



Chapter 04

Ecosystem of Trust

SKM adopts internal management strategies, including the sustainable supply chain, green procurement, promoting supplier sustainability, and customer-facing campaigns, such as sustainable selection, to facilitate sustainable development of the entire supply chain. By doing so, SKM also offers better transparency on product origins.

Chapter 4 • Ecosystem of Trust

Material Topics	Corresponding SDGs	Affected Stakeholders
<ul style="list-style-type: none"> Product quality and responsibility Sustainable consumption initiatives 	    	<ul style="list-style-type: none"> Consumers Employees Counter vendors Suppliers



Achievements in Sustainability



ESG actions with partners/ green procurement

Cooperate with our partners to organize sustainable activities, introduce sustainable concept brands, sustainable product selection and exhibitions. A total of 16,210 eco-friendly gifts claimed. The amount of green procurement exceeded NT\$100 million in 2022.



Paperless and Plastic Reduction Actions

Promoting DM digitization, the number of webpage viewers was 4.13 million in 2022. The use of E-invoice grew by 21%. skm app digital membership card helped to reduce a total of 140,000 plastic cards. 20,000 electronic tags were introduced in the Beautiful Market.



Value our land

Self own brand Beautiful Market and Goodgoods have been exploring the beauty of Taiwan. We support local stores, local products, small-scale farmers and young entrepreneurs, with annual sales exceeding NT\$ 30 million.



Food safety management

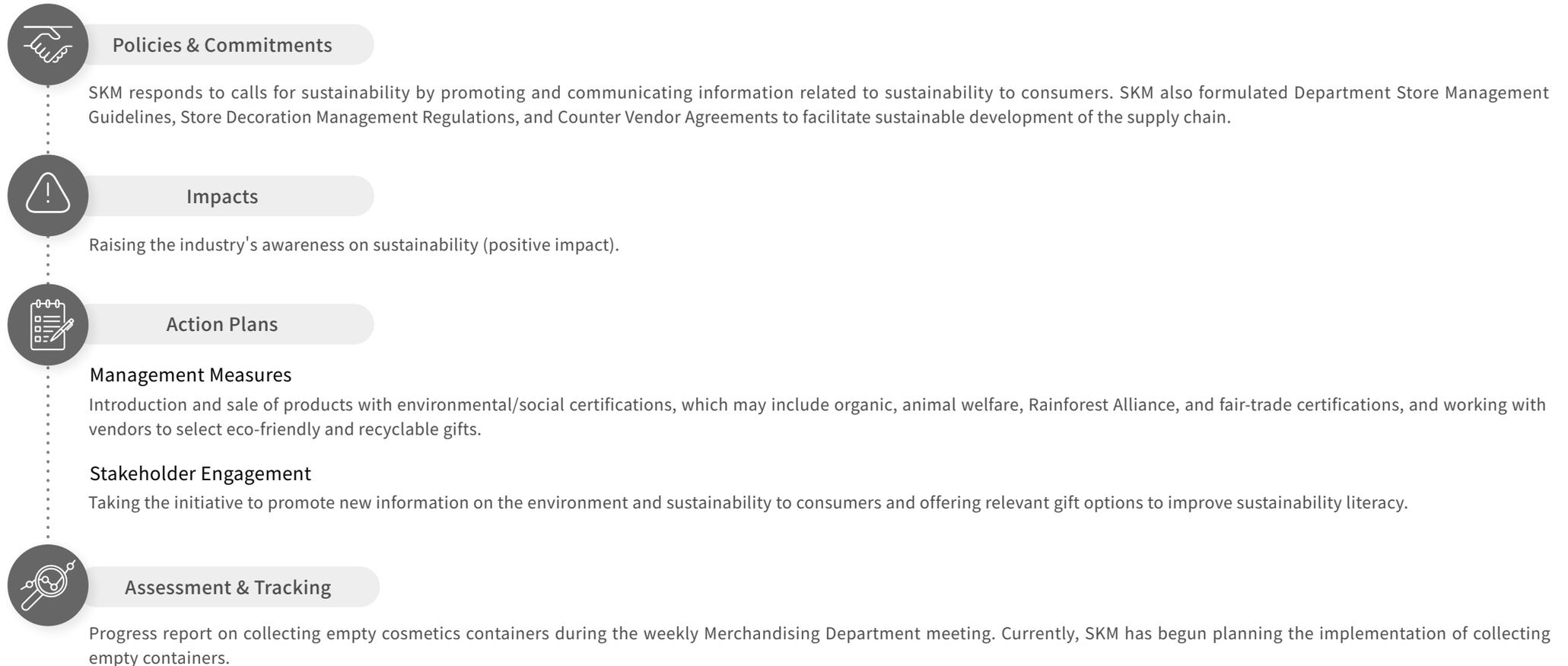
Set up a Food Hygiene and Safety Team and digitization of food safety audi. Implemented training and internal and external audi. Conducted random inspections of 1,500 products in 2022.

4.1 Establishing a Sustainable Ecosystem

GRI Disclosures: 2-6, 204-1

4.1.1 Sustainable Consumption Initiatives

Management Guidelines



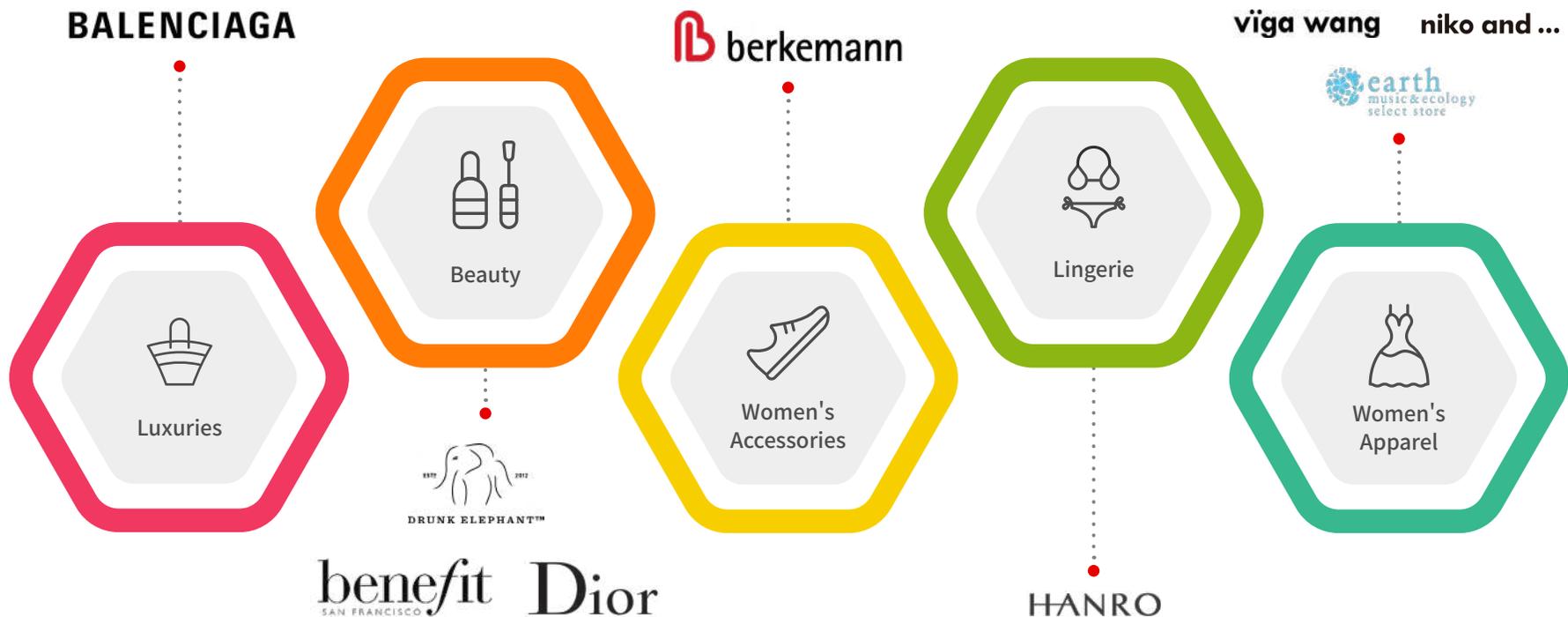
Sustainable Products and Services

Besides introducing brands having sustainability in mind and sustainability-certified products, SKM also actively promotes sustainability with existing brand partners, encouraging counter vendors to participate in sustainability initiatives. Also, SKM provided a series of ESG gifts and benefits in 2022, encouraging consumers to contribute to sustainability while shopping.

Sustainable Brands

SKM continues to introduce brands that value sustainable consumption. In 2022, the Company introduced 35 sustainable brands, ranging from Luxuries, Beauty, Women's Accessories, Lingerie, Women's Apparel, Leisure and Lifestyle, Men's Goods, Kid's Goods, Home, Supermarket, Food and Beverage (F&B), and Mixed-Use to the department stores.

Overview of Sustainable Brands



Note: The table above is a list of brand examples and is not an exhaustive list.

Overview of Sustainable Brands



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Brand Actions for Sustainability



ORIGINS Pop-Up Base for the Environment

- In 2022, ORIGINS organized the first-ever pop-up base for the environment at SKM Taipei Xinyi Place A11. With sustainability as its core concept, the pop-up combines the online virtual space to create an immersive, stress-free green store that uses online checkouts to reduce packaging materials and waste.
- Execution outcome: 101 Earth Month-limited sets were sold with a revenue of NT\$363,600 (gross of tax). 10% of the net profit (NT\$36,360) was donated to Tse-Xin Organic Agriculture Foundation to sponsor tree-planting initiatives at the coasts of Northern Taiwan, Media exposure including coverage from ELLE, BAZAAR SUMMIT, YAHOO News, chinatimes.com, @COSME, Commercial Times, and Commonwealth Magazine.
- Corresponding SDGs: SDG 12 Responsible Consumption and Production.



Aesop Library and Mobile Book Cart for Queer Literature

- Aesop Library for Queer Literature occurred at Aesop SKM Taichung Zhonggang Store in 2022. Aesop procured book collections from independent bookstores - Pure Books in Taipei and Paper Books in Taichung. During the campaign, the brand replaced the displayed products with books containing LGBTQIA+ themes, welcoming book lovers to explore in-store.
- Corresponding SDGs: SDG 5 Gender Equality.

Sustainable product selection

SKM introduced products with environmental/social certifications, including organic, animal welfare, Rainforest Alliance, and fair-trade certifications, as the Company's own brand products.

