



Chapter 01

Resilient Management

Shin Kong Mitsukoshi (SKM) has established a reliable governance structure and operations system over the past thirty years since the company was founded. By leveraging our organizational structure and risk management practices built on integrity, we continue to advance operational strategies on the foundations of Resilient Management. We learn from past experiences and strive for innovation to deliver products and services that truly cater to the needs of our consumers. We also remain steadfast in our commitment to sustainable business practices. In recent years, we've dedicated ourselves to the sustainable development of multiple areas through themes such as green fashion, social good, and happy corporation. In addition, we are committed to safeguarding the long-term rights and interests of our shareholders, customers, and other stakeholders.

Chapter 1 · Resilient Management

Material Topics	Corresponding SDGs	Affected Stakeholders
<ul style="list-style-type: none"> Operational performance (protect and safeguard shareholder rights) Corporate governance and ethical management (misconduct in corporate governance) 	  	<ul style="list-style-type: none"> Shareholders/Investors Employees Counter Vendors Suppliers



Achievements in Sustainability



Sustainability Report Gold Award

SKM's **first** sustainability report was rated **Gold** by the Taiwan Corporate Sustainability Awards (TCSA) in the Trade and General Goods Category one.



Department of Security and Surveillance

First in the industry to establish a **Department of Security and Surveillance** and to introduce ISO 27001 Information Safety Management Systems, ISO 45001 Occupational Safety and Health Management Systems, and ISO 50001 Energy Management Systems.



Revenue reached NT\$88.6 billion

Reached **three million** members with skm pay generating **NT\$31.3 billion** in consumer transactions; revenue for the year also reached **NT\$88.6 billion**.

1.1 Sustainable Business Practices

GRI Disclosures: 2-1, 2-5, 2-6, 2-12, 2-13, 2-14, 2-16, 2-25, 2-26, 2-28, 2-29, 201-1, and 201-4

1.1.1 Operational Performance

Company Introduction and History

Shin Kong Recreation and Japan Mitsukoshi Department Store founded Shin Kong Mitsukoshi Department Store in 1989 as a joint venture (nowadays as Shin Kong Mitsukoshi Department Store Co., LTD and Mitsukoshi Isetan Group). After decades of experience, SKM has emerged as a leading department store in Taiwan. With extensive experiences in store expansion and innovative lifestyle offerings, SKM has garnered a reputation for attracting crowds with a unique range of services. Over the past 30 years, we have remained committed to putting consumers at the heart of our business. Not only do we provide customers with enjoyable in-store experiences, but we also integrate offline resources to develop online shopping services. In the future, SKM will build upon valuable experiences, embrace a forward-looking perspective, and chart innovative strategies to continuously create new experiences, new consumer trends, and a new sustainable way of life.

	Company Name	Shin Kong Mitsukoshi Department Store Co., Ltd.
	Date of Establishment	November 1989
	Headquarters Address	No. 19, Songgao Rd, Xinyi District, Taipei City, Taiwan
	Business Locations & Logistic Centers	SKM has over 15 business locations across Taiwan, spanning up to 1,175,697 square meters in floor area; we do not have any logistic centers



Business Locations & Value Chain

We have department stores in northern, central, and southern Taiwan. Our 15 department stores, 20 buildings, and nearly 7,000 counter attract over 130 million visitors each year.



Business Locations across Taiwan

Taipei Nanxi Store One

In 1991, SKM opens our first department store - Taipei Nanxi Store - and strives to create "Taiwan's premium destination for a world-class shopping experience."



Tainan Zhongshan Store

In 1996, SKM opens the Tainan Zhongshan Store, the first department store outside of a special municipality.

Taipei Xinyi Place A11

In 1997, Taipei Xinyi Place A11 becomes the first department store to launch in the Xinyi Planning District and kick-starts the Xinyi commercial district.



Taipei Xinyi Place A8

In 2002, SKM opens a second store in the Xinyi Planning District - Taipei Xinyi Place A8, which caters to all customer segments and contributes to the success of the commercial district with a wide range of product offerings.

Tainan Ximen Store One

In 2022, SKM opens Tainan Ximen Store, the largest shopping center in Southeast Asia at the time.



1991

1993

1996

1997

1998

2000

2002

Taipei Station Store

In 1993, SKM opens the Taipei Station Store and Kaohsiung Sanduo Store on the same day (12/23), setting a new record across department stores around the world. The Taipei Station Store is a major department store and landmark in Taipei's west district, a central hub and a great destination for shopping and tourism.

Kaohsiung Sanduo Store

In 1993, SKM opens the Taipei Station Store and Kaohsiung Sanduo Store on the same day (12/23), setting a new record across department stores around the world. The Kaohsiung Sanduo Store is the first major general department store in the Kaohsiung Sanduo commercial district that caters to all customer segments

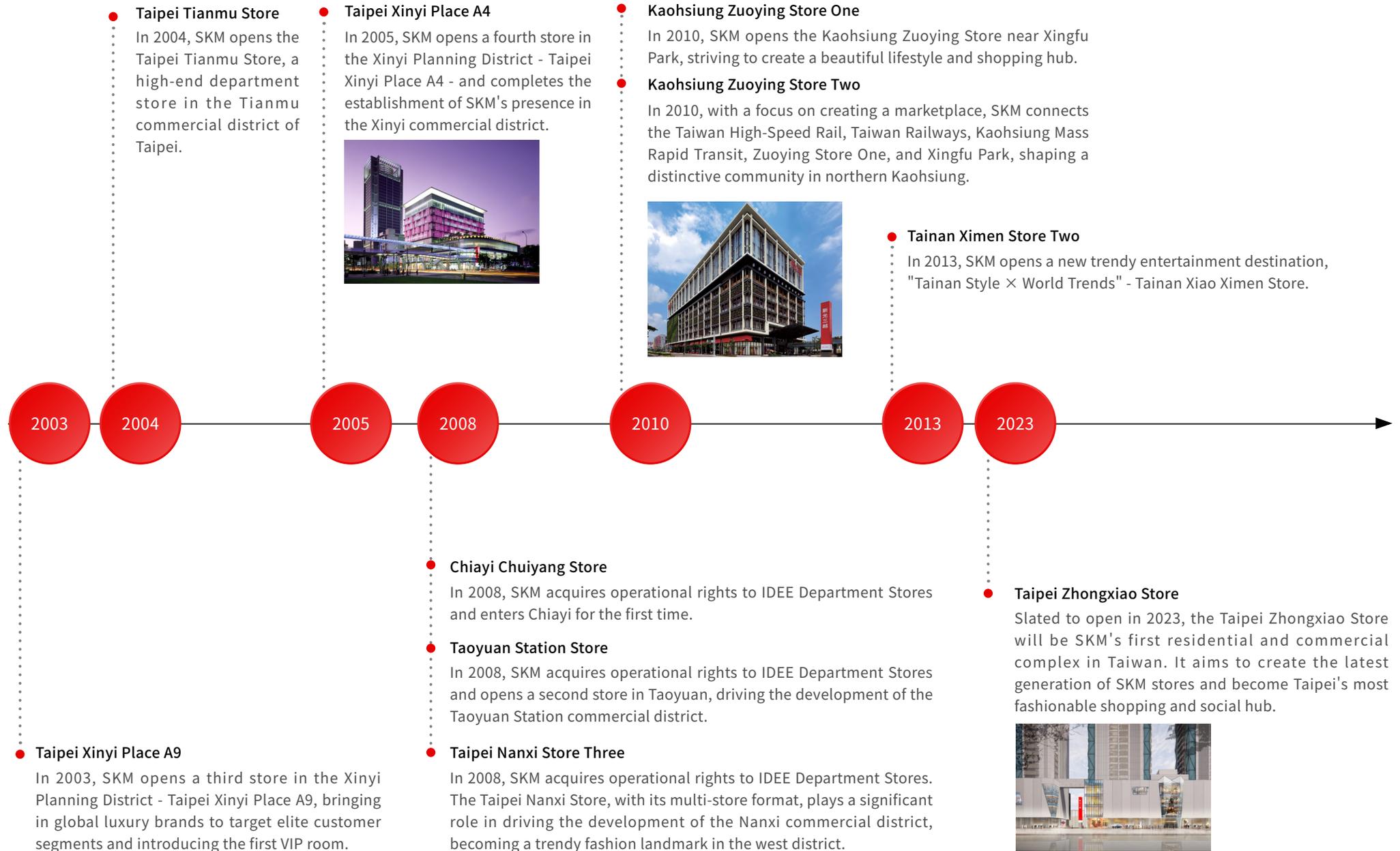
Taoyuan Dayou Store

In 1998, SKM opens the Taoyuan Dayou Store, SKM's first community department store.



