products

The basic principles of Uni-President's product R&D are based on safety and health. All products aim to produce products with low salt, low sugar, and low oil that meet the Taiwan Dietary Guideline of the Ministry of Health and Welfare, and continue to seek optimization opportunities. The Central Research Institute was established and is responsible for product development. We constantly pursue the innovative product and exquisite brand through the basis of an excellent food processing technique. In order to improve R&D capability, we actively cultivate R&D talents and establish professional laboratories in the Central R&D Institute to study product flavor, odor analysis, functional principal component analysis (screening favorable ingredients), preservation test components change analysis, competitive product research, adulteration research and development of new testing methods to improve R&D capabilities. By the end of 2019, we had obtained 418 patents, including patents on food safety, ingredients and materials, environmental safety, occupational safety, product R&D, process optimization and manual process optimization, in order to create various innovative and revolutionary leading products, and develop delicious and novel products for consumers.



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• Meet healthy dietary needs causing no burden to the body

In response to the current type of lifestyle and the public's rising health awareness, we continue to adjust our product formulas to provide consumers with a selection of healthy products. In addition to salt and sugar reduction as the basic principle for our products, we also introduced products with no additional sugar, of which there are currently 21 items without additional sugar, such as tea, coffee, yogurt, soymilk and fresh milk. For low salt, the current instant noodles in the market did not exceed 2,400 mg per day, which was the recommended daily salt intake for adults announced by the Health Promotion Administration of the Ministry of Health and Welfare. There are also 32 items of instant noodles which contain salt of less than 2,000 mg per serving, which do not exceed the reference value of 2,000 mg per day that is set by the Food and Drug Administration of the Ministry of Health and Welfare.

Furthermore, an unbalanced diet and insufficient exercise are quite common for modern people who have a lot of stress in their lives. Thus, we develop the products which meet nutritional requirements of the people nowadays, and provide consumers with the nutritional supplement needed in one day.

**Healthier Fruit Fiber Drink with more fiber and less sugar**

We can obtain dietary fiber needed for each day from this fruit flavor fiber drink which has been the best-selling drink in stores during summer in recent years. To release dietary burdens for consumers, we readjusted the formula of the Fruit Fiber Orangeade Drink to cut 2.2% of sugar. During 2019, we have reduced sugar use by 7.48 tons.



**Bodytalk with high fiber and low fat, a new drink for pairing with light meals**

Bodytalk consists of the low-fat milk and dietary fiber developed by Japan. It is a healthy drink which contains fiber and calcium in one bottle. You may also pair Bodytalk with other types of fresh food to obtain satiety and calorie control at the same time. Bodytalk is a healthier choice for busy consumers who care about their body shape.



• Further evolution of food flavor

There is currently a wide selection of foods in the food market. Hence, the R&D capabilities of food companies in the industry include capturing consumers' taste buds. "Food that's not only safe but also delicious to eat" is the principle that we have followed to constantly improve food flavor. In addition to quality control, we also improve the user's drinking and eating experience by enhancing the production technique and breaking the current processing limitation, such as the technique of producing soymilk without a beany smell, multi-layer filling technique of popsicles, and the single cell raw tea extraction technique of Chai Li Won.

**Chai Li Won's Upgraded Sweet Aftertaste**

"The fresh, sweet aftertaste" is Chai Li Won's one-of-a-kind flavor originating from the "single cell raw tea extraction technique" which is further upgraded to produce all series of products this year. By using the black sunshade net in tea planting and adopting the advanced single cell raw tea extraction technique, the sweetness of the aftertaste has improved 9%.

**Disclosure of the black sunshade net in tea planting**

Cover the tea with the black sunshade net as if it is a blanket. This kind of planting measure is able to increase the "theabrownin" in tea due to reduced sunshine and mitigate the bitter taste and reserve molecules to create sweetness in the tea.