Environmental/ social certifications	LOGO	Description	Products sold (number of items)	Product revenue (NT\$)
Organic certification		Organic-certified products are products whose production, processing, packaging, and distribution pass the certification standards by the competent authority and receive verification from the verification body per relevant regulations, thus qualifying for an organic label. Organic agricultural produce with the organic label must be free of chemical fertilizers, pesticides, and food additives throughout the entire process from production, processing, packaging, and distribution to retail; the products must comply with verification rules with a complete record of production-distribution flows to ensure integrity and traceability. Organic products must be accredited to be sold with the organic label.	342	6,628,941
Animal welfare		The TSAS Animal Welfare Standard certification was issued by the Taiwan Society of Agricultural Standards per Taiwan Animal Friendly Product regulations in 2012. Consolidated with the Humane Treatment label, each product passing verification will receive both labels. Besides requiring the production process to fulfill the five freedoms of animals, the certification also emphasizes local production, food safety, and traceability.	13	1,383,324
Rainforest Alliance		The certificate recognizes coffee beans produced using traditional farming methods, planted under the shade of the original forest with limited pesticide use. This form of coffee-growing benefits the rainforest ecology, protecting the rivers, the soil, and wild animal habitats; it also reduces waste and produces quality coffee beans. Since amphibians are susceptible to environmental changes, scientists treat them as critical bioindicators. Therefore, the Rainforest Alliance certification adopts the frog in its logo.	3	28,359

Environmental/ social certifications	LOGO	Description	Products sold (number of items)	Product revenue (NT\$)
Fair trade		<p>The Fairtrade mark is an independent label for consumers currently used in 23 countries worldwide. A product with the Fairtrade mark indicates that its producer in developing countries received a relatively fairer treatment. The label is owned and protected by the twenty-plus fair-trade organizations that form FLO International.</p>	8	126,851
Sustainability certification		<p>A unique feature of the sustainability certification is that corporate members must participate in establishing a mechanism for sustainability, which plays a pivotal role in the corporation/organization's sustainable operations. The mechanism also enhances and integrates the organization's software and operating system. For the corporate members, the cost is lower for establishing their own systems, and they can improve the corporate image while contributing to the environment and culture.</p>	1	2,448
Tse-Xin Organic Certification		<p>Tse-Xin Organic Agriculture Foundation separated the evaluation and certification unit from the Foundation in March 2011 with the certification service's growing popularity and formed the Tse-Xin Organic Certification Corporation. The Corporation was accredited by Taiwan Accreditation Foundation on December 27, 2011, and has been conducting the certification service ever since.</p>	15	772,840

Sustainable gifts and benefits

• Eco-friendly "Green" Gifts

SKM launched ESG "Green" gifts from April to May 2022 for the Mother's Day campaign and April 22 World Earth Day, partnering with more than 200 renowned brands in Taiwan and overseas to promote sustainability. The gifts include hair oil in a 100% biodegradable container and all-natural detergents. The APP's Item Click totaled 1,552 clicks.



Love the environment, and embrace sustainable beauty

- To reduce the environmental impact of plastic packaging, SKM collaborated with eco-friendly cosmetics retail counters to promote empty container collection and discounts for not using shopping bags from July to August 2022. The campaign was also showcased on the SKM official website, promotional updates, and the Cosmetics Festival campaign.
- Customers that bring empty containers from eleven cosmetics brands, including GIORGIO ARMANI, KIEHL'S, ORIGINS, BIODERMA, IPSA, KOSE, and APIVITA, to the retail counters can enjoy exclusive product discounts or gift rewards. Customers not using shopping bags while shopping at AVEDA and L' OCCITANE can also receive member points or five-piece classic product gift sets. The APP's Item Click totaled 1,328 clicks.



Green fashion member card reward made with recycled materials

- SKM launched the green fashion member card rewards in October 2022 with the key theme of reuse and being planet-friendly. The reward campaign responds to Taiwan's growing outdoor leisure and camping trend, inviting an emerging designer Neil Tien to design nine gift items for card members, including a foldable umbrella, foldable shopping bag, portable camping chair, sports towel, and detachable ice pack. All gift items are made with PETSPUN, a fiber made with recycled plastic bottles, using more than 80 thousand bottles in total. In particular, the sports towel is a collaboration with L'Oréal Taiwan and is made with the empty cosmetics containers that the Group collected.
- In 2022, members redeemed a total of 16,210 eco-friendly gift rewards. The annual redemption rate for the Green fashion member card reward is 64%, which increased by 2.3% compared to 2021 (totem-themed). This shows that going green increases the customers' willingness to redeem the gift rewards. The most popular item was the foldable umbrella (82% redemption rate), followed by the detachable ice pack (80% redemption rate) and portable camping chair (72% redemption rate). These items are of higher value and usability, making them well-received by the customers.
- In planning future gift reward schemes, SKM will prioritize eco-friendly materials and invite brands to collaborate.

Sustainable Product Exhibitions and Events

In 2022, SKM diversified its product exhibitions and events on sustainability, such as recommending select ESG products and promoting green products with lower environmental impact or contributing to public health. Furthermore, the Company continued its paperless and plastic reduction programs, raising the customers' awareness of sustainability and achieving sustainable consumption.



- **Celebrating the World Earth Day and Building the Green Economy**

SKM partners with department store brands to celebrate World Earth Day on April 22, 2022, kickstarting a series of events with sustainability in mind and contributing to the planet.



ELEMIS eco-friendly tote bag

From April 22 to 24, 2022, the UK luxury skincare brand ELEMIS, owned by the L'OCCITANE group, offers an eco-friendly tote bag for customers not using any paper bags while shopping at the brand's SKM Taipei Xinyi Place A8 store or the official website. The tote bag is made from 100% recycled plastic bottles.



LIFORME x OATLY Event

UK's LIFORME, known as the "Hermès of yoga mats," launched a limited edition yoga mat (olive green) for the 2022 World Earth Day. Made with advanced layering technology, the mat is biodegradable and easy to clean. In April 2022, during the event, the SKM Taipei Xinyi Place A11 store offered a bonus gift of a bottle of OATLY oat milk original (1L) for customers who purchased LIFORME Earth Day products.



beautyblender x CAFE!N Co-branded Event

From April 11 to 30, 2022, beautyblender and CAFE!N launched a co-branded event. Customers that purchased the beautyblender original makeup sponge (green) at the SKM Taipei Xinyi Place A11 counter would receive a CAFE!N coffee voucher.

• Product Exhibitions Promoting ESG



Go Green Everyday

- In September 2022, SKM launched Go Green Everyday, which showcased ESG products, ranging from skincare to air purifiers, and offered special deals. The APP's Item Click totaled 1,255 clicks.



Products ranging from skincare to air purifiers



The APP's Item Click totaled 1,255 clicks.



Tainan Place eco-friendly Christmas Tree

- SKM Tainan Place selected the Nordic snow scene as the theme for December decoration in 2022 and kept ESG issues in mind.
- 2 tons of recycled plastic bottles were used: reducing 3.5 tons of carbon dioxide emission (2,000kg/approximately 67 thousand bottles).
- 100 thousand energy-saving bulbs were used: saving 307 thousand kWh in electricity, reducing 196 tons of carbon dioxide emission (using 0.5W bulbs compared to regular 5W bulbs).
- The store enjoyed a total of 650 thousand customer visits during the period

2T

recycled plastic bottles

3.5T

reducing of carbon dioxide emission

307K

saving electricity

196T

reducing carbon dioxide emission

• Paperless Program

Catalogue Digitization - Paper Product Reduction Plan

SKM is committed to catalogue digitization and reducing paper use by highlighting the owned digital media channels (such as the skm app, Facebook, Instagram, and Line). The Plan began in May 2020 and has been implemented for over three years. In 2022, paper catalogues for store-wide campaigns decreased by 137 thousand copies, reducing printing, postage, and packaging costs by NT\$200 thousand compared to the previous year. Media outcome: the 2022 annual visits for the SKM webpage and APP(page view/other visits) were 4,130,956 and 429,307, respectively.



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Catalogue Digitization
Paper Product
Reduction Plan

the annual visits for the SKM webpage and APP were 4,130,956 and 429,307, respectively

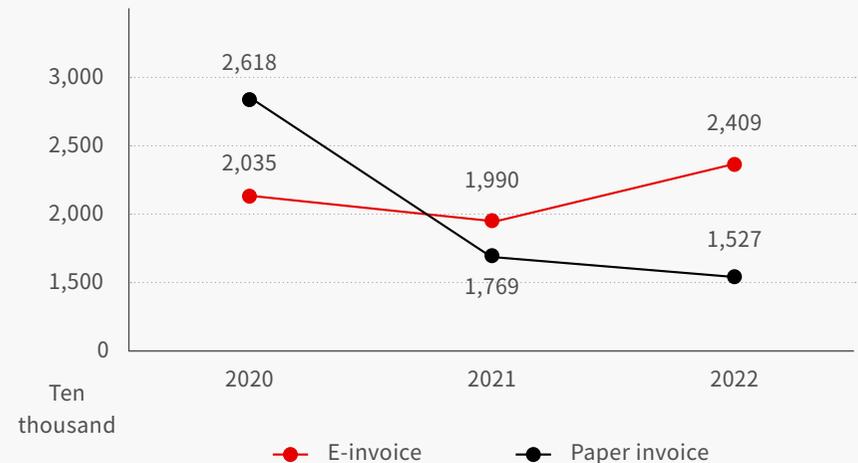


Invoice and Voucher Digitization

- E-invoice(cloud invoice)went online in 2018, with the SKM member card as the e-invoice carrier. The e-invoice allows SKM to notify the customers of any invoice lottery prizes automatically.
- Marketing Department joined forces with Finance Department to promote the scheme. The use of e-invoices in 2022 grew by 21.04% compared to 2021 and 18.38% compared to 2020. SKM remains committed to promoting e-invoices.
- Voucher digitization introduction and outcome:

- 2016** SKM started issuing digital gift vouchers to member carriers, reducing the number of paper gift vouchers by 9 to 10 million every year and NT\$12 million in printing costs.
- 2019** SKM stopped manufacturing voucher card for the outstanding balance, transferring the remaining balance to the member carriers. The company reduced the number of cards made annually by 60 to 80 thousand.
- 2021** SKM switched to using the POS system for purchasing cash vouchers with Pay Easy e-certificates and issued e-vouchers instead. The switch reduced the number of paper vouchers issued by 119,800.
- 2022** The redemption rate of Pay Easy e-certificated grew by 33% compared to 2021, reducing the number of paper vouchers issued by 159,513. With the digitization efforts stated above, the sale of paper vouchers dropped significantly in 2022, from 12 million vouchers to approximately 5 million.

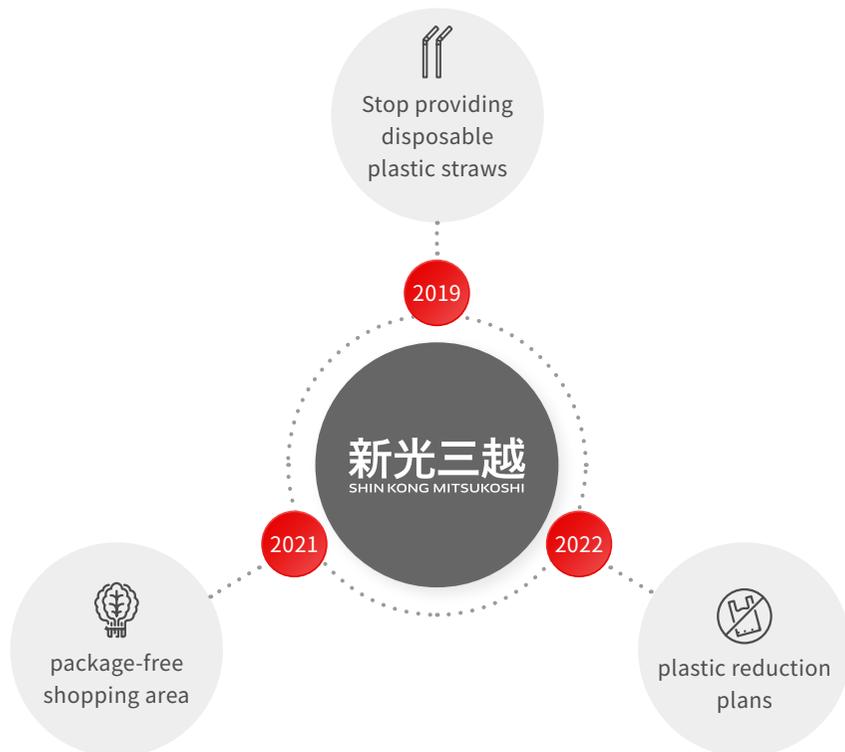
Use of Invoice



• Plastic Reduction Activities

Reducing the Use of Plastic in Department Stores

- In 2019, SKM complied with government policies to stop providing disposable plastic straws.
- In 2021, SKM established a package-free shopping area in seven department stores, including Taipei Nanxi and Taichung Zhonggang stores. SKM wants to treat the planet better with its customers by taking action.
- There are five stores of supermarket (Taipei Nanxi Store, Taipei Station store, Taipei Xinyi Place A11, Taipei Xinyi Place A4, Taipei Tianmu Store) conduct plastic reduction plans. Total amount of plastic using reduce by 850 kilograms in 2022.