Taichung Zhonggang Store

In 2000, SKM opens the Taichung Zhonggang Store and begins operating major locations.



SKM Value Chain

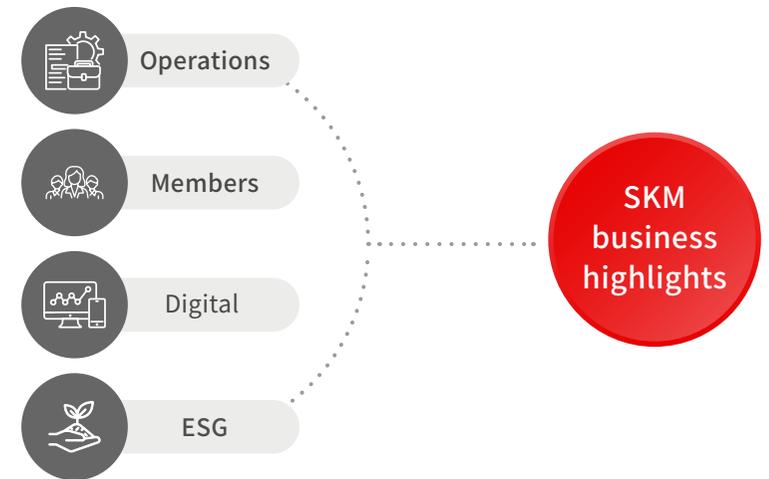
In global industry classification standards, SKM is classified as a general merchandise retailer. We offer products and services from over 2,600 brands and work with diverse strategic partners to deliver incredible and enriching experiences and contribute to the sustainable development of our business, environment, and society. SKM's value chain consists of counter vendors and suppliers in the upstream, the SKM company in the midstream, and consumers and communities in the downstream. The upstream, midstream, and downstream correspond with different business activities along the value chain, for example, production and manufacturing, logistics and transportation, and sales and returns/exchanges. Please refer to the table below to see which business activities correspond with the upstream, midstream, and downstream.



Note: There are no significant changes to SKM's industry classification, value chain, and business relations from the previous year.

Business Highlights from 2022

In 2022, SKM generated NT\$88.6 billion in revenue, with purchases on skm pay exceeding NT\$31.3 billion. The number of members also officially surpassed the three million milestone. Business highlights from 2022 include diverse projects spanning operations, members, digital, and ESG. For example, SKM invested millions in establishing the Gourmet Club at Taipei Xinyi Place A8 and growing the member count.



SKM business highlights

Operations	<ul style="list-style-type: none"> Conducted our largest renovation to date and, in 2022, renovated thousands of counters. We also invested millions and worked with 65 brands to launch the Gourmet Club at Taipei Xinyi Place A8, providing customers with a new and trendy shopping experience. Officially launched the SKM Park Outlets, SKM's first venture into outlet malls, in August 2022. Opened the fifth brick-and-mortar beautySTAGE store at the Beyond Plaza in Yonghe. Carried out the renovation budget project. Three-year renovation project in key stores.
Members	<ul style="list-style-type: none"> Actively promoted the membership expansion project and exceeded three million members by end of 2022. Launched the new skm points system, offering rewards such as Apple products, cosmetics, and home appliances. Expanded into different aspects of members' lives.
Digital	<ul style="list-style-type: none"> Launched five major digital services: Digital Membership, Smart Customer Service, Group Buying, Celebrity Boutique, and Gourmet quick order. Optimized member experiences by upgrading SKM applications, successfully increased SKM Pay usage each year, with 36% of total revenue now from skm pay. Integrated digital content, launched fashion boutiques, and launched the public version. Continued to develop and promote e-commerce.
ESG	<ul style="list-style-type: none"> Sustainability Committee spearheaded implementation of related ESG decisions. Maintained important accreditations and strived for new accreditations. Created a happy workplace and optimized compensation and welfare packages.

Financial Performances (Unit: NT\$1,000)

Item	2022	2021	2020	
Direct Economic Value	Operating Income	27,266,720	26,130,287	26,847,142
	Non-operating Income	1,287,188	1,540,545	1,564,965
Economic Value Distributed	Cost of Revenue	13,150,719	13,187,134	13,516,672
	Operating Expense	7,947,112	8,176,499	8,382,126
	Employee Compensation and Welfare	2,867,435	2,749,410	2,689,668
	Dividend Distributed to Shareholders	1,619,720	1,619,720	1,619,720
	Corporate Income Taxes	708,541	469,274	464,828
	Community Investments	20,807	41,256	44,095
	Profitability	Earnings Before Tax	3,475,915	2,234,690
Net Income		2,767,374	1,765,416	1,941,291

Note:

1. Consolidated financial statements from SKM Department Store Co., Ltd..
2. Community Investments is mainly donations, including the Shin Kong Mitsukoshi Cultural & Educational Foundation.

Government Subsidies

	2022	2021	2020
Various Subsidies (Including COVID-19 relief, rent exemption, and investment write-offs)	27,756	119,450	151,615

Note: Government subsidies largely provided to the SKM parent company in Taiwan.

Social Engagement

SKM is active in public associations, seeking to uncover new ideas through industry exchanges. We aim to connect corporations, exert our sustainable influence, and strengthen bonds in society to maintain long-term relationships of shared prosperity.

Association	Role	Representative
NTU Law Foundation	Director	
Ching Kwang Fu Culture and Education Foundation	Chairman	Chairman Dong-Sheng Wu
Taiwan-Japan Cultural and Economic Association	Member	
Japanese Chamber of Commerce & Industry Taipei	Member	Vice Chairman Toyohiko Tanaka
Japanese Chamber of Commerce & Industry Taipei Circulation Department	Member	
Commerce Development Research Institute	Director	
The Third Wednesday Club	Member	
ROC-USA Business Council	Director	
ROC Friends of Police Head Association	Director	President Richard H. Wu
Taipei City Friends of Police Association	Managing Director	
Taiwan Chamber of Commerce & Industry	Member	
Chinese East Asia Economic Association	Member	
Taiwan Japan Association for Business Communication	Director	

Association	Role	Representative
Taiwan Institute for Sustainable Energy	Center for Corporate Sustainability Corporate Member Representative	
The Third Wednesday Club-Young Entrepreneur Group	Member	
Taiwan Department Store Association	Member	
Taipei Theater Association	Director General	Vice President Michael H. Wu
National Theater Association R.O.C.	Member	
Taiwan Association for Copyrights Protection	Member	
Importers & Exporters Association of Taipei	Reserve Director	
Taiwan Department Store Association	Director	Vice President Ying-Ming Hsieh
Taiwan Chain Stores and Franchise Association	Member	President Richard H. Wu & Vice President Vincent Guo
Retailers Association of Chinese Taipei	Member	President Richard H. Wu Vice President Wendy Tsao Vice President Michael H. Wu Chief Security Officer Jen-hwa Ma Vice President Vincent Guo
Chinese National Association of Industry and Commerce	Member	President Richard H. Wu Vice President Wendy Tsao Vice President Michael H. Wu Chief Security Officer Jen-hwa Ma Vice President Vincent Guo

1.1.2 Sustainable Development Management

Sustainability Vision & Strategic Goals



Positioning

- A platform for a better life
- Strive for sustainable development through commitments to green fashion, social good, and a happy workplace



Mission

- Become a respected and reliable department store brand
- Become an outstanding business entity that gives stakeholders pride and joy
- Contribute to corporate, environmental, and social sustainability



Vision

- Global Reach, Local Touch
- Spreading a better life to the world



Values & Principles

- Core values: stability, diligence, trustworthiness and honesty
- Business Philosophy: customer first, service with heart

Sustainability Management

The highest governing body for sustainable governance at SKM is the Sustainability Committee. In the future, major motions relating to sustainability will be brought to the Board of Directors for deliberation to further strengthen sustainable development efforts. The Sustainability Committee is responsible for reviewing and approving sustainable development strategies, sustainable disclosures, and other important ESG cases, including reviewing evaluation results from "Positive & Negative Impacts on the Economy, Environment, and Human Rights" from business operations, in reference to the latest GRI standards. For disclosures on impact management, please refer to 1.1.4 Identification of Material Topics. In addition, SKM regularly tracks and provides prompt feedback to the eight stakeholders listed in 1.1.3 Stakeholder Engagement, which allows us to optimize company operations and internal management processes.

In 2022, agenda items discussed by the board included: Matters relating to operations and management, significant business decisions, dividend distribution, directors/supervisors/management, and financial reporting.