**Traditional tea-making process mixes with the advanced single cell raw tea extraction technique**

The complex traditional tea-making process can easily destroy the sweet substances in tea. However, the "single cell raw tea extraction technique" can break the cell wall through the enzyme and extract the sweet substance in tea by simulating the fermentation and twisting process of the traditional process; and further, more sweetness originating from the tea can be retained as a result of avoiding the heat damage.



• High quality products receive countless awards

Uni-President keeps the faith of always developing a better product to improve the techniques and food flavor, and then acquires external certificates and medals to exhibit our excellent products to the world.

**The Emergence of "Delicious Taste" International Taste Institute (ITI) (originally named iTQi)**



The jury, composed of the world's leading taste-experts, "blind taste" products through their senses including vision, olfaction, taste, texture and in-mouth sensation. Finally, products are awarded under three evaluation levels according to the appraisal (one star to three stars). The ITI awards "The Crystal Taste Award" to the producer which persists in providing a consistent outstanding product quality over the years. (Products won 3 stars for 3 consecutive years)



**The Guarantee of "Excellent Quality"! Monde Selection**



The jury comprises the world's various experts who utilize different evaluation criteria and parameters based on diverse types of products to evaluate products from overall aspects including sensory evaluation, physicochemical analysis, safety, ingredients, label, and package. Finally, Bronze, Silver, Gold, and Grand Gold Awards are awarded to the winners according to evaluation results. Products receiving Gold or Grand Gold Awards for three consecutive years are awarded the International High Quality Trophy. In addition, products selected respectively from each type of product by the jury will be awarded the "Prize of the Jury" award every year. Each type of product is considered to possess an outstanding product quality and selected by members of the jury anonymously.



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## National Certification Taking Care of Groups with Different Dietary Needs

### Health Foods



In order to meet the healthy eating habits of consumers and enhance the value of products, we continue to develop and maintain various nutritious products based on the health benefits announced by the Ministry of Health and Welfare. Currently, we have 22 products certified for the Health Food mark. Their health benefits include improving gastrointestinal functions, regulating lipidemic levels, reducing body fat formation, adjusting body to reduce allergic reactions, boosting immunity, and regulating blood sugar levels. (For detailed information, please refer to the Food and Drug Administration of the Ministry of Health and Welfare - Food and Drug Consumer Inquiry Website: <https://consumer.fda.gov.tw/Food/InfoHealthFood.aspx?nodeID=162>)

### Elderly-friendly foods



We will continue to improve the quality of existing products designed for the elderly in consideration of their dietary habits and bodily functions, and strengthen communication with the activities held by foundations in respect of taste, convenience and nutrition, in the hope to enhance understanding on product functionality related to consumers.

As of 2019, there were 6 products (Ruisui Ultra-Low Temperature Pasteurized Milk, LP33 Functional Yogurt, Milky Madeleines, Ji di steamed dumpling, Uni Custard Bread, and ManHan Garlic Flavor Dudu Sausage) which were selected as elderly-friendly foods by the Council of Agriculture, Executive Yuan.



### 2.2.2 Innovative Business Mode and New Brand Value

In the face of rapid and diverse dietary culture and varying consumer market of today, apart from promoting products that met consumer needs through our basic product R&D, Uni-President has also actively worked with external units in recent years to implant new value into our brand via the new style of cooperation and activity.

### Instant Noodles and Boutique - Crossover Between ManHan Imperial Beef Noodles and Palace Museum Boutique

ManHan Imperial Beef Noodles is the exquisitely-made and dainty leading product with a great completion of premium crafts. Great attention has been paid to the coordination between the color, aroma, flavor, shape and tableware of the dish, which therefore demonstrates the abundant Chinese cuisine flavor in the ManHan Imperial Beef Noodles. The ManHan Imperial Beef Noodles combines with the blessing symbolization of Chinese New Year and cooperates with Palace Museum Boutique to integrate the Tibetan Dragon Sutra, the first-made sutra in the Qing Dynasty, into the packaging of ManHan Imperial Beef Noodles. Through the combination of the national treasure and beef noodles, which is one of the representatives of Chinese dietary culture, the instant noodles are considered as not only fast and convenient, but also artistic and cultural.