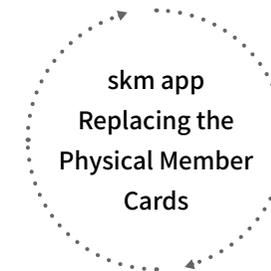


skm app Replacing the Physical Member Cards, Reducing Plastic Use

- SKM replaced the physical member cards with the skm app, which took place in two stages. SKM began issuing digital member cards in July 2022, with the mobile phone verification function integrated into the digital membership in September. New member cards are all issued virtually since mid-September, ceasing the issuance of physical cards entirely.
- The number of plastic cards made dropped by 142,787, reducing NT\$3,626,338 (gross of tax) in production costs.



Reducing NT\$3,626,338 in production costs



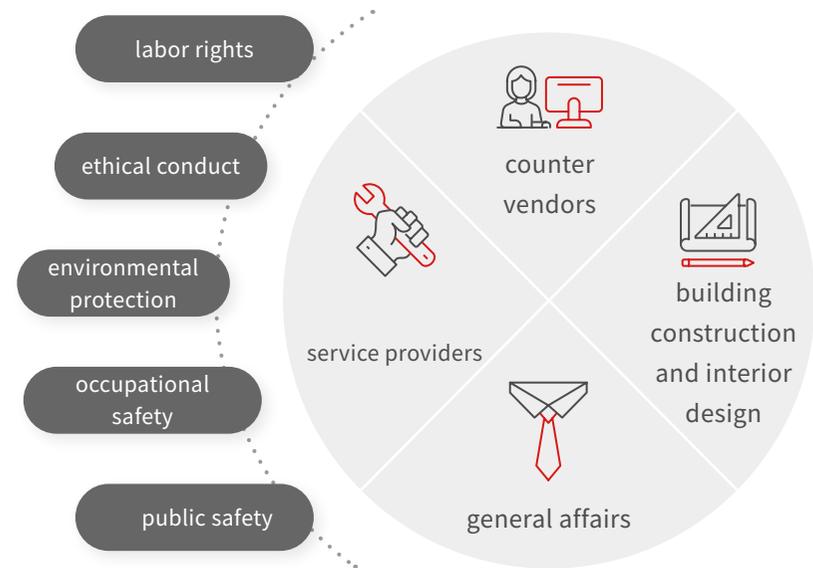
The number of plastic cards made dropped by 142,787



4.1.2 Sustainable Supply Chain Management

There are four categories of SKM suppliers - counter vendors, general affairs, building construction and interior design, and service providers. To fulfill ESG responsibilities, SKM requires counter vendors to comply with relevant regulations on ethical conduct, labor rights, occupational safety, public safety, and environmental protection when signing contracts.

In 2022 SKM found no incidents with a significant negative impact on the environment. However, one incident with a substantial negative impact on society took place - whose handling and follow-up improvement measures are stated in the Response to Negative Incidents involving Counter Vendors (Häagen-Dazs) section.



SKM Supplier Categories(Unit: number of suppliers)

Supplier Category	Description	2020	2021	2022
Counter vendors	General counters, Food and Beverage counters, and Supermarkets	5,410	5,252	5,084
General affairs	Procurement of office and administrative suppliers, Procurement of IT software and hardware	122	118	100
Service providers	Contracted service providers for cleaning, marketing, etc.	91	91	91
Building construction and interior design	Contractors commissioned with building construction and interior design of the department stores	92	92	92
Total		5,715	5,553	5,367

Management of Counter Vendors

SKM works with over 5,000 counter vendors, including general counters and supermarkets, offering premium and safe shopping and lifestyle experiences for all consumers. SKM conducts rigorous reviews on the vendors before the partnership begins, while the vendors must comply with SKM management guidelines and terms after signing the contracts. During the partnership, SKM also continues providing all sorts of training for counter vendors.

Current Status of Counter Vendors

SKM Counter Vendor Detailed Categories(Unit: number of suppliers)

Counter Vendors Category	2022	Counter Vendors Category	2022
 Luxuries	100	 Men's Goods	365
 Cosmetics	503	 Kid's Goods	368
 Women's Accessories	488	 Home	754
 Lingerie	178	 Supermarket	79
 Women's Apparel	632	 Food and Beverage (F&B)	726
 Leisure and Lifestyle	703	 Mixed-Use	188
Total			5,084

Review Mechanism for Counter Vendors

When SKM discusses entering a contract with a counter vendor, it requires the vendor to provide business registration with the Department of Commerce, MOEA, trademark registration, and other company information. For short-term food and beverage (F&B) counters, the vendor must also provide test reports on raw materials. SKM examines the documents stated above to ensure the legitimacy of the vendor and its operations.

Contract-signing and Counter Vendor Regulations

Vendors shall comply with SKM regulations upon contract signing, including Department Store Management Guidelines, Store Decoration Management Regulations, and Counter Vendor Agreements. The contract signing must also be approved by the corresponding business unit in the department stores, the Merchandising Department, Finance Department, and Administration Headquarters. The key points of the regulations stated above are as follows.

Name of Regulation	Key Points
Department Store Management Guidelines	<ul style="list-style-type: none"> • The Guidelines apply to all counter vendors and dispatched employees. The Guidelines specify over 70 items of violations with clear terms for fines. • Confidentiality: the dispatched counter employees shall not take advantage of the convenience of the post, acquiring, using, or disseminating business-related information with unjust means. • Product labeling: Products sold by counter vendors must be complete and correct per relevant regulations; counterfeits or products of poor quality are prohibited. • Fire and public safety: Counter vendors shall comply with regulations relevant to fire prevention and shall not engage in behaviors that may endanger the safety or property of others in the department stores. • Environment and food sanitation: Counter vendors shall comply with regulations on waste classifications; F&B vendors shall meet the cleaning standards stipulated by relevant regulations. • Occupational Safety and Health: Counter vendors shall comply with relevant regulations and follow SKM instructions and management measures.
Store Decoration Management Regulations	<ul style="list-style-type: none"> • Vendor employees shall comply with rules and regulations relevant to labor occupational safety and health. • Vendors shall purchase Contractors' All Risks (CAR) Insurance and hand in copies of the policy to SKM. • Vendors shall comply with relevant construction regulations and require waste disposal subcontractors to comply with Waste Disposal Act in service delivery.

Name of Regulation	Key Points
Counter Vendor Agreements	<ul style="list-style-type: none"> • Vendors shall comply with the Department Store Management Guidelines and Store Decoration Management Regulations, as well as relevant government regulations such as the Consumer Protection Act, Fair Trade Act, Commodity Labeling Act, Cosmetic Hygiene and Safety Act, Personal Data Protection Act, and Act Governing Food Safety and Sanitation. • Vendors shall guarantee the legitimate source and distribution rights of the products. SKM may request, at any given time, vendors to provide documentation proving the legitimacy or distribution rights stated above. • All products on sale must be of premium quality; in case of customer complaints, the vendors shall comply with SKM return or exchange requests necessary for management or service provision. • Products on display, on sale, their related equipment, advertisements, and marketing materials must comply with relevant regulations. Illegal activities, such as forgery, counterfeiting, or violation of the rights of others, are prohibited. Suppose there is concern that the breach of agreement above may occur, SKM may request the vendor to remove the product of controversy. • Vendors shall comply with labor regulations and provide necessary insurance and protection for the dispatched employees, including temporary workers, migrant workers, part-time employees, contract employees, direct employees, and other workers, to ensure the workers' rights and interest. • Food products that the vendors provide or sell must comply with the Act Governing Food Safety and Sanitation and other relevant regulations.

Counter vendors training and communication

To communicate critical issues, every store has daily morning meetings to announce important company policies, requiring the counter staff to take notes on the work log and also have monthly recognition meetings.

Name of Training	Number of Training Hours (average)	Number of Attendees
Service Quality	1.0	7,986
Food Hygiene and Safety	2.6	4,989
Health Promotion Lectures	1.3	305
Labor Occupational Safety and Health	1.6	1,184
Annual Anniversary Sales	2.0	9,144
Cloud & Self-service POS Machine Training	3.6	6,886
New Counter Staff Training	4.9	672

Response to Negative Incidents Involving Counter Vendors

In 2022, counter vendors of SKM's own business did not encounter incidents with a significant negative environmental or social impact, while an external counter vendor experienced an incident with a significant negative social impact.

In 2022, the vanilla extract used in several products of Häagen-Dazs tested positive for potential carcinogens. Taiwan FDA has ordered the vendor to cease sales and recall five product items, including chocolate chip cookie dough, Belgium chocolate, and vanilla flavor products.

SKM has addressed this incident immediately. Customers may bring the invoice, receipt, or relevant document to the original store of purchase (including Taipei Nanxi, Taipei Xinyi Place A8, Taichung Zhonggang, and Tainan Ximen Stores) to return or exchange the product of concern. SKM also immediately removed the items of concern from the shelf and returned the products to the suppliers per relevant procedures.



Management of General Affairs Vendors and Service Providers

Management of General Affairs Vendors

During procurement of general and administrative supplies, SKM prefers eco-friendly products with minimal environmental impact and pollution. SKM prioritizes products with green indicators, which may include Forest Stewardship Council (FSC) certification, EU Pan European Forest Certification, Eco-labels, Energy Label, Energy Star certification, Water Efficiency Labels, Paper from Farmed Trees, soy-based ink, recyclable and reusable consumables, and green vehicles (such as hybrid cars, PHEV, and electric vehicles). In the future, the Company will gradually expand and complete green procurement, continuing its efforts to protect the environment.



SKM Green Procurement (2022)

General Affairs Vendor Categories	Green Procurement Indicators							Number of Vendors	Amount of Procurement (NT\$ thousand)
	Energy Labels	Carbon Footprint Labels	Eco-labels	FSC Certification	EU PEFC	Soy-based ink	Paper from Farmed Trees		
Office and department store equipment (water dispenser, instant electric water heater)	✓	✓						2	282
Office and department store equipment - paper (copy paper, paper bags, catalogues, toilet paper rolls, paper towels)			✓	✓	✓	✓	✓	9	104,945

Current Status of General Affairs Vendors

In 2022, SKM worked with multiple information service providers. Several examples are listed below:

- Long-term lease of design softwares with cloud synchronized updates and tutorials.
- Procurement of digital color copier/printers that meet energy-saving and carbon reduction goals and green procurement standards. This reduces waste, maximizes productivity, and optimizes internal management procedures. The suppliers conduct initial training sessions on the machine's operation, assist with relevant settings and troubleshooting, and provide monthly maintenance.

In 2022, SKM communicated with general affairs vendors via telephone, communication applications, and emails. During the year, SKM did not find general affairs vendors encountering incidents with a significant negative environmental or social impact.

Management of Service Providers

SKM requires the service providers to have government-issued business permits, international certification or relevant qualifications...etc related conditions. During the review, service providers must submit business plans and complete the supplier evaluation; service providers seeking contract extensions must pass a contract renewal evaluation.

Current Status of Service Providers

In 2022, SKM did not find service providers encountering incidents with a significant negative environmental or social impact.

SKM communicated with service providers via telephone, communication applications, and emails. SKM notifies the service providers of critical issues and potential hazards prior to contracting. The contractor representatives, site supervisors, SKM supervisors, and SKM safety and health managers must sign the Notification Form of Workplace Hazards before the contracted work begins. The Form states the type of construction, instrument/ equipment used, maintenance & repair, display & decor, cleaning, and safety measures, and whether it is related to a temporary counter installation, then notifies the signees of the hazards associated with the contracted items, including details on the workplace, potential risks, and required safety and health measures to protect the safety and health of the personnel involved.