Agenda items discussed by the board (2022)



operations &
management



significant
business
decisions



dividend
distribution



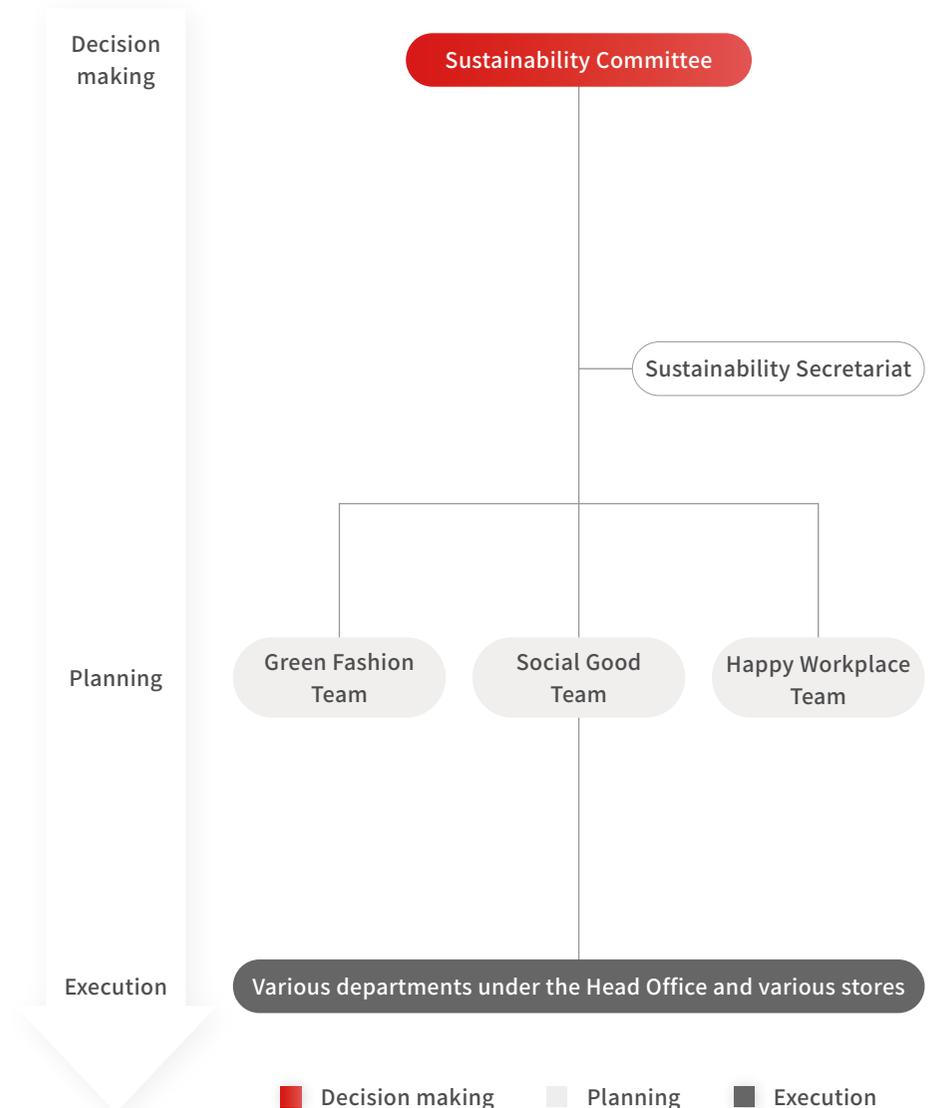
directors/
supervisors/
management



financial
reporting

Sustainability Committee

Organizational Structure of the Sustainability Committee



Established in 2021, the Sustainability Committee is responsible for decisions on SKM's sustainability policies, progress with sustainability action plans, and deliberations on sustainability-related matters. The Sustainability Committee is chaired by the president, who is joined by senior executives at the vice president level across 19 SKM departments. The members are responsible, depending on their respective departments, for managing impacts from issues such as GHG, water resources, waste management, occupational safety and labor rights, information security, and customer complaints and disputes.



Under the organizational structure of the Sustainability Committee, there are three major teams responsible for evaluating, planning, executing, and tracking ESG action plans: the Green Fashion Team, Social Good Team, and Happy Workplace Team. At the execution level, dedicated personnel from various HQ departments and department stores are appointed ESG specialists to assist in carrying out ESG action plans. Directly below the Sustainability Committee is the Sustainability Secretariat, responsible for arranging meetings, compiling reports, and managing related information.



Chaired by the president, the Sustainability Committee convenes every quarter to deliberate on quarterly reports from the three planning teams on ESG projects and progress. Motions are submitted by planning teams and deliberated by the Sustainability Committee. The committee provides suggestions and collectively decides whether to approve the motion. Motions approved by the committee are then put into action, with related actions and progress being reported to the Sustainability Committee each quarter.

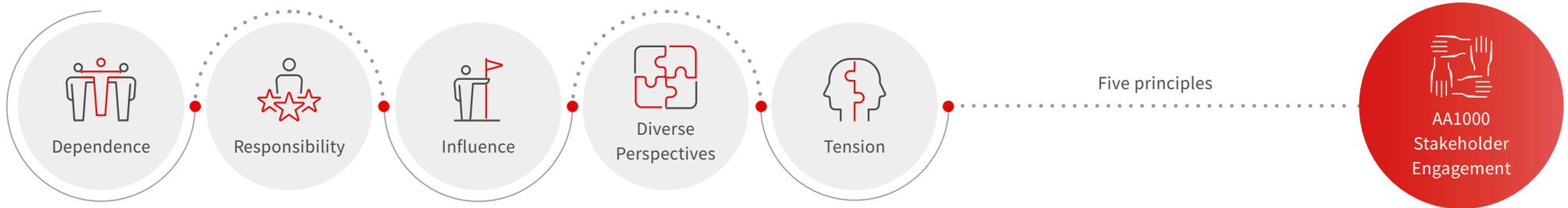


Actions by the Sustainability Committee in 2022

Meetings	Reporting Items	Agenda Items
<p>The Sustainability Committee convened three meetings</p>	<ul style="list-style-type: none"> Summary of the 2021 Sustainability Report Planning of the 2022 Sustainability Report Motions to roll out five initiatives - ISO 50001 Energy Management Systems, green parking lots, performing arts festivals, family and friends sales, and small local farmer campaigns. In 2022, SKM received three awards from the Taiwan Corporate Sustainability Awards (TCSA) 	<p>Five initiatives motioned by the three planning teams</p>

1.1.3 Stakeholder Engagement

Shin Kong Mitsukoshi places great importance on customer service and values communication with stakeholders, engaging and communicating with stakeholders with our Sustainability Committee and three planning teams. In 2021, we followed the five principles of the AA1000 Stakeholder Engagement Standard: Dependence, Responsibility, Influence, Diverse Perspectives, and Tension to identify the eight major stakeholders of SKM.

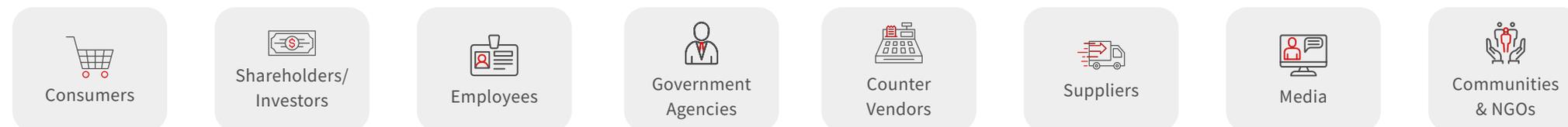


In 2022, we incorporated international retail, department store, and e-commerce industry trends by conducting research and comparing ourselves with eight leading international companies and benchmarking against domestic industry peers. Based on this analysis, we have made the following adjustments to our stakeholder groups, which now include consumers, shareholders/investors, employees, government agencies, concession vendors, suppliers, media, communities, and NGOs.

Review of Stakeholder Engagement		
2021 Stakeholders	2022 Stakeholders	Reason for Changes
Consumers	Consumers	N/A
Shareholders/Investors	Shareholders/Investors	N/A
Colleagues	Employees	Changed term from "Colleagues" to "Employees"
Government Agencies	Government Agencies	N/A
Counter Vendors	Counter Vendors	N/A
Suppliers	Suppliers	N/A
Media	Media	N/A
Public & Communities	Communities & NGOs	SKM has long worked with various NGOs to promote art education, therefore, "Public & Communities" was changed to "Communities & NGOs"

Responses to Stakeholders & Material Topics

The following table summarizes the key concerns and communications for our eight major stakeholders. We uphold integrity, transparency, and diversity in our communication with various stakeholders. Through regular tracking, timely response, and feedback, we strive to optimize our company's management policies and processes.