## Uni-President Baking Competition - Innovative Student Profit-Sharing System in Food Industry Opportunity to Hit 7-Eleven Store Shelves



"Provide students with a stage to pursue their dreams." Since Uni Bread acts as a leading brand in Taiwan's baking industry, we provide Taiwanese students with a stage and an opportunity in order to connect to the campus and implement industry-academia cooperation. Consequently, the 1st "Uni-President Inter-school Baking Competition" was initiated spontaneously. The 1st Competition in 2019 attracted 30 universities around the country, with a total of 246 students participating in it. During the game, participants are allowed to bring their imagination into play, and the students winning "the Prize of the Jury" may have the opportunity to work with the bakers of Uni Bread and sell their own creative product in 7-Eleven and possess the profit-sharing qualification to achieve their dreams.

### Competition Feature



- First-established student profit-sharing system in the food industry
- The instructor group consists of the bakers in the Uni baking group which allows students to learn from their instructors.
- The team which wins "the Prize of the Jury" and signs the contract will work with the Uni baking group to perform the mass production testing and adjustment. After completing the revision and the trial of mass production, the product will hit 7-Eleven store shelves.

Ching Kuo Institute of Management and Health: Hsieh, Yung-Hsin and Hsu, Fang-Ling



Purple Sweet Potato Mochi Bread

"I have always liked purple since I was a kid, but the purple bread is not common in the market. We carefully chose the special ingredient that fits for the mochi stuffing in hopes of creating our delicious and dainty bread. In order to achieve our goal, we have been trying to present the beautiful purple on the bread and finding another way after several failures. At that moment when our team was announced to win the prize, we were in tears because of what we had been through. We were touched by being recognized and keeping our faith."

Purple Sweet Potato Mochi Bread was made mainly from Taiwanese purple potato. The bread is stuffed with purple sweet potato and mochi and covered with purple pineapple bun crust, forming a four-layer structure rarely seen in the industry.



Cheese and Cream Sauce with Chicken Bread

Hungkaung University: Chen, Yen-Ming and Chuang, Fu-Kai

"We just love making bread. What we love the most is to see people's happy and satisfied faces when they are eating the bread that we made. 'Cheese Cream Sauce Smoked Chicken Bread' is the ordinary but dainty delicacy that we want to deliver to people. We are common students who are willing to provide the hardworking people energy that creates happiness and satisfaction. We hope that the ones who eat this bread are able to gain great vitality from it every day."

The inspiration of the bread came from spaghetti with cream sauce. With cream and cheese sauce, sweet corn and salty chicken as well as the spiral shape which creates a firm mouthful, the bread is remarkable for its look and flavor.

### 2.2.3 Improve Product Sustainability and Reduce Environmental Impact

In addition to product quality and safety, we also focus on environmental impacts caused by our products. Thus, from the perspective of product life cycle, we actively look for the opportunity to reduce the environmental impact through the procurement of ingredients/materials, production and manufacturing, and packaging materials reduction, in the hope of fulfilling the product's environmental responsibility.

- Sustainable procurement of ingredients/materials**

The source of food materials is often derived from nature. In addition to reducing the use of natural resources, we also hope to use and manage natural resources in a more sustainable manner. Thus, we purchase ingredients/materials in accordance with internationally recognized product responsibility standards, screening cooperative suppliers to actively enhance the type and proportion of sustainable ingredients/materials procurement. In 2019, Uni-President raised the procurement proportion of soybean certified by the U.S. Soybean Sustainability Assurance Protocol (SSAP), showing an increase of 24% compared to 2018.