Long-term lease of design softwares with cloud synchronized updates



Communicated with general affairs vendors via telephone, communication applications, and emails



Procurement of digital color copier/printers that meet energy-saving and carbon reduction goals and green procurement standards

SKM Service Provider Detailed Categories (Unit: number of suppliers)

Service Provider Category	2022
Equipment maintenance and repair/ cleaning/ security / electrical engineering	77
Advertisement/ marketing/ display/ photography	14
Total	91

Supplier Evaluation

SKM evaluates a new supplier's company background, products, services, and previous work records. Meanwhile, SKM requires each department to complete contract renewal evaluations for existing suppliers according to department needs and the status of the contracts. The assessment includes product quality and consistency, timeliness of service completion, appropriateness of service completion, knowledge or technology proficiency, ability to cater to unexpected situations or emergencies, compliance, and service attitude, to ensure the suppliers' product and service quality. The assessment results are categorized into Excellent - premium suppliers, Fair - qualified suppliers, and Poor - unqualified suppliers, based on evaluation scores to determine whether to continue working with a supplier.

Management of Building Construction and Interior Design Contractors

Management of building construction and interior design contractors

SKM allocates budgets for store decorations, specific projects, and asset repair according to the operations, positioning, services, safety, and management of the department stores while taking other needs, public safety, and customer engagement of the stores into account. And then, SKM commissions contractors with professional skills and consistent performance to implement such plans.

SKM values the following characteristics when selecting contractors:

1. The contractor has professional knowledge, quality, and past experience working on department stores.
2. The contractor is familiar with and complies with relevant building codes and administrative procedures.
3. The contractor can cater to SKM's needs, provide consistent services, and complete the contracted work within the timeframe specified by SKM while ensuring construction quality and safety. Meanwhile, the contractor can catch up with macro trends and advanced technologies.

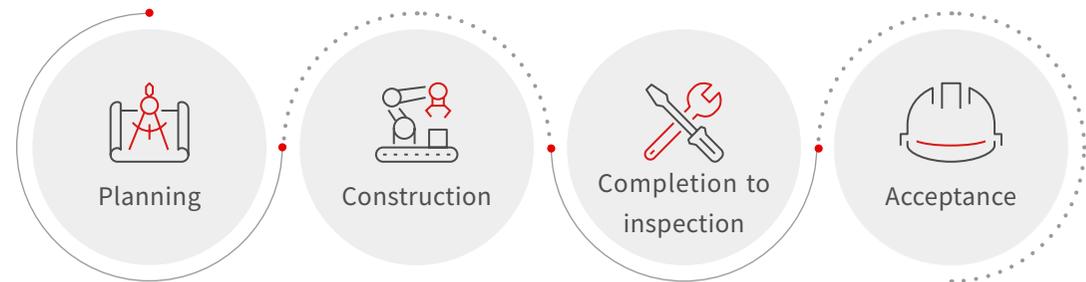


When commissioning construction work, SKM evaluates the magnitude, type, technology involved, and overall scheduling to invite tenders or quotations for further price inquiry, comparison, and negotiation. Afterward, SKM coordinates the construction work and contracting per Company standard procedures. When commissioning interior design, after the designers provide design concepts, SKM Store Development Department holds internal proposal and review processes before commissioning work per Company standard procedures. When commissioning asset repair, SKM discusses the technologies required for repair and upgrade with vendors of respective expertise according to the types of repairs, such as electrical, air-conditioning, and fire safety. SKM requires repair contractors to provide relevant test results, performance reports, and assessments based on the Company's needs along with equipment specifications and quotations. The Company then executes according to the outcome of SKM's internal approval procedure.



Construction and Occupational Safety Management

SKM complies with government regulations in all stages of construction, from planning, construction, and completion to inspection and acceptance, including the building codes and rules governing construction and fire safety equipment stipulated by the Construction and Planning Agency and National Fire Agency, Ministry of the Interior. The Company also compiled Contractor Occupational Safety and Health Management Guidelines and rules governing inspection and acceptance, which are the basis for SKM management measures.



Current Status of Building Construction and Interior Design Contractors

In 2022, SKM did not find building construction and interior design contractors encountering incidents with a significant negative environmental or social impact.

Future Plans for Building Construction and Interior Design Contractors

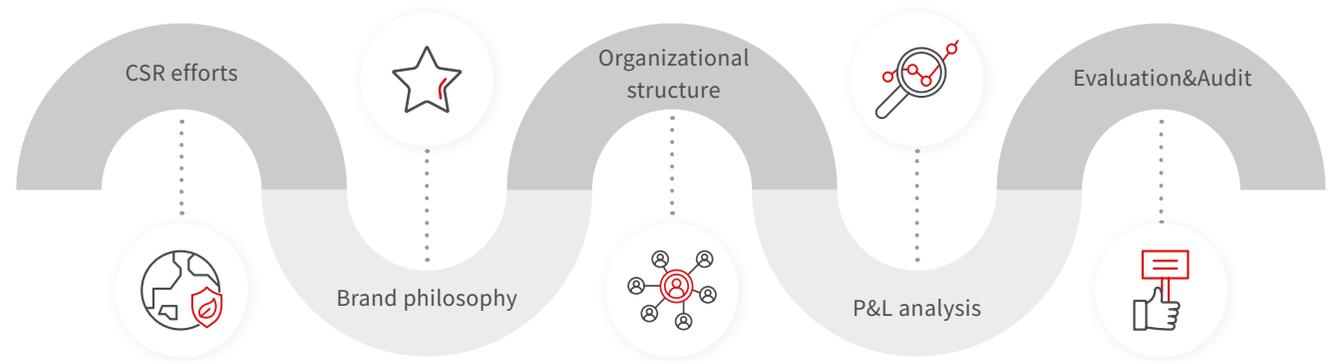
Going forward, SKM plans to seek, visit, and work with potential contractors with specialized expertise while enhancing the execution of the teams involved. Furthermore, SKM plans to organize bilateral exchanges with the contractors and consultants, sharing professional insights and knowledge on specific topics.

SKM Building Construction and Interior Design Contractor Detailed Categories(Unit: number of suppliers)

Building Construction and Interior Design Contractor Category	2022
Building construction	77
Interior design	15
Total	92

4.1.3 Careful selection of good sustainable products from Taiwan

SKM selects products and brands reflecting local values via its own business channels, including The Beautiful Market and goodgoods. When selecting suppliers, SKM considers a supplier's CSR efforts, brand philosophy, organizational structure, and P&L analysis to ensure product quality and satisfy consumer expectations.



The Beautiful Market

SKM found The Beautiful Market by pooling strengths from other supermarkets into one. Since opening the first Beautiful Market in 2015, it has expanded to five stores across Taiwan: Taipei Xinyi Place A4, A11, A8, Taichung Zhonggang Store, and Tainan Place. SKM will continue introducing The Beautiful Market into more stores, bringing people a green and beautiful life.

The Beautiful Market continues to support local small-scale farmers; in 2022, local procurement accounts for 25.2% of all procurement. The quarterly sale of vegetables and fruits was NT\$25 million; in particular, NT\$6.3 million of sales revenue came from local produce from Taiwan, accounting for 25.2% of all revenue.



- local small-scale farmers: NT\$6.3 million of sales revenue came from local produce from Taiwan, accounting for 25.2% of all revenue.
- Seasonal vegetable and fruit performance of The Beautiful Market: The quarterly sale of vegetables and fruits was NT\$25 million.

The Beautiful Market occasionally invites speakers from indigenous tribes and small-scale farms to lecture on food and local ingredients, promoting food and farming education.

To reduce paper use, the Beautiful Market introduced digital labels to replace paper labels, consequently decreasing the employee workload of switching out old tags. In 2022, digital labels were adopted in 3 department stores, introducing approximately 20,000 labels. SKM plans to introduce digital labels to two more stores in 2023.



SKM Education Lecture

Name of Lecture	Grape Promotion by the Guo Fei Lyu Farm in Xsinshe, Taichung
Time and Location	January 30, 2022, at Taichung Zhonggang Store

SKM invited a local farmer to the department store sharing how th grow grapes using soymilk-based fertilizers and their farming experience. The farm is in Bai Mao Tai in Xinshe District, Taichung. The speaker uses a soymilk-based liquid fertilizer passed down by his grandfather. The grapes that "grew up drinking soymilk" are juicy and sweet, nurtured with care and love. The speaker prioritizes quality over quantity, aiming to produce safe and toxin-free fruits.

Lecture Details



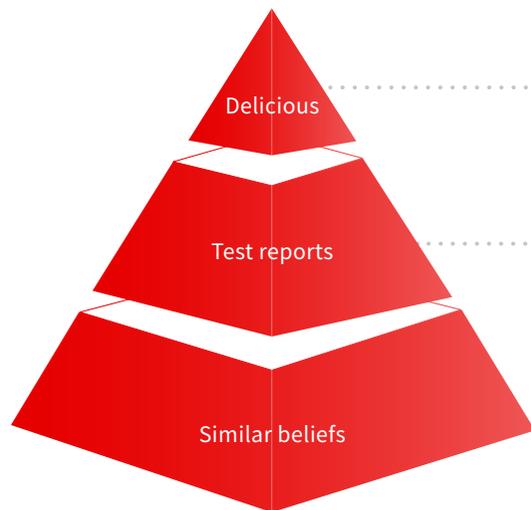
Local Small-scale Farmers

Small-scale Farmers Selection

Small-scale farmers refer to farmers whose produce income goes to supporting their families rather than economic expansion. Using eco-friendly farming methods, this form of farming does not drain natural resources. The smaller scale of their production allows them the freedom from capitalist policies by large corporations or technological monopolies (often in the form of patents) by international conglomerates. Small-scale farmers are flexible, experimental, and innovative. They drive agricultural innovations, enjoying the advantage of breaking from existing blindspots.

As Taiwan has suffered from several waves of food safety incidents, people are inclined to buy healthier foods. Therefore, a few years ago, stores began setting up the small-scale farmer section, offering consumers healthier alternatives. SKM set up the small-scale farmer section in 2002. Our definition of small-scale farm goods is "products of better quality and traceability produced by independent farmers willing to disclose the rigorous standards they adopt in the production process."

While selecting products from small-scale farmers, SKM also seeks to establish a long-term partnership with these farmers. We guarantee that the food ingredients we select are delicious; we also require the farmers to provide test reports ensuring food safety. Furthermore, we communicate and interact with the farmers, assessing their determination to produce "good products," ensuring that our beliefs are compatible.



- Deliciousness is not limited to the taste of the ingredient; rather, it encompasses the wow factor for all five senses.

- Although SKM samples and examines products rigorously, the farmers' awareness of food safety would further guarantee product quality. Relevant tests include organic certification, Good Agriculture Practice (GAP) certification, and zero pesticide residue. The farmers must also regularly update test reports for pesticide residue, covering 380 pesticides, including Dithiocarbamates.

- SKM assesses the farmers' determination to produce "good products" and whether to collaborate with them through interaction, understanding whether they put themselves in the customers' shoes.



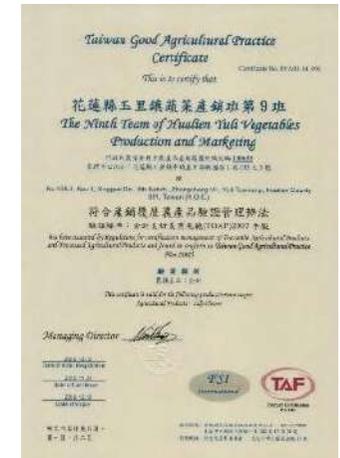
We selected the SKM League of Small-scale Farmers:



Food Safety Guarantee and ESG Certification

1 Product information transparency

Although SKM does not mandate the farmers to disclose all information, farmers willing to disclose the soil information, TGAP certification, and organic certification enhance the customers' sense of safety. Meanwhile, SKM employees at each store display all information disclosed, including origin and other information, for the customers reference.