Stakeholder Engagement in 2022

Stakeholder	Significance to SKM	Sustainability Issues of Concern to Stakeholders	Communication Channel & Frequency	Department	Outcomes of Stakeholder Engagement in 2022
Consumers	Consumer satisfaction is the driving force behind continuous growth and innovation. By meeting consumer expectations, we strive towards our vision of sustainable business operations.	<ul style="list-style-type: none"> Customer relationship management Sustainable consumption initiatives Innovative digital services Information security and privacy protection Product quality and responsibility 	<ul style="list-style-type: none"> Social Media / As needed Consumer Surveys / As needed Advertisements & Campaigns / As needed Customer Service Systems / Immediate, as needed 	<ul style="list-style-type: none"> Customer Service Department E-Commerce Department Digital Development Department Marketing Department Merchandising Department Department of Security and Surveillance Information Technology Department 	<ul style="list-style-type: none"> SKM social media followers: LINE: 1.41 million; Facebook: 1.31 million; Instagram: 730,000 Customer feedback: 20,844 cases Organized events across all departments stores in Taiwan to engage in close communication with consumers Passed ISO 27001 verification with plans to obtain ISO 27701 certification in 2023
Shareholders/Investors	Creating favorable value returns for shareholders/investors and ensuring stable operating funds for SKM make shareholders/investors crucial partners on the path to sustainability.	<ul style="list-style-type: none"> Corporate governance and ethical management Operational performance Risk Management Social Good and Arts & Culture Promotion 	<ul style="list-style-type: none"> Board of Directors & Functional Committees / Quarterly Shareholders' Meeting / Annual 	<ul style="list-style-type: none"> Finance Department 	<ul style="list-style-type: none"> Convened nine board meetings Convened one shareholders' meeting

Stakeholder Engagement in 2022

Stakeholder	Significance to SKM	Sustainability Issues of Concern to Stakeholders	Communication Channel & Frequency	Department	Outcomes of Stakeholder Engagement in 2022
Employees	Employees are invaluable assets in our commitment to outstanding services and sustainable competitiveness.	<ul style="list-style-type: none"> Operational performance Corporate governance and ethical management Talent Cultivation and Development Talent Attraction and Retention Fair and Healthy Workplace 	<ul style="list-style-type: none"> Labor-management Meetings / 4 times/year Daily Announcements / As needed Meetings & Communication / As needed Education & Training / As needed Employee Feedback / Immediate, as needed 	<ul style="list-style-type: none"> Human Resources Department Employee Welfare Committee Department of Security and Surveillance Occupational Safety and Health Department 	<ul style="list-style-type: none"> Held four labor-management meetings and deliberated seven motions Held 11 security and surveillance meetings and deliberated eight motions Held 48 Occupational Safety and Health Committee meetings and deliberated 24 motions
Government Agencies	Government regulations and laws, coupled with efforts from SKM, contribute to achieving sustainable business guidelines.	<ul style="list-style-type: none"> Corporate governance and ethical management Product quality and responsibility Customer relationship management Fair and Healthy Workplace Sustainable supply chain Low-carbon Energy Management 	<ul style="list-style-type: none"> Government/Association Correspondences / As needed Panels & Discussions / As needed On-site Safety Inspections / As needed Telephone & Mail Feedback / Immediate, as needed 	<ul style="list-style-type: none"> Finance Department 	<ul style="list-style-type: none"> No material announcements
Counter Vendors	Working together with counter vendors to create excellent services and products for customers and establish sustainable trends in the department store industry.	<ul style="list-style-type: none"> Customer relationship management Product quality and responsibility Sustainable consumption initiatives Sustainable supply chain Innovative digital services 	<ul style="list-style-type: none"> Morning Meeting Announcements / Daily Vendor Visits & Key Corporations / As needed Supplier Service Section / As needed Vendor Kickoff & Exchange Conference / Annual Telephone & Mail Feedback / Immediate, as needed 	<ul style="list-style-type: none"> Merchandising Department 	<ul style="list-style-type: none"> In 2022, the Lunar New Year celebration for business partners was canceled due to COVID-19.

Stakeholder Engagement in 2022

Stakeholder	Significance to SKM	Sustainability Issues of Concern to Stakeholders	Communication Channel & Frequency	Department	Outcomes of Stakeholder Engagement in 2022
Suppliers	Suppliers are integral to creating a safe and satisfactory shopping environment.	<ul style="list-style-type: none"> Customer relationship management Product quality and responsibility Sustainable consumption initiatives Sustainable supply chain 	<ul style="list-style-type: none"> Supplier Coordination Meetings / As needed Supplier Promotion Events / As needed Telephone & Mail Feedback / Immediate, as needed Corporate / As needed Supplier Service Section / As needed 	<ul style="list-style-type: none"> Marketing Department Owned & Distributed Brands Department 	<ul style="list-style-type: none"> In 2022, company party was canceled due to COVID-19. Conducted 34 occupational safety and hygiene assessments on vendors in 2022
Media	Media coverage and marketing impact company reputation and stakeholder perception.	<ul style="list-style-type: none"> Operational performance Customer relationship management Product quality and responsibility Sustainable consumption initiatives 	<ul style="list-style-type: none"> Media Luncheons or Dinners / Biannually Press Conference / As needed Telephone & Mail Feedback / Immediate, as needed 	<ul style="list-style-type: none"> Marketing Department 	<ul style="list-style-type: none"> Organized two media luncheons or dinners Held 36 press conferences
Communities & NGOs	Adhere to the principle of "giving back to society" and leverage our influence through caring for local communities and collaborating with NGOs.	<ul style="list-style-type: none"> Operational performance Customer relationship management Product quality and responsibility Sustainable consumption initiatives 	<ul style="list-style-type: none"> On-site Events / As needed In-person Visits / As needed Telephone & Mail Feedback / Immediate, as needed 	<ul style="list-style-type: none"> Administration Headquarters Marketing Department Foundation 	<ul style="list-style-type: none"> Collaborated with 27 units 280,000 participants

1.1.4 Identification of Material Topics

Process for Identifying Material Topics

SKM adopted the latest version of the GRI guidelines and identified material topics through processes such as making changes to sustainability issues, defining impacts, assessing impacts, analyzing impacts, and ranking sustainability issues.



Steps for Identifying Material Topics	Description
Changes to Sustainability Issues	Based on the 22 sustainability issues from 2021 and following the recommendations of external sustainability consultants, four similar sustainability issues have been merged and two internal issues have been excluded. SKM had a total of 16 sustainability issues in 2022.
Defining Impacts	Based on the potential impacts on the economy, environment, and society associated with the 16 sustainability issues, SKM has defined 10 issues with positive impacts and 10 issues with negative impacts.
Assessing Impacts	SKM issued surveys to 33 units, where departments were asked to evaluate issues with positive and negative impacts independently and score issues based on impact level and likelihood.
Analyzing Impacts	<ul style="list-style-type: none"> • After collecting 234 surveys on issues with positive impacts and 227 surveys on issues with negative impacts from various units, the scores provided by each unit were totaled and weighted. • In addition to scores provided by SKM units, we also consider factors such as human rights issues, past risk incidents, SKM workshops, and due diligence reports from interviews to generate a weighted score for issues with negative impacts
Ranking Sustainability Issues	In reference to new GRI guidelines, internal assessments, and other factors listed above, SKM ranked sustainability issues in 2022 and identified eight key topics, five secondary topics, and three miscellaneous topics.