Type of ingredient/material	Procurement source of sustainable ingredient and material	2019 procurement results
Paper packaging materials	Use paper packaging materials certified by the Forest Stewardship Council (FSC™) in the production of aluminum foil paper for the "MineShine" and the "Try it!" series of products.	The ratio of FSC™ procurement amount accounted for 44.18% of the total procurement amount of paper packaging materials in 2019.
Soybean	Use SSAP-certified soybeans in related products	SSAP-certified soybean procurement accounted for 33.48% of the total soybean procurement in 2019.

- Reduce the use of GMO ingredients**

We have been reducing the use of GMO ingredients for the past few years. Currently, no GMO ingredients are used in over 400 products loved by consumers, such as soymilk and soy sauce. GMO ingredients are only used in two food oil products which are free of the genetically modified segment after high processing and labeled with GMO information completely according to regulations in Taiwan.

- Minimize the environmental impact of production**

Apart from the active procurement of ingredients/materials in accordance with internationally recognized product responsibility standards, we also improve the production and manufacturing through energy saving, waste reduction, etc., to minimize the resource consumption in production. In the future, we expect to carry out the agricultural waste-to-resource project. We seek the opportunity of reusing the tea and soybean residue as a new resource to prompt the effectiveness of the circular economy. For detailed achievement of reducing production environmental impact, please refer to Chapter 3 Commitment to Sustainable Environment.

- Packaging materials revolution and use of plastic reduction**

In the face of the trend in plastic source reduction and waste recycling, Uni-President set up the "packaging material technical team" (packaging material R&D unit) to pursue the goal of environmentally friendly materials or packaging material reduction. The team is also responsible for evaluating the optimization availability of current product packaging materials every year. Despite the relevant amendment not having been made to the current domestic regulation on the use of food packaging materials to accommodate the global trend in plastic reduction, we are still actively looking for a feasible plastic reduction measure with the premise of ensuring food hygiene and safety to gradually reduce the plastic consumption. Uni-President has been the first to take the inventory of plastic packaging material consumption used in products in 2019, and progressively adopting the plastic reduction project to products with the potential for reducing plastic. During 2019, we promoted several relevant projects, such as the thinner shrink film for the packages which pack multiple products, lightened 4,530 ml PE milk bottle used in business purposes for City Café, and replacement of the packaging for Uni-President Flour, with a total of 210.51 tons of plastic consumption reduction.

### 2019 Plastic Consumption Survey of Uni-President's Products

Materials of plastic	Types of products	Consumption (tons)
PET	PET bottle	10,293.9
PP/PE	Milk bottle, pudding cup, cups for coffee or drinks	5,912.1
PS (inexpansible)	Containers for yakult and ice products	491.3
Bioplastics (PLA)	Cups for ice products	4.7

Note: Here we only focus on the plastic consumption of packaging materials. The consumption of materials of plastic is estimated based on the weight of packaging materials and production volume.

#### "No plastic in packaging material" to all series of Uni-President Flour products further evolve the baking industry

Over the years, the ingredient of flour used in the baking industry has been mostly packed with the PP woven bag. However, there are seams on the surface of this kind bag which may easily cause several food safety problems, such as pollutant infiltration and penetration of foreign material. To rectify these food safety problems and combine relevant measures with the current environmental trend of plastic reduction, we've taken Japan and Europe as advanced models to stop using traditional PP woven bags since 2019 and switched to paper packages with higher protection and safety, becoming the first brand in Taiwan that applies paper packages to all flour products. Meanwhile, we lead Taiwan's baking industry to take a step forward.



#### [Features of new paper packaging materials]

- Better self-management of food hygiene: With no seam paper bags, any leaking of flour and penetration of foreign materials can be prevented to maintain the cleanliness in the customer's operational environment and storage space. Switch to the "high-frequency heat sealing machine" to seal packages without having the stitching, so as to prevent the stitching from mixing with dough.
- More convenient: With the "easy-to-tear line" sealing, packages can be opened more easily and conveniently.
- Reduction in plastic use: Packaging materials were replaced, resulting in a 102.51 tons of reduction in PP plastic use in 2019.