2 Professional food safety examinations

Products related to small farmers need a food safety inspection certificate. SKM will conduct independent inspections especially for agricultural products with high risks, high concerns or special requirements, for example: passion fruit, longan, strawberries, and avocados with a high proportion of fruit pesticide residues...etc. (In 2022, SKM will assist 6% of agricultural commodities to be inspected).



3 ESG certification labels and the small-scale farmer section

The ESG label small farmers area needs to be specially certified as organic certified products. Organic products must be verified by a notary organization before they be marked as "organic" for sale. For example: There are 4,630 fruit and vegetable items, of which 860 have been certified organic, accounting for 18.6%.



Seasonal Produce from Small-scale Farmers



Time | January 14 to 16 and 22 to 23, 2022



Location | SKM Taipei Xinyi Place A4, Taipei Nanxi, Taichung Zhonggang, and Tainan Place Stores



EventDetails | The climate and natural environment in Yanchao are suitable for growing jujubes. Rich in limestone, the soil contains magnesium and calcium, contributing to the jujubes' incredible sweetness and texture. The TGAP-certified jujubes have transparent traceability. Each jujube is plump, crispy, juicy, and delicate like a pear, giving off a sugarcane-like fragrance. The red gift box is celebratory and best suited for traditional holidays.



The Best of Kaohsiung Market



Time | January 14 to 16 and 22 to 23, 2022



Location | SKM Taipei Xinyi Place A4, A11, Taichung Zhonggang, Tainan Place, Chiayi Chuiyang, and Kaohsiung Zuoying Stores



EventDetails | The Agriculture Bureau of the Kaohsiung City Government worked with SKM to introduce Shirley Jujube to the Chinese New Year gift catalogue. The fruit bears the reputation of Best of Kaohsiung and is exported to many countries worldwide. SKM also invited small-scale farmers to northern Taiwan to sell other gift sets suitable for the Chinese New Year. SKM launched the Best of Kaohsiung limited giveaways, promoting premium Kaohsiung produce to customers across Taiwan.



Kasuga, Pingtung Big Bear Farm's Mango Promotional Event



Time | May 27 to 29, 2022



Location | SKM Taichung Zhonggang store



EventDetails | Big Bear Farm is in Fangliao, Pingtung. Its rigorous test results and TGAP certification prove the quality of its Irwin mangos. The farm is dedicated to sustainability as well. The mangos satisfy the highest standards for exporting to Japan and are TGAP-certified. The Farm insists on picking the mangos after they ripen on the trees. The mangos' sweetness goes as high as 13 to 15 Brix, while they are red and plump, extremely aromatic, and their flesh bouncy and delicate.



Best of Kaohsiung
Yuhebao Lyche Season



Time | May 28 to 29 and June 4 to 5, 2022



Location | SKM Taipei Xinyi Place A4, A11, Taipei Nanxi, Taipei Station, Taichung Zhonggang, Tainan Place, and Kaohsiung Zuoying Stores



EventDetails | Yuhebao Lyche comes from Dashu, Kaohsiung, known as "the Lychee Kingdom," The lychees sold here are packaged without stems or prigs, which were left on the land as nutrients. The fruits are freshly delivered, TGAP-certified, and selected in the Best of Kaohsiung brand.



Yuanli, Miaoli
Wanli Tangerine
Promotional Event



Time | Starting on December 22, 2022



Location | With a limited amount, at SKM Taipei Nanxi, Taipei Station, Taipei Xinyi Place A11, A8, A9, A4, Taipei Tianmu, Taichung Zhonggang, and Tainan Ximen Stores



EventDetails | Tangerine is more difficult to tend to, compared to other fruits in the citrus family, for it is susceptible to the climate, sunlight, water, and soil. The harvest period is short, within the second half of December every year. Therefore, it is a seasonal, limited delicacy. The tangerine is sweet yet refreshing with a delicate texture, popular among adults and children alike.

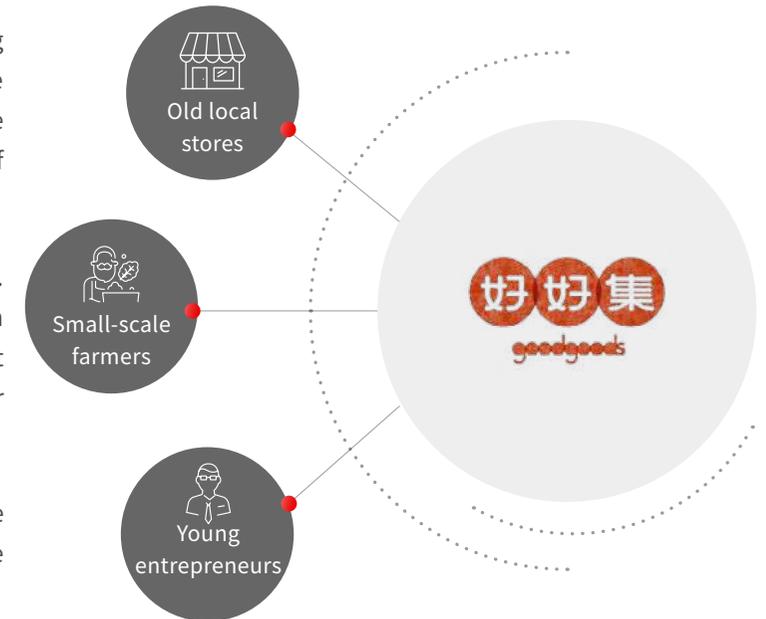


goodgoods

SKM created the goodgoods brand in 2015, setting up shop in 7 SKM department stores across Taiwan, selling selected good local products from Taiwan. We aim to provide visiting consumers with more than a venue to experience product quality. Moreover, we want to utilize our corporate influence and help small-scale businesses such as old local stores, small-scale farmers, and young entrepreneurs overcome the difficulties of starting a business and pass on the legacy of traditional handicrafts.

We support the hard work in all corners of Taiwan and aim to present Taiwan's common merits and values. Goodgoods is more than a channel for selling products but the hub for communicating Taiwan's story. In 2022, we made trips across Taiwan. We visited 368 townships and districts in 22 municipalities, learning about the dedication of century-old brands and encouraging young people to return home, make the most of their creativity, and contribute to the agriculture and industries of their hometowns.

Goodgoods takes customers on a journey into the stories of Taiwan, experiencing the dedication of these professionals and young dream chasers, learning about the hard work that goes into the goods. We encourage customers to join SKM in sharing such wonderful local products with the Taiwanese people and the world.



Taipei Station Store goodgoods



Taipei Xinyi Place A4 goodgoods



Taichung Zhonggang Store goodgoods

Sustainable product showcase

SKM values farming methods that respect our land, food safety, and harmony between the farmers, the land, and the crops. In 2022, SKM held nine sustainable product showcase sales across Taiwan.

Date	Theme	goodgoods store location	Partners
December 2021 to January 2022	Sunnygogo Dried Fruit	Taipei Xinyi Place A11	Sunnygogo
December 2021 to January 2022	The Peak Farm Dried Longan	Taipei Xinyi Place A11	The Peak Farm
January 2022	January 2022 The Best of Kaohsiung Market	Taipei Xinyi Place A4, A11, Taipei Nanxi, Taipei Station, Taichung Zhonggang, Tainan Place, Chiayi Chuiyang, and Kaohsiung Zuoying Stores	CHUNG CHIAO Inc.
May 2022	2022 Kasuga, Pingtung Big Bear Farm's Mango Promotional Event	Taichung Zhonggang Store	Big Bear Farm
May to June 2022	May to June 2022 Best of Kaohsiung Yuhebao Lyche Season	Taipei Xinyi Place A4, A11, Taipei Nanxi, Taipei Station, Taichung Zhonggang, Tainan Place, Chiayi Chuiyang, and Kaohsiung Zuoying Stores	CHUNG CHIAO Inc. BAO DAO DIH I WEY FOODS CO., LTD.

Date	Theme	goodgoods store location	Partners
August to September 2022	Dashu Sesame Oil Product Series	Taichung Zhonggang Store	Dashu Sesame Oil
August to September 2022	Pingtung Cacao Exhibition	Taipei Nanxi, Taichung Zhonggang, Tainan Place	KEYMORE MARKETING INTEGRATION CO., LTD.
September to October 2022	Pingtung Cacao Exhibition	Taipei Xinyi Place A4, A11, Taipei Station, and Kaohsiung Zuoying Stores	KEYMORE MARKETING INTEGRATION CO., LTD.
December 2022 to January 2023	Dashu Sesame Oil Product Series	Taichung Zhonggang Store	Dashu Sesame Oil

4.2 Quality Assurance

GRI Disclosures: 416-1, 416-2, 417-1, 417-2, and 417-3

4.2.1 Product Safety & Event Labeling Management

Management Guidelines



Policies & Commitments

To ensure the quality of products sold, SKM has established internal regulations such as the Product Quality and Safety Management Guidelines, Food Hygiene and Safety Operating Procedures, Food Safety Management Guidelines, and Agreed Terms for Counter Vendors. All product types are required to comply with relevant laws and regulations.



Impacts

- Outstanding product quality and safety assurance (Positive Impact).
- Unclear labels or signs for events and ads (Negative Impact).
- Improper product quality management (Negative Impact).



Action Plans

Prevention & Mitigation

- Partnering vendors are contractually required to comply with the following laws and regulations: Commodity Labeling Act, Cosmetic Hygiene and Safety Act, Act Governing Food Safety and Sanitation, Sanitation Standards for Beverages, and Health Food Control Act.
- Conduct random inspections of different product categories each month to ensure compliance with related laws and regulations.

- In compliance with the Regulations on Good Hygiene Practice for Foods, food processors are required to obtain hygiene certification from medical institutes to handle food.

Remedial Measures

- In the event of reports of food safety incidents at SKM supermarkets, SKM will contact vendors and withdraw products from shelves in compliance with internal processes.
- In compliance with the Counter Vendor Agreement for F&B Counters, vendors shall return or refund any products in the event of complaints from customers in compliance with SKM management and service guidelines.

Stakeholder Engagement

- Product and event information are communicated to consumers via physical and digital channels. Any incorrect information will be immediately corrected and announced in stores.
- SKM provides food hygiene and safety training to new F&B vendors and new employees and organizes monthly in-store food safety training.