Results from Material Topic Identification

16 Sustainability Issues	Positive Impact	Negative Impact	Materiality in 2022 ^{Note}	Materiality in 2021 ^{Note}
Talent Cultivation and Development	Robust talent cultivation and development system	-	Key topic	Key topic
Talent Attraction and Retention	Attracts and retains outstanding talents	-	Key topic	Key topic
Innovative digital services	Enhances customer's digital shopping experience	-	Key topic	Key topic
Product quality and responsibility	Outstanding product quality and safety assurance	Unclear labels or signs for events and ads Improper product quality management	Key topic	Key topic
Operational performance and innovative strategies	Protects and safeguards shareholder rights	-	Key topic	Key topic
Corporate governance and ethical management	-	Poor corporate governance	Key topic	Key topic
Information security and privacy protection	-	Company and customer data leaks	Key topic	Key topic
Customer relationship management	Excellent customer relationship management	Customer reports, complaints, and disputes	Key topic	Key topic

Results from Material Topic Identification

16 Sustainability Issues	Positive Impact	Negative Impact	Materiality in 2022 ^{Note}	Materiality in 2021 ^{Note}
Fair and Healthy Workplace	-	Violations of workplace safety and labor rights	Secondary topic	Secondary topic
Social Good and Arts & Culture Promotion	Promotes the arts, culture, and community development	-	Secondary topic	Secondary topic
Risk Management	-	Poor risk management	Secondary topic	Key topic
Sustainable consumption initiatives	Raising the industry's awareness of sustainability	-	Secondary topic	Secondary topic
Waste Management	Promotes the circular economy	Waste pollution	Secondary topic	Secondary topic
Water Management	-	Water consumption	Miscellaneous topic	Secondary topic
Low-carbon Energy Management	-	Energy consumption & GHG emissions	Miscellaneous topic	Miscellaneous topic
Sustainable supply chain	Shared prosperity and sustainable development with suppliers	-	Miscellaneous topic	Secondary topic

Note:

- Changes to the naming of material topics in 2022: "Core Topics" has been renamed as "Key Topics," "Main Topics" as "Secondary Topics," and "Supplementary Topics" as "Miscellaneous Topics." These updated names are reflected in the table above.
- Changes to material topics this year include "Risk Management." Changes were made because we adopted a revised methodology for assessing materiality this year. "Risk Management" has relatively fewer connections with human rights risks and impacts, and there have been no relevant regulatory penalties or incidents. Therefore, "Risk Management" has been lowered in the rank of importance from 2021.
- Key topics, related management measures, and related GRI disclosures are disclosed in this report.

Summary and Management of Impacts from Material Topics

Material Topics	Positive Impact	Negative Impact	Description	Value Chain Segment Affected by Impact Management			Remedial Processes Against Negative Impacts (Related Chapters)
				Upstream Counter Vendors & Suppliers	Midstream SKM	Downstream Consumers & Communities	
Talent Cultivation and Development	Robust talent cultivation and development system	-	【People】 Provide robust education and competency training, establish fair performance evaluation criteria, ensure promotions are not discriminatory against race, gender, age, and disabilities, and work with employees to create a positive workplace that facilitates career development		✓		-
Talent Attraction and Retention	Attracts and retains outstanding talents	-	【People】 Ensure promotions are not discriminatory against race, gender, age, and disabilities, enforce SKM's policies on diversity and anti-discrimination, and provide competitive compensation and welfare packages to retain outstanding talents		✓		-
Innovative digital services	Enhances customer's digital shopping experience	-	【Economy/People】 Leverage innovation from digital technologies to 1. deliver a brand new and convenient shopping experience and accessible customer feedback channels, 2. safeguard customer rights, and 3. increase repurchases, retention, and loyalty among customers to thereby facilitate growth for the industry and economy	✓	✓		-
Product quality and responsibility	Outstanding product quality and safety assurance	Unclear labels or signs for events and ads	【People】 Unclear labeling for events or advertisements could lead to misunderstandings and disputes with consumers, subsequently resulting in infringements on consumers' rights	✓	✓		4.2. Quality Assurance
		Improper product quality management	【People】 Poor management and audit mechanisms on product quality or poor handling of disputes with consumers (e.g., food safety) may result in infringements on consumers' rights	✓	✓		4.2. Quality Assurance

Summary and Management of Impacts from Material Topics

Material Topics	Positive Impact	Negative Impact	Description	Value Chain Segment Affected by Impact Management			Remedial Processes Against Negative Impacts (Related Chapters)
				Upstream Counter Vendors & Suppliers	Midstream SKM	Downstream Consumers & Communities	
Customer relationship management	Excellent customer relationship management	Customer reports, complaints, and disputes	【 Economy/People 】 Leverage a robust CRM system to optimize and improve customer experiences, increase customer satisfaction and stickiness, and, indirectly, facilitate growth in the industry and economy	✓	✓	✓	2.1 Digital Customer Experience
Operational performance and innovative strategies	Protects and safeguards shareholder rights	-	【 Economy 】 Formulate and implement innovative strategies to maintain strong business performance and profitability, increase industry competitiveness, and safeguard shareholder rights and interests		✓		-
Corporate governance and ethical management	-	Poor corporate governance	【 Economy/People 】 Lapses in ethical management from poor corporate governance and employee violations of the SKM code of conduct may lead to unethical, corrupt, or fraudulent incidents, affecting SKM operations and infringing on the rights of shareholders, customers, and other stakeholders		✓		1.2 Resilient Governance
Information security and privacy protection	-	Company and customer data leaks	【 People 】 Failure from SKM or business partners (e.g., counter vendors) to adequately collect, use, and protect personal information (from employees and consumers) that leads to personal customer information leaks and sensitive corporate data leaks may cause disruptions in business operations and infringements on the rights of customers or related stakeholders	✓	✓		2.2 Customer Privacy Protection and Information Security

1.2 Resilient Governance

GRI Disclosures: 2-9, 2-10, 2-11, 2-15, 2-17, 2-19, 2-20, 2-23, 2-24, 2-26, 2-27, and 205-3

1.2.1 Ethical Governance

Management Guidelines



Policies & Commitments

The highest guiding principle at SKM is ethical management. SKM has established internal policies and regulations on ethical management, such as our Articles of Association and Regulations Governing Procedures for Board Meetings, in compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies.



Impacts

Misconduct in corporate governance (Negative Impact).



Action Plans

Prevention & Mitigation

- Prevent related disputes by establishing and enforcing Work Rules to clarify the rights and obligations of both workers and management.
- Suppliers are required to comply with SKM's Department Store Management Guidelines and Store Decoration Management Guidelines upon signing.
- To prevent conflict of interest, summaries and decisions from all motions are recorded in compliance with the Regulations Governing Procedures for Board Meetings.

- Legal team is responsible for matters relating to laws, policies, and regulations and for communicating related information to employees through diverse channels.

Remedial Measures

- According to the Work Rules, employee violations of contractual obligations will result in an immediate investigation. When confirmed as true, violations will be met with disciplinary actions, education, and guidance, depending on the severity of the situation.
- According to the Counter Vendors Contractor Regulations, vendors are required to provide refunds or exchanges and remove disputed products from shelves in the event of customer complaints, counterfeits, or other illegal activities.

Stakeholder Engagement

- Conduct business communications and exchanges with partnering vendors through the phone, messaging software, e-mail, and other channels .
- Legal team communicates and raises employee awareness of important regulatory information through education, training, 1-on-1 consultations, and other channels.