Assessment & Tracking

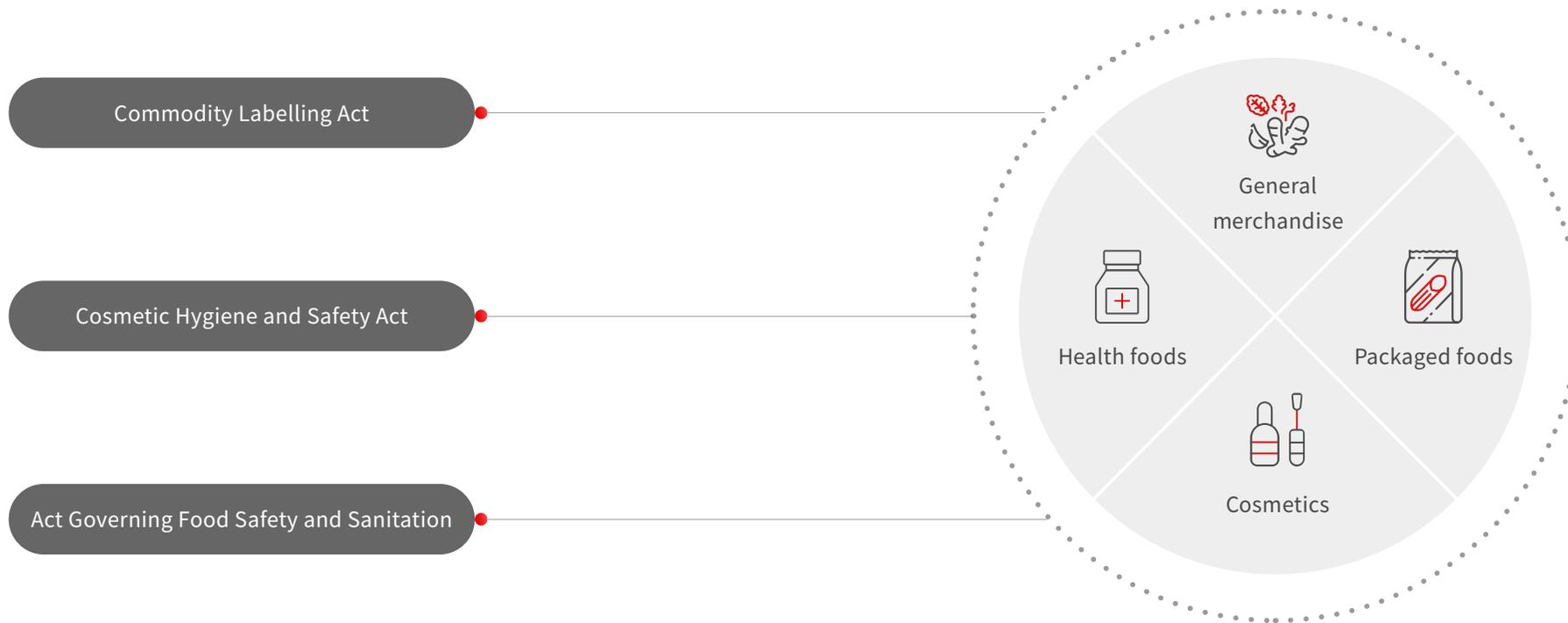
The Customer Service Department monitors customer feedback on food safety incidents reported by stores to address any concerns immediately in compliance with related regulations. The HQ FHS Team and FHS teams in SKM's department stores convene monthly to review and formulate response measures.

Product Safety Management

• Product Safety Management Mechanism

SKM offers the following product categories: general merchandise, cosmetics, packaged foods, and health foods. All product categories shall ensure compliance with related regulations (including Commodity Labelling Act, Cosmetic Hygiene and Safety Act, and Act Governing Food Safety and Sanitation) before launch and sales.

To ensure consumers feel safe with products sold at SKM, we have established the Product Quality and Safety Management Guidelines to conduct regular random inspections on the expiration dates of products in supermarkets to strengthen expiration management. SKM also requires that all food products comply with the Food Hygiene and Safety Operating Procedures, Food Safety Management Guidelines, and the Counter Vendor Agreement for F&B Counters. For more information on food safety management, please refer to Chapter 4.2.2. In addition, SKM requirements on the expiration date of cosmetic products and the storage temperature of foods, beverages, and frozen foods are also stricter than regulatory standards.



• Commodity Labelling Handling Mechanism

All contracted vendors are required to comply with internal and external regulations, in other words, the Cosmetic Hygiene and Safety Act for cosmetics, the Act Governing Food Safety and Sanitation, Regulations on Good Hygiene Practice for Foods, Food Hygiene and Safety Operating Procedures (SKM), Food Safety Management Guidelines (SKM), and Counter Vendor Agreement for F&B Counters (SKM) for packaged foods, fresh produce and raw meats, and cooked foods; the Tobacco and Alcohol Administration Act for alcohol; and the Pharmaceutical Affairs Act and Medical Devices Act for drugs and medical equipment. Any other products beyond the scope listed above are classified as general merchandise and governed by the Commodity Labelling Act.

In terms of internal management, SKM conducts random inspections of product labels every month and thoroughly verifies high-risk products and new products from new suppliers.

The average number of stock keeping units (SKU) at SKM supermarket stores is 6,000. In 2022, we performed regulatory compliance assessments on 600 items or around 10% of total product offering.

SKM Product Quality and Safety Management Guidelines

Product Category	External Regulations	Internal Regulations
 Cosmetics	Cosmetic Hygiene and Safety Act	
 Packaged Foods	Act Governing Food Safety and Sanitation Regulations on Good Hygiene Practice for Foods	Food Hygiene and Safety Operating Procedures Food Safety Management Guidelines
 Alcohol	The Tobacco and Alcohol Administration Act	
 General Merchandise	Commodity Labeling Act	
 Health Foods	Health Food Control Act	
 Drugs & Medical Equipment	Pharmaceutical Affairs Act Medical Devices Act	

Event Labeling Management

SKM attaches great importance to event labeling management. Any information and announcements provided on flyers, displays (bulletin boards), and digital platforms (mobile applications, Facebook, Instagram, LINE, and SMS) are all subject to HQ approval. The internal review mechanism of promotional content consists of multiple emails between the responsible person, various departments, and collaborating units to confirm the contents of the event. The final message is published after confirmation from the supervisor. An additional note detailing that SKM reserves the right to change or terminate the event and that matters not specified therein shall be governed by other in-store announcements.

In 2022, there were 11 cases of violations against regulations on the information and labeling of products and services. None of the violations led to any customer complaints or other penalties. In 2022, there was one case of a dispute relating to marketing and communication (details can be found in section 2.2.2. SKM is currently working with the police to resolve the dispute but have yet to receive any further notice).

When inaccurate information is found in promotional content, SKM will take the following actions: if the product price or event is labeled incorrectly, SKM will immediately correct any promotional content announced on digital platforms and put up a correction notice in counters or stores.

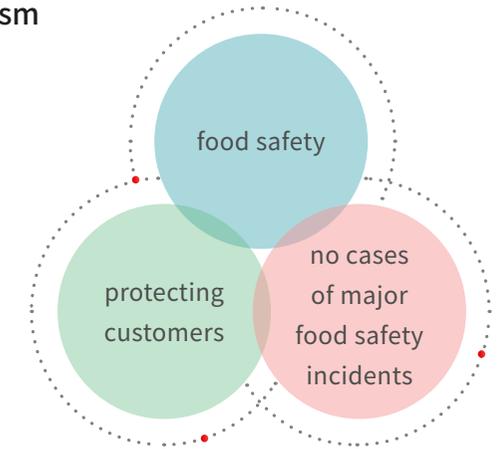


4.2.2 Food Safety Management

Food Safety Management Mechanism

- **Food Safety Management Targets**

Our service mission in food hygiene and safety is "protecting customers through food safety" and our target is to ensure that there are no cases of major food safety incidents.



- **Food Safety Regulations and Policies**

To provide consumers with safe foods, SKM actively rolls out food safety management plans and requires that all foods, fresh produce and raw meats, cooked foods, and foods from counters comply with MOHW Food and Drug Administration's Act Governing Food Safety and Sanitation and Regulations on Good Hygiene Practice for Foods. Imported SKM foods must comply with MOHW Food and Drug Administration's imported food inspections before being imported. SKM also stays up to date on any regulatory changes and asks all vendors at SKM to comply with government regulations as well.

Internal regulations established by SKM include the Department Store Management Guidelines, Food Hygiene and Safety Operating Procedures, Food Safety Management Guidelines, and Counter Vendor Agreement for F&B Counters. The regulations above govern themed restaurants, food courts, supermarkets, and coffee shops.

• Food Safety Unit

To address consumers' growing concerns over food quality, SKM established the Food Hygiene and Safety Team (FHS Team) in 2017 to safeguard consumer health through internal and external audits and controls, further formulating management measures and processes to ensure food safety.

The organizational structure of the FHS Team and responsible departments can be found in the table below. Departments involved include the Department of Security and Surveillance, Occupational Safety and Health Department, Customer Service Department, General Affairs Department, Owned & Distributed Brands Department, Merchandising Department, and E-Commerce Department. The departments above are mainly responsible for planning and rolling out any food safety projects, emergency response to major incidents, planning food safety and hygiene training, external audits, inspections and tracking during holiday seasons, etc. The Department of Security and Surveillance and the Occupational Safety and Health Department are new members of FHS Team in 2021. In 2023, we introduced the E-Commerce Department to control the food safety risks of foods sold on online channels.

FHS Team Organization Chart

Responsible Unit	Responsibilities
Customer Service Department	<ol style="list-style-type: none"> 1. Compile customer feedback on food safety incidents and formulate related response measures 2. Compile audit list and outcomes from related efforts 3. Plan and oversee the annual work plan and related timelines
General Affairs Department	<ol style="list-style-type: none"> 1. Inspect and track tableware cleaning areas 2. Supervise mosquito and vector control and disinfection at department stores
Owned & Distributed Brands Department	<ol style="list-style-type: none"> 1. Manage the food hygiene and safety monitoring plan 2. Ensure self-management of food safety at all supermarkets and goodgoods 3. Require all supermarkets and goodgoods to enforce self-management guidelines governing food safety, roll out related regulations, and track roll-out

FHS Team Organization Chart

Responsible Unit	Responsibilities
Merchandising Department	<ol style="list-style-type: none"> 1. Verify that products sold by partnering brands comply with food safety regulations 2. Formulate regulations to govern collaborative efforts to support food safety with partnering food brands 3. Require all counters to enforce self-management regulations governing food safety 4. Roll out food safety regulations to department stores and track roll-out
Department of Security and Surveillance	<ol style="list-style-type: none"> 1. Suggest food hygiene and safety strategies 2. Suggest responses to food safety incidents
Occupational Safety and Health Department	<ol style="list-style-type: none"> 1. Suggest food hygiene and safety strategies 2. Suggest responses to food safety incidents
E-Commerce Department	<ol style="list-style-type: none"> 1. Verify that products from partnering brands comply with food safety regulations 2. Inspect labels on products exclusive to skm online



• Self-Management & Internal/External Audits of Food Safety

SKM's mission in food safety is "protecting customers through food safety." We started promoting self-management for food hygiene and safety in 2017 and currently work with a consulting firm certified by Taiwan's Food and Drug Administration and the Taiwan Accreditation Foundation to perform audits, test products, inspect labels, and provide education and training. In addition to fulfilling our corporate social responsibility and providing food hygiene and safety education and support to counter vendors, we also strive to prevent any major food safety incidents by protecting our consumers through rigorous measures.

To strengthen the prevention of food safety incidents, SKM offers training and organizes awareness campaigns targeting new F&B vendors at SKM. Every year, the Customer Service Department compiles materials for SKM Food Hygiene and Safety Training and then commissions a consulting firm to update the training materials.

In addition, SKM continues to conduct internal and external audits. The external audits help us verify the efficacy of self-management and provide customers with reliable verification results to build trust in the SKM brand. Internal audits, on the other hand, can help us understand the risks of different crises, strengthen the efficacy of internal self-management, and reduce risks of potential hazards with training in professional knowledge.



Self-Management Plan for Food Hygiene and Safety

Monthly	Quarterly	Annually
<ul style="list-style-type: none"> Internal environmental sanitation audits In-store food safety training Food safety crisis drills Food safety theme promotion Food labeling inspections Unannounced environmental sanitation audits and product inspections 	<ul style="list-style-type: none"> Environmental sanitation audits and product inspections Tableware cleaning area audits and utensil inspections Beta-adrenergic agonist testing on meats sold by SKM Random inspections of food deliveries Random inspections of food pick-ups Packaging material audits 	<ul style="list-style-type: none"> Establish an annual food hygiene and safety work plan 3 national training sessions Random inspections of packaged foods during 5 major holiday seasons Rodent inspections at 5 supermarkets and food courts 2 visits (on a rotating basis) to supplier factories to inspect processed foods and seasonings Random inspections of cold beverages

Restaurants, food courts, coffee shops, SKM supermarkets, and retail counters selling packaged foods are subject to regular and random audits. We also conduct random inspections of products sold in the places listed above and inspect food labels. Every quarter, we randomly inspect food deliveries, specifically three items from every department store, which amounts to a total of 45 items. Most random inspections target popular products from retail counters and high-risk items, e.g., fresh produce, raw meats, salads, dairy products, cold dishes, and cold beverages. Random inspections during holiday seasons focus on dried meats, tea leaves and tea beverages, sweets, cakes, rice dumplings, cooked foods, and health supplements.