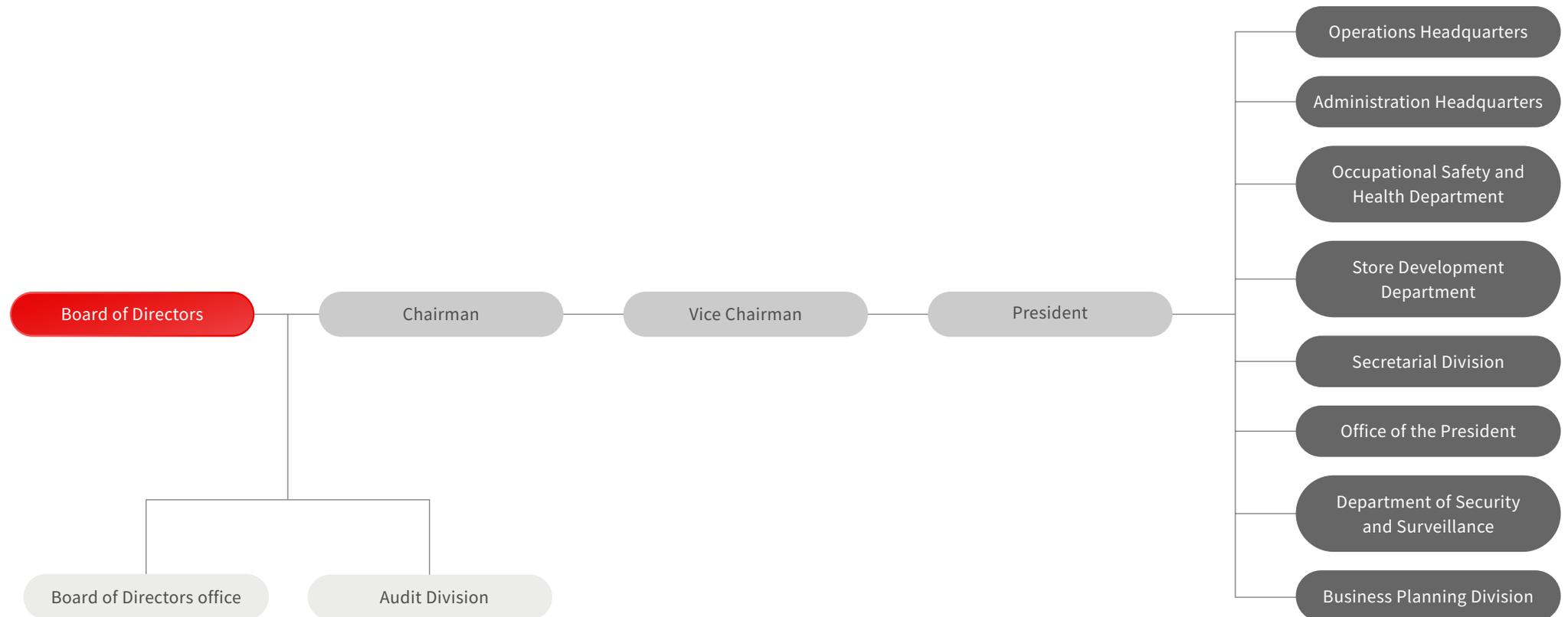
Assessment & Tracking

The Audit Department presents internal audit reports to the board every quarter, providing explanations on audit findings, exceptional matters, and subsequent improvement plans.

Corporate Governance & Board of Directors

The board of directors is the highest governing body at SKM. In compliance with the Regulations Governing Procedures for Board Meetings, SKM convenes a board meeting every three months. Chaired by the chairman, board meetings are responsible for establishing the organization's objectives, missions, strategies, and plans and ensuring the organization has robust policies and internal control systems in place to monitor the organization's overall health and performance. In April 2023, SKM added the Board of Directors office, responsible for matters relating to the board of directors. Under the board, the president is responsible for eight departments that serve their functional roles with professional expertise.

The nomination and selection process of the board members of Shin Kong Mitsukoshi complies with the Regulations Governing the Election of Directors and Supervisors. Shareholders assess nominations through cumulative voting, and board diversity, independence, and the ability to manage organizational impacts will be considered in future plans for listing.



Board Composition

SKM has a total of 13 board members, including one chairman and one vice chairman. The chairman serves as the highest governing officer of SKM. Additionally, three supervisors are responsible for auditing business and financial conditions and inquiring about the execution of board affairs. To ensure the board operates with integrity and to avoid conflicts of interest, SKM follows the Regulations Governing Procedures of Board Meetings, which requires detailed records to be kept for each board resolution, including the minutes, any objections raised by directors, the methods used for decision-making, and the outcomes. Furthermore, directors must disclose any conflicts of interest and abstain from voting on matters where conflict of interest exists. This report also discloses other positions held by directors in other companies.

SKM Board Members

Name	Title	Age	Gender	Term	Core Items	Concurrent Roles at SKM & Other Companies	Experience	
Dong-Sheng Wu	Executive Director	>50	Male	3 years	Finance	<ul style="list-style-type: none"> Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. Chairman, Shinkong Synthetic Fibers Corporation 	<ul style="list-style-type: none"> Chairman, Shinkong Synthetic Fibers Corporation 	
					Legal			✓
					Investment & M&A			✓
					Retail Management			
					Risk Management			✓
					E-commerce			
					Marketing			
Toyohiko Tanaka	Executive Director	>50	Male	3 years	Finance	<ul style="list-style-type: none"> Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. 	<ul style="list-style-type: none"> Director, Isetan Mitsukoshi Holdings Ltd.; Store Manager, Nihombashi Mitsukoshi Main Store Director president, Chengdu Isetan Co., Ltd. 	
					Legal			
					Investment & M&A			
					Retail Management			✓
					Risk Management			✓
					E-commerce			
					Marketing			✓

SKM Board Members

Name	Title	Age	Gender	Term	Core Items	Concurrent Roles at SKM & Other Companies	Experience
Richard H. Wu	Executive Director	>50	Male	3 years	Finance	<ul style="list-style-type: none"> • President, Shin Kong Mitsukoshi Department Store Co., Ltd. • Chairman, Shin Kong Mitsukoshi Cultural & Educational Foundation • Chairman, Fayaque Co., Ltd. • Chairman, Li Zhan Infotech Co., Ltd. 	<ul style="list-style-type: none"> • Executive Vice President & General Manager Administration Headquarters, Shin Kong Mitsukoshi Department Store Co., Ltd. • Deputy General Manager of Administration Headquarters & Store Manager of Taichung Store, Shin Kong Mitsukoshi Department Store Co., Ltd.
					Legal		
					Investment & M&A ✓		
					Retail Management ✓		
					Risk Management		
					E-commerce ✓		
					Marketing ✓		
Tung-Chin Wu	Non-executive Director	>50	Male	3 years	Finance ✓	<ul style="list-style-type: none"> • Chairman, Shin Kong Wu Ho-Su Memorial Hospital 	<ul style="list-style-type: none"> • Founder, Shin Kong Financial Holding • Chairman, Shin Kong Life Insurance
					Legal		
					Investment & M&A ✓		
					Retail Management		
					Risk Management ✓		
					E-commerce		
					Marketing		

SKM Board Members

Name	Title	Age	Gender	Term	Core Items	Concurrent Roles at SKM & Other Companies	Experience	
Tong-Liang Wu	Non-executive Director	>50	Male	3 years	Finance	✓	<ul style="list-style-type: none"> Chairman, Taishin Financial Holdings and Taishin International Bank Chairman, Taishin Charity Foundation Chairman & Director, Taishin Venture Capital 	<ul style="list-style-type: none"> Chairman & President, Shinkong Synthetic Fibers Corporation Vice Chairman, TECO Electric & Machinery Director, Managing Director & Supervisor; First Commercial Bank, Taiwan Business Bank, and Hua Nan Commercial Bank. Managing Director; Shinkong Insurance & Shin Kong Life Insurance
					Legal			
					Investment & M&A	✓		
					Retail Management			
					Risk Management	✓		
					E-commerce			
					Marketing			
Hsin-Ta Wu	Non-executive Director	>50	Male	3 years	Finance	✓	<ul style="list-style-type: none"> Chairman, Shin Kong Mitsukoshi Development Co., Ltd. (July 2019 - present) Director, Great Taipei Gas Corporation Co., Ltd. (June 2019 - present) Director, Shin Kong Financial Holding (June 2020 - present) Director, Shin Kong Mitsukoshi Department Store Co., Ltd. (September 2020 - present) 	<ul style="list-style-type: none"> President, Shin Kong Mitsukoshi Department Store Co., Ltd. (November 2004 - August 2019)
					Legal	✓		
					Investment & M&A	✓		
					Retail Management	✓		
					Risk Management	✓		
					E-commerce	✓		
					Marketing	✓		
Elbert Wu	Non-executive Director	30 50	Male	3 years	Finance		<ul style="list-style-type: none"> Chairman, Shinkong Textile 	
					Legal			
					Investment & M&A	✓		
					Retail Management	✓		
					Risk Management			
					E-commerce	✓		
					Marketing	✓		

SKM Board Members

Name	Title	Age	Gender	Term	Core Items	Concurrent Roles at SKM & Other Companies	Experience
Po-Han Lin	Non-executive Director	>50	Male	3 years	Finance Legal Investment & M&A Retail Management Risk Management E-commerce Marketing	<ul style="list-style-type: none"> Chairman, Shin Kong Lohas Co., Ltd. Director, Shin Kong Financial Holding & Shin Kong Life Insurance 	
Toshiyuki Hosoya	Non-executive Director	>50	Male	3 years	Finance Legal Investment & M&A ✓ Retail Management ✓ Risk Management E-commerce Marketing ✓	<ul style="list-style-type: none"> Director, President and CEO, Isetan Mitsukoshi Holdings Ltd. 	<ul style="list-style-type: none"> President and CEO, Iwataya Mitsukoshi Co., Ltd. Operating Officer, Isetan Mitsukoshi Ltd.
Yoshinori Makino	Non-executive Director	>50	Male	3 years	Finance ✓ Legal Investment & M&A ✓ Retail Management Risk Management E-commerce ✓ Marketing	<ul style="list-style-type: none"> Director, Managing Executive Officer, CSDO and CFO, Isetan Mitsukoshi HDS Ltd. 	<ul style="list-style-type: none"> Director, Managing Operating Officer, General Affairs and Human Resource Group, Isetan Mitsukoshi Ltd.

SKM Board Members

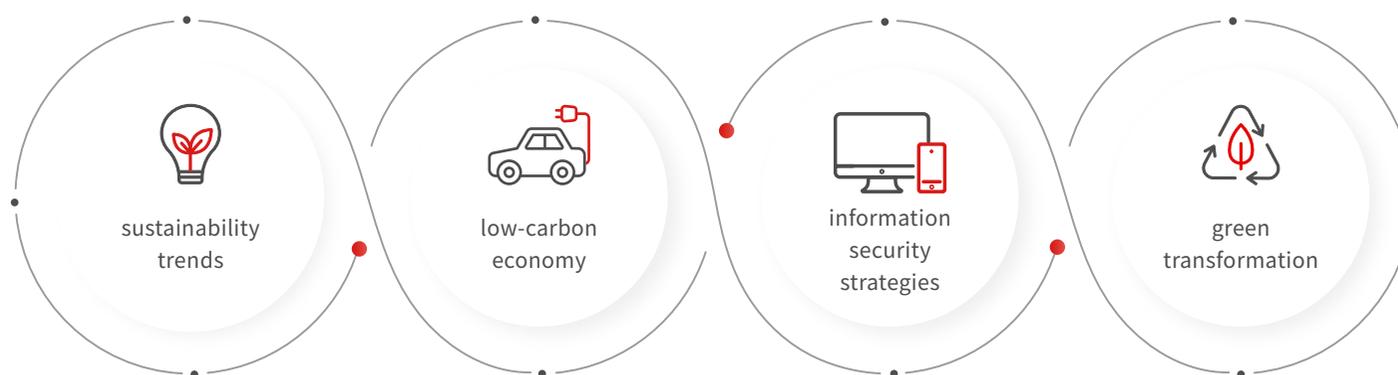
Name	Title	Age	Gender	Term	Core Items	Concurrent Roles at SKM & Other Companies	Experience
Masaki Yoshida	Non-executive Director	30 50	Male	3 years	Finance	<ul style="list-style-type: none"> Division Manager, Corporate Strategy Department, Overseas Business Division, Isetan Mitsukoshi HDS Ltd. 	<ul style="list-style-type: none"> Manager Director, Shanghai Meilonzhen Isetan Department Store Co., Ltd.
					Legal		
					Investment & M&A		
					Retail Management ✓		
					Risk Management ✓		
					E-commerce		
Marketing ✓							
Junji Nukata	Non-executive Director	30 50	Male	3 years	Finance	<ul style="list-style-type: none"> Division Manager Corporate Strategy Department, Business Development Division, Isetan Mitsukoshi HDS Ltd. 	<ul style="list-style-type: none"> President, Isetan, Mitsukoshi Research Institute Ltd.
					Legal		
					Investment & M&A ✓		
					Retail Management		
					Risk Management ✓		
					E-commerce ✓		
Marketing							
Yuji Kotera	Non-executive Director	30 50	Male	3 years	Finance ✓	<ul style="list-style-type: none"> Planning Leader, Corporate Strategy Department, Business Development Division, Isetan Mitsukoshi HDS Ltd. 	<ul style="list-style-type: none"> Director, Isetan Mitsukoshi Property Design, Ltd.
					Legal ✓		
					Investment & M&A ✓		
					Retail Management		
					Risk Management		
					E-commerce		
Marketing							

SKM Board Members

Name	Title	Age	Gender	Term	Core Items	Concurrent Roles at SKM & Other Companies	Experience
Dong-Sheng Wu	Supervisor	>50	Male	3 years	Finance	• President, Shinkong Co., Ltd.	
					Legal		
					Investment & M&A		
					Retail Management		
					Risk Management		
					E-commerce		
					Marketing		
Penglai Co., Ltd.	Supervisor			3 years	Finance		
					Legal		
					Investment & M&A		
					Retail Management		
					Risk Management		
					E-commerce		
					Marketing		
Mari Kikuya	Supervisor	>50	Female	3 years	Finance	• Standing Audit, Isetan Mitsukoshi Ltd.	• Operating Officer, Head of Merchandise Group I, Isetan Mitsukoshi Ltd.
					Legal		
					Investment & M&A		
					Retail Management		
					Risk Management		
					E-commerce		
					Marketing		

Competency Enhancement & Performance Evaluations for Directors

Shin Kong Mitsukoshi encourages directors to participate in external training programs and forums to stay updated on current laws, industry trends, and new knowledge in the field of sustainability. This helps to strengthen the foundation of sound corporate governance at SKM. In 2022, SKM directors received 38 hours of training on topics including information security, low-carbon trends, etc. to strengthen the board's competency in sustainable management. We also arranged for board members to participate in courses on sustainability trends, low-carbon economy, information security strategies, green transformation, etc. Providing directors with diverse training opportunities can help fulfill our vision for sustainable development and strengthen confidence among stakeholders in the organization's ethical governance and sustainable management.



2022 Board Advancement & Training

Name	Date	Organizer	Program	Hours
Director Dong-Sheng Wu	2022.08.08	R.O.C. Corporate Operating and Sustainable Development Association	Trends in ESG and the Impact of the Pandemic on Global Tax Reform and Corporate Tax Governance	3
	2022.11.07	R.O.C. Corporate Operating and Sustainable Development Association	Global Trends and Business Opportunities in the Low-Carbon Economy and Corporate Low-Carbon Innovation	3
Director Tung-Chin Wu	2022.10.26	Securities & Futures Institute	2022 Seminar on Internal Employee Stock Ownership Transaction Legal Compliance	3

2022 Board Advancement & Training

Name	Date	Organizer	Program	Hours
Director Po-Han Lin	2022.3.29	Taiwan Academy of Banking and Finance	Board of Directors and Supervisors' Practices and Corporate Governance Workshop	3
	2022.4.22	Taiwan Institute for Sustainable Energy Research	Transform to Net Zero - Taishin Sustainability & Net Zero Summit	3
	2022.7.26	Taiwan Institute for Sustainable Energy Research	Shin Kong Financial Holding Director & Supervisor Course	1
	2022.8.26	Taiwan Academy of Banking and Finance	Board of Directors and Supervisors' Practices and Corporate Governance Workshop	3
Director Elbert Wu	2022.08.08	R.O.C. Corporate Operating and Sustainable Development Association	Global Trends and Business Opportunities in the Low-Carbon Economy and Corporate Low-Carbon Innovation	3
	2022.11.07	R.O.C. Corporate Operating and Sustainable Development Association	Trends in ESG and the Impact of the Pandemic on Global Tax Reform and Corporate Tax Governance	3

2022 Board Advancement & Training

Name	Date	Organizer	Program	Hours
	2022.3.22	Taiwan Corporate Governance Association	Emerging Trends in Green Industries: Outlook on Low-carbon Investments and Business Strategy Adaptation	3
	2022.3.29	Shin Kong Financial Holding Co., Ltd.	Cybersecurity Strategies: Thinking and Practices; The Importance of Corporate Social Responsibility (CSR) Reports from a Corporate Governance Perspective, and Green and Sustainable Information Disclosure for Companies: CSR Guidelines and Case Studies	3
Director Hsin-Ta Wu	2022.7.26	Taiwan Institute for Sustainable Energy Research	Shin Kong Financial Holding Director & Supervisor Course	1
	2022.8.26	Taiwan Academy of Banking and Finance	Board of Directors and Supervisors' Practices and Corporate Governance Workshop	3
	2022.9.27	Taiwan Insurance Institute	Opportunity for Change with IFRS 17	3

Remuneration Policies

At SKM, guidelines and design processes for the remuneration of directors and senior executives primarily observe the SKM Articles of Association. According to our Articles of Association, up to 4% of annual profits may be allocated for the remuneration of the board and supervisors. As for senior executives, we consistently strive to bridge compensation, market trends, performance, and responsibilities to support the implementation of long-term operational strategies and further strengthen the company's competitive edge.

Ethical Management

- **Ethical Management Policies**

Ethical management is the highest guiding principle at SKM. We have also established our Articles of Association to ensure good corporate governance and company operations.