Food Safety in 2022

Item	Frequency & Summary of Enforcement in 2022	Audit Focuses/ Random Inspection Items	Achievements in 2022
External Audits	External audits are conducted every quarter on themed restaurants, food courts, supermarkets, and coffee shops, which amounts to 4 audits every year. SKM conducted random inspections of 1,500 products and corrected 100% of deficiencies uncovered from audits	Establish audit items in compliance with the Act Governing Food Safety and Sanitation and Regulations on Good Hygiene Practice (GHP) for Food	<ul style="list-style-type: none"> Scored 92.5 on external audits, exceeding/ falling short of the target score by 0.5 pointsNote 0 cases of violations against food safety regulations
Internal audits	Environmental health inspections are conducted every month, which amounts to 12 inspections each year; HQ verifies the efficacy of health inspections every quarter	Establish audit items in compliance with the Act Governing Food Safety and Sanitation and Regulations on Good Hygiene Practice (GHP) for Food	<ul style="list-style-type: none"> Scored 96.4 on internal audits, deviating from the external audit score by 3.9 points 0 cases of violations against food safety regulations
Random Product Inspections-Regular Random Inspections of Retail Counters	Conducted 4 regular random inspections of F&B counters and inspected a total of 1,134 products. Items that failed to pass inspections were inspected again within one week and made available for sale when they passed the second inspection	Establish audit items in compliance with the Act Governing Food Safety and Sanitation and Regulations on Good Hygiene Practice (GHP) for Food	Regular random inspections of retail counters: 97.9% pass rate in 2021 and 98.3% pass rate in 2022 (increased by 0.4%)

Food Safety in 2022

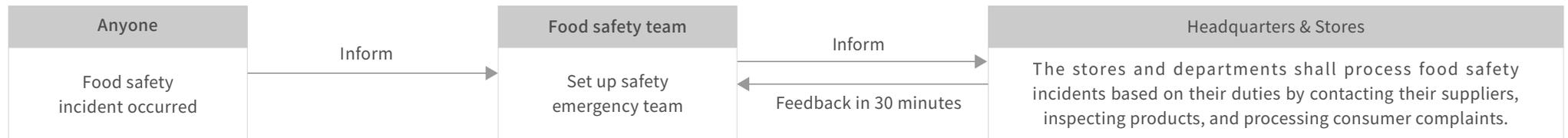
Item	Frequency & Summary of Enforcement in 2022	Audit Focuses/ Random Inspection Items	Achievements in 2022
Random Product Inspections-Holiday Seasons	Conducted 5 random inspections of packaged foods throughout the year, specifically during the Lunar New Year, Mother's Day, Dragon Boat Festival, and our SKM anniversary event, inspecting a total of 328 products during holiday seasons. Items that failed to pass inspections were inspected again within one week and made available for sale when they passed the second inspection	Popular, high-risk, and new products from all retail counters	99.1% pass rate in 2022, a 1.2% increase from the previous year
Food Labeling Inspections	Packaged food labeling inspections: Conducted labeling inspections of 50 packaged foods every month, which amounts to inspecting 600 products every year, with a mechanism in place for secondary inspections	Established in compliance with the Act Governing Food Safety and Sanitation	Supermarket food labeling inspections: 437 items passed the inspection, while 163 items were given recommendations for improvements
Random Inspections of Food Deliveries	Conducted random inspections of 45 items across 15 department stores		In 2022, all 45 items passed inspections

Note: According to the food hygiene rating assessment by TFDA: "Excellent" is given to F&B businesses with less than 2 major deficiencies (equivalent to a score of 92 or higher), "Good" is given to F&B businesses with over 2 but less than 4 major deficiencies (equivalent to a score of 90 or higher).

The audits and random product inspections listed above are carried out by the HQ FHS Team and supported and enforced by FHS teams in different department stores. In addition, in terms of food safety crisis management, we have a set of action items for relevant units to address major crises, aiming to promptly resolve customer concerns and questions.

In 2022, SKM safeguarded food safety in 100% of F&B counters in compliance with the Act Governing Food Safety and Sanitation and the Regulations on Good Hygiene Practice for Foods. The summary of our efforts can be found in the table below. In 2022, there were zero cases of violations against food safety regulations in SKM supermarkets but one case of violations in retail counters. The violations, fines and penalties, and response measures can be found in the table on Summary of Violations Against Food Safety Regulations in 2022 below.

Food Safety Incident Response Process



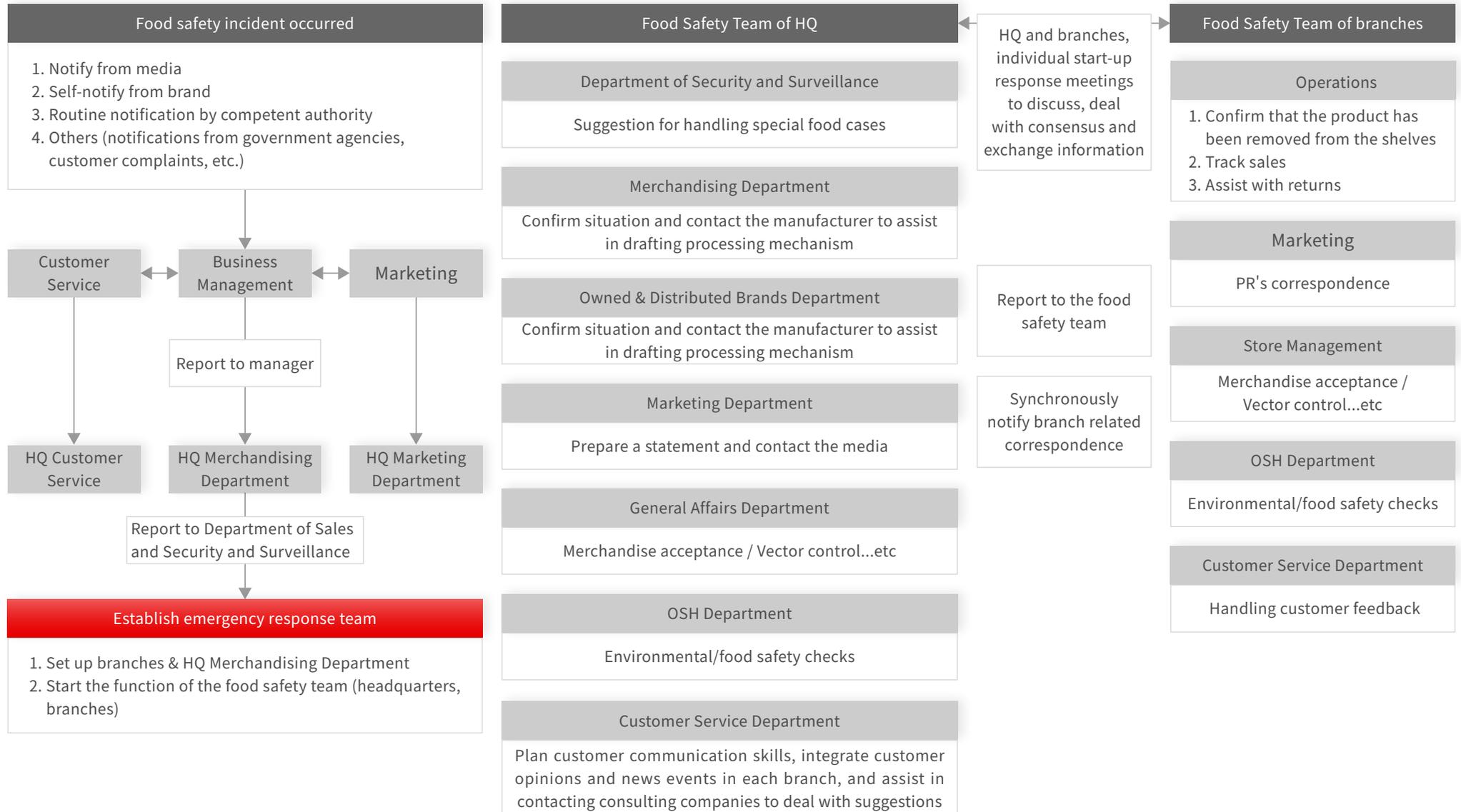
Summary of Violations Against Food Safety Regulations in 2022

Item	details
Incident	Sales of expired foods at the Daiso in the Kaohsiung Zuoying Store
Incident Summary	<ul style="list-style-type: none"> 2022/3/14: Customer visits the Daiso store in person, eight days after purchase, to report that the purchased product has expired (expiration date is 2022/2/28) and resulted in vomiting and diarrhea, which led the customer to seek medical attention. Daiso collected the product from the customer and expressed that they would report the incident 2022/3/15: The next day, the Daiso store manager calls the customer to inform them that the store would be willing to refund the customer and compensate any medical expenses 2022/3/16: Customer contacts the Daiso store and expresses that the store's offer to refund the product and compensate for any medical expenses is unsatisfactory

Summary of Violations Against Food Safety Regulations in 2022

Item	details
Summary of Complaint	2022/3/17: Customer files a complaint to SKM, and customer service contacts the customer to express concerns and learn more about the incident. At this point, the customer informs SKM that they have already filed a complaint with the health bureau
SKM Response	SKM inspects the Daiso store's product displays, procurement, sales, and inventory records and initiates the Food Hygiene and Safety Reporting Group. For related reporting and response processes, please refer to the flow chart below
External Audit	<ul style="list-style-type: none"> • 2023/3/21: SKM complies with the health bureau to conduct inspections. Personnel from the health bureau inspects labels from food products on site and verifies that inventory management processes and removal processes of expired products are compliant with related regulations • Personnel from the health bureau expresses that the Daiso store had indeed sold an expired product and that, in compliance with Article 15 of the Act Governing Food Safety and Sanitation, Foods or food additives that have passed their expiration date shall not be manufactured, processed, prepared, packaged, transported, stored, sold, imported, exported, presented as a gift or publicly displayed. Anyone committing any of the aforementioned violations shall be fined between NT\$60,000 and NT\$200,000,000. In severe circumstances, the enterprise may be ordered to terminate business, suspend business for a certain period of time, or revoke all or part of the items listed in the company registration, business registration or factory registration, or registration of the food businesses. If the registration of the food businesses is revoked, re-application for a new registration within one year shall be prohibited. According to Article 8 of the same act, the personnel, operation sites, sanitation management of facilities, and management of food additives shall meet the Regulations on Good Hygiene Practice for Foods. Failure to correct the violation within the time limit prescribed will result in fines between NT\$60,000 and NT\$200,000,000 in compliance with Article 44 of the same act. The vendor was subsequently fined NT\$60,000.

Food Hygiene and Safety - SOP to handling food safely during emergencies

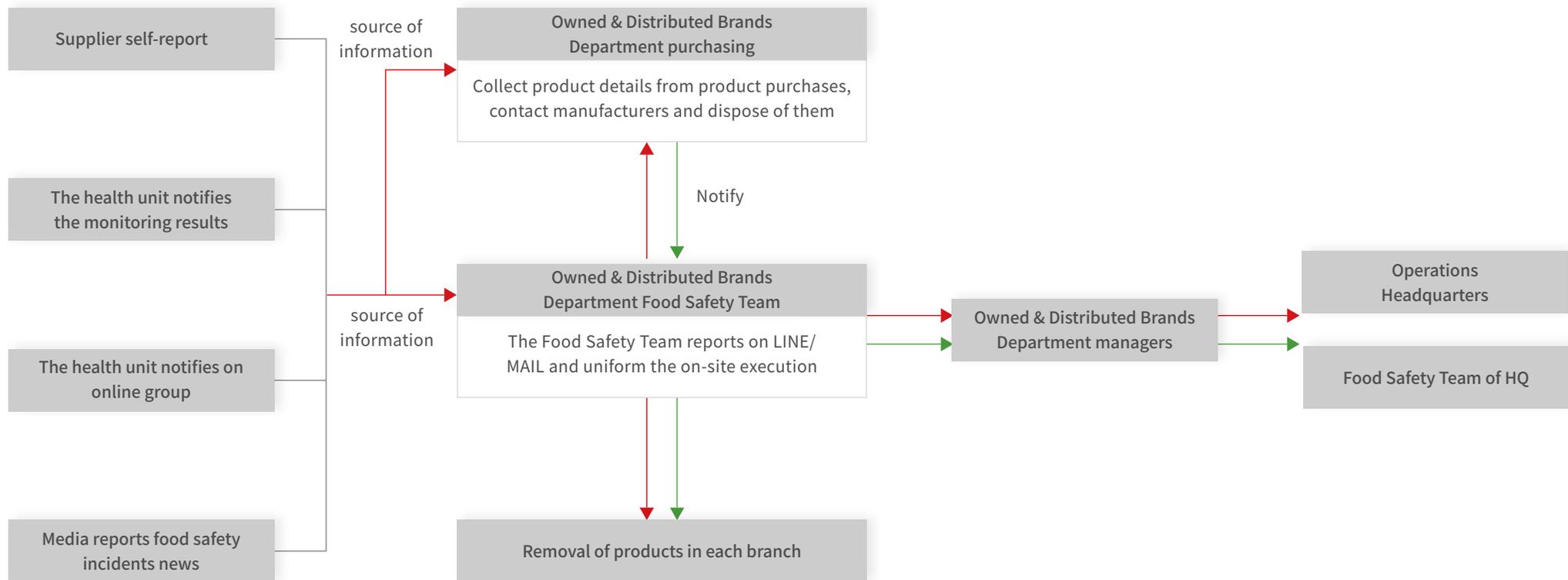


※ According to the ISO 10002 process, continue to collect relevant customer feedback, and track the follow-up processing results.

• Summary of Product Removal Incidents from SKM Supermarkets

In the food safety incident reporting process for SKM supermarkets, relevant information is obtained through channels such as voluntary reporting by vendors, notifications from health authorities regarding supervision results, notifications through online health authority groups, and media reports. The reporting process involves the Owned & Distributed Brands Department's FHS Team, procurement, department managers, the HQ FHS Team, Administration Headquarters, and affected department stores. After each department store removes all abnormal products, they report results to the Owned & Distributed Brands Department's FHS Team online.

Food Safety Incident Reporting & Response Process for Supermarkets Under the Owned & Distributed Brands Department



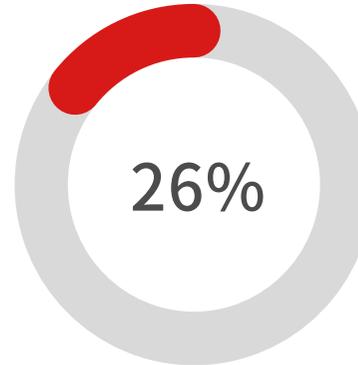
→ Notification process → data processing

Product Removals or Recalls in 2022

Information	Cause for Removal or Recall	Process Flow & Results
<ul style="list-style-type: none"> • Time: 2022/02/24 • Place: All department stores in Taiwan • Product: Han Sung Kimchi 	<p>SKM supplier, Han-wha International Corp., informs SKM that kimchi supplied by Han Sung is implicated in a food safety incident (using spoiled and insect-infested cabbage and radish to make kimchi) involving Han Sung's factory in Korea. Further investigation reveals that products sold at SKM supermarkets are not produced by the implicated factory.</p>	<p>To prevent any potential food safety incidents, SKM responds with the preventive removal of Han Sung's kimchi and returns the products to the supplier. Further investigation reveals that products sold at SKM supermarkets are not produced by the implicated factory.</p>
<ul style="list-style-type: none"> • Time: 2022/03/01 • Place: Taipei Nanxi Store • Product: Strawberries from Fukuoka Prefecture, Japan 	<p>On March 17, SKM is informed that strawberries from Fukuoka Prefecture failed pesticide residue tests and tested positive for pesticide residues. According to regulations, the presence of the pesticides isopyrazam, spirodiclofen, and thiacloprid is not permitted, meaning that the strawberries are non-compliant.</p>	<ul style="list-style-type: none"> • In response to the failed pesticide residue tests, SKM pulls all Fukuoka strawberries from shelves and conducts a secondary inspection, takes pictures on site, and consults related regulations on March 21: Investigation reveals that none of the strawberries sold at SKM supermarkets are from the same batch as the implicated batch and that there are no other products from the same batch but has terminated all related purchases after the failed testing. • On March 22, TFDA publishes a press release announcing that imported strawberries from Japan have failed pesticide tests every week and that the TFDA will be testing all imported strawberries from Japan in batches for six months. • Improvement measures: SKM has changed the management mechanism and now requires vendors to provide an import permit from the TFDA. We also suggest vendors conduct pesticide residue testing to protect consumers. In the following year, we allocated a budget for pesticide residue testing and now conduct random inspections when strawberries are in season, from January to February of each year. We also commissioned SGS to conduct mandatory pesticide residue testing on imported strawberries.

Food Safety Accreditation & Awareness

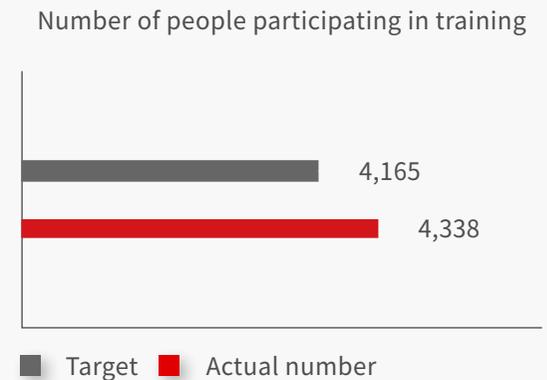
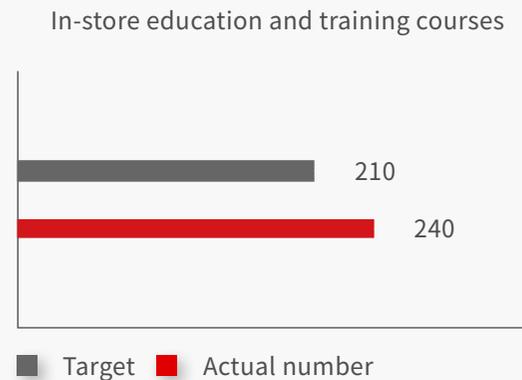
In 2022, SKM secured an "Excellent" rating in the food hygiene rating assessment and now has plans to support vendors across all SKM locations in Taiwan to do the same. Unfortunately, due to the pandemic, the food hygiene rating assessment was put on pause for the year in some counties and cities. A total of 95 retain counters or 26% of total retail counters received accreditation.



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SKM compiles training materials on food hygiene and safety each year for food hygiene and safety training targeting new employees and training corporate trainers. In 2022, the target was to hold 210 training sessions on food safety for 4,165 participants. We exceeded the target and held a total of 240 in-store training sessions for 4,338 participants and completed our annual target by August 2022. In 2022, food safety training at SKM was incredibly diverse and spotlighted our service missions in food hygiene and safety, hygiene management for F&B businesses, improvements to hygiene management in F&B businesses, and vector control.

Food Hygiene and Safety Training in 2022



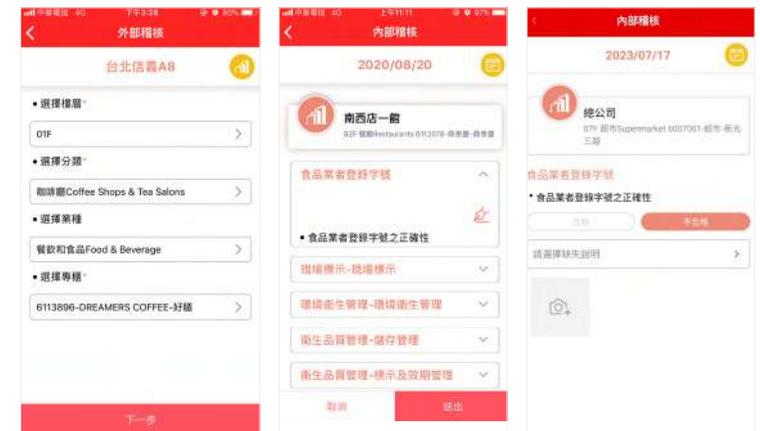
In 2021, SKM started designing one food hygiene and safety poster every month to raise awareness. In 2022, we designed a total of 12 posters and introduced the "Awareness Poster for the Annual Theme" in 2023. In terms of food safety management for pick-ups and deliveries, SKM offers four services - reservations, waiting list, pick-ups, and deliveries - in the skm app's food map function. The HQ FHS Team compiled reminders on making, packaging, and delivering foods as well as food pick-ups to strengthen service quality and reduce risks of food safety incidents.



Digitalization of Food Safety Audits: Digital Food Safety Audit Platform

To ensure retail counters comply with inspection requirements and conduct internal/external audits, prevent omissions from lists sent from department stores, and reduce repetitive work in inputting audit results, SKM introduced the Digital Food Safety Audit Platform in August 2020 for all SKM department stores across Taiwan.

The Digital Food Safety Audit Platform digitalizes results from monthly internal audits and quarterly external audits and compiles related scores and uncovered deficiencies by working with SKM's backend system. The platform has given SKM insight into secondary inspections for prior failed inspections and reduced manual work to double check information, thereby reducing the required work time, increasing work efficiency, and ensuring the accuracy of audit subjects and data management analyses.



Major achievements yielded from the Digital Food Safety Audit Platform(2022)



Reduced the use of 16,000 sheets of paper and saved around 21,000 minutes of work time



Gave clear insight into counters requiring inspections before department stores open



Saved results directly into the database without the need for manual input after results are delivered



Allowed personnel to take pictures during audits to record problems, with pictures being available for access on the platform



Allowed SKM to compile an inspection checklist according to current inspection frequencies



Eliminated manual work of compiling audit reports as the platform is capable of compiling reports automatically

Food Safety Roadmap



Regular Tasks

Continue to enforce food safety practices and tasks, conducting regular inspections of the environment and random product inspections to maintain sanitary F&B counters and control risks from product offerings



Preemptive Actions

Strengthen random inspections of high-risk products sold at SKM and, in compliance with TFDA's annual audit program, conduct random inspections of seasonal products before the five major holiday seasons each year to ensure product safety



Culture Building

Continue to offer offline and online food safety training and optimize related materials to ensure food safety through comprehensive audit schemes



Robust Protection

Compile common deficiencies relating to food safety in 2022, learn more about risks and insufficiencies in food hygiene and safety, and introduce three new management items in food safety audits to strengthen protection against food safety incidents



ESG Projects

Support SKM's ESG projects and policies to introduce reminders and notes for food deliveries and voluntarily disclose findings from self-management to fulfill our social responsibilities, ensure our customers feel safe purchasing from SKM, and strengthen SKM's image