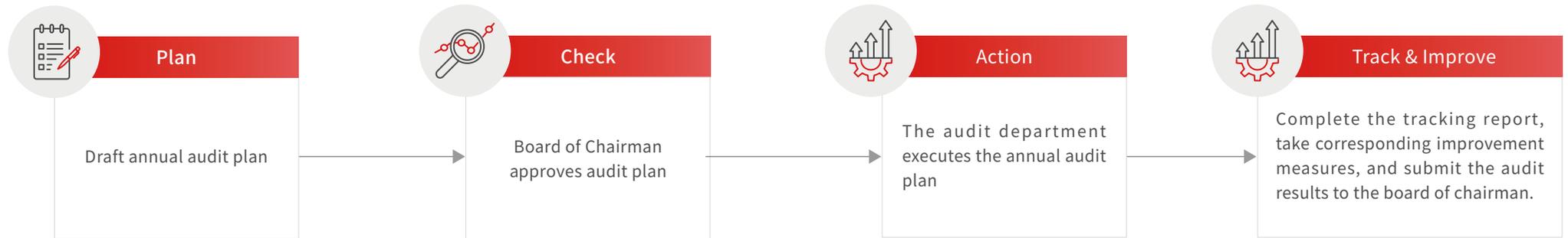
SKM places great importance on adhering to the principles of ethical management in all operational details and complying with legal and regulatory requirements. We also require employees to uphold business ethics and morality as we strive to enforce a spirit of sustainable management from top to bottom. In terms of employee conduct, SKM established Work Rules to define the rights and obligations of both labor and management and a robust management system, which is enforced and implemented by human resources department. In addition, SKM complies with domestic regulations (Labor Standards Act) and international guidelines on human rights (Universal Declaration of Human Rights) to ensure a humanistic business mindset. Contracts with suppliers include terms that ensure partnering vendors comply with regulations such as the Consumer Protection Act, Fair Trade Act, and Personal Data Protection Act. SKM has developed an excellent corporate governance system through information transparency, a strong sense of responsibility, and honest management principles. We welcome feedback from all parties and disclose all efforts and outcomes related to corporate governance.

- **Audit Mechanism**

SKM established an independent Audit Division under the board. The manager of the Audit Division is appointed directly by the board to assess and control company operations. In compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, SKM has established an effective and robust audit system. The Audit Division develops a detailed audit checklist in compliance with SKM's Articles of Association, policies, laws, regulations, and internal control systems to continuously optimize processes and mechanisms for risk assessment. Every year, the Audit Division devises an annual audit plan to define audit items and timelines. During quarterly board meetings, the Audit Division produces and presents internal audit reports to the board, providing explanations on audit findings, exceptional matters, and subsequent suggestions and timelines for improvement.

Results from the 2022 audit have already been presented to the board. The findings did not uncover any major deficiencies or exceptional matters. The Audit Division still provided suggestions on internal processes as a reference for departments to strengthen management quality.

• Internal Audit Process



• Regulatory Compliance

SKM established a legal team to handle any matters relating to laws and regulations. The legal team also educates employees on regulations and policies through employee training and 1-on-1 consultations to ensure employees have insight into the latest regulations and that events organized by all departments and units comply with related laws and regulations.

In 2022, SKM had zero significant violations against laws and regulations, as defined in the Labor Standards Act, zero incidents that resulted in fines, and zero incidents that led to non-monetary sanctions. Violations in 2022 listed hereinabove resulted in NT\$0 in fines, while the total fines from last year amounted to NT\$620,000. SKM investigated all incidents in-depth and uncovered the root causes and responsibilities of any disputes. We also continue to track any incidents and our response and evaluate their impacts on company operations.

In 2022, SKM had zero cases of corruption.

1.2.2 Risk Management

Management Guidelines



Policies & Commitments

SKM established five risk management visions and a Department of Security and Surveillance. We manage and identify risks such as public safety, information security, personnel safety, food safety, construction safety, occupational safety, environmental safety, and ESG risks in four steps: Identify, Assess, Improve, and Track.



Impacts

Poor risk management (Negative Impact).



Action Plans

Prevention & Mitigation

- SKM evaluates, manages, and monitors all risk items with three lines of defense.
- Organize safety training for all employees, raise employee awareness of safety, and assist employees with acquiring new information on safety.

Remedial Measures

In the event of emergency incidents, SKM convenes security and surveillance meetings where representatives from related departments discuss related risks and safety items.

Stakeholder Engagement

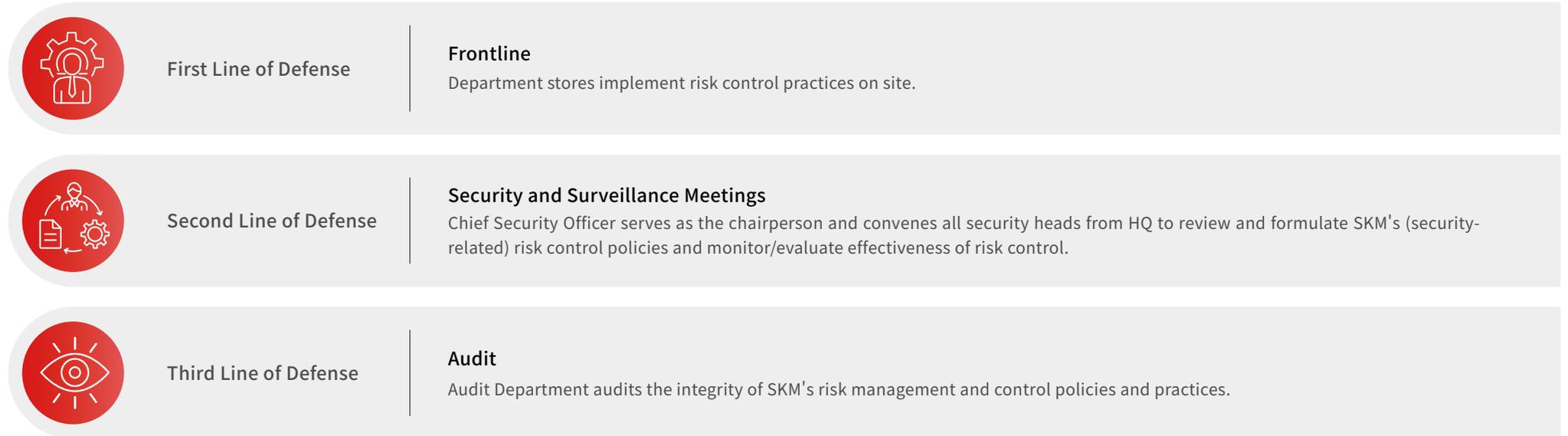
The Office of the President, General Affairs Department, Occupational Safety and Health Department, Information Technology Department, Store Development Department, and Customer Service Department can raise and discuss ways to improve workplace safety during security and surveillance meetings.



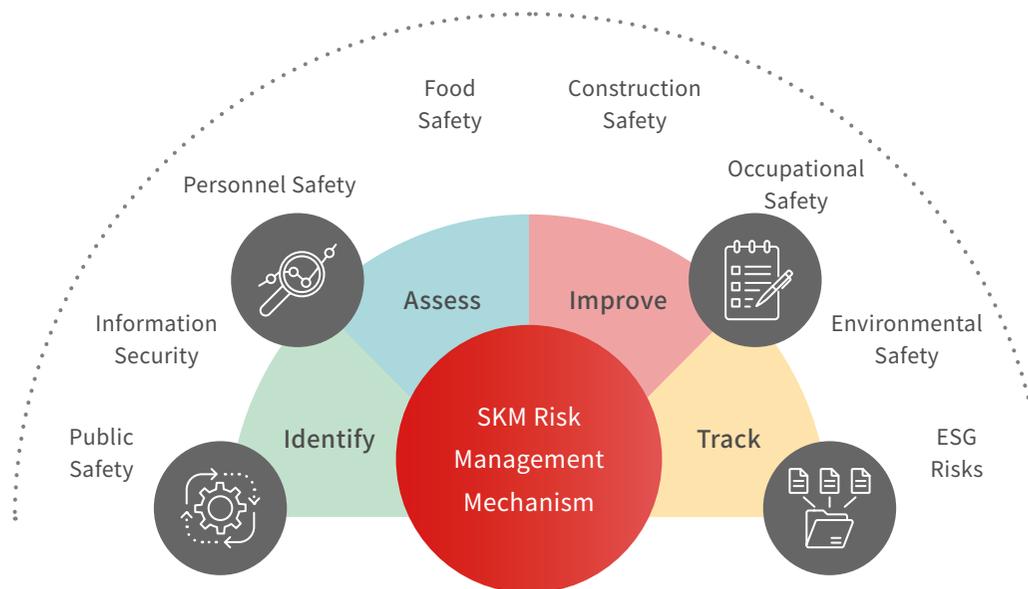
Assessment & Tracking

- Chief Officer of Security and Surveillance presents the risk management report for the present term at the biweekly operational management meetings.
- The Department of Security and Surveillance will, either independently or with related departments, visit department stores from time to time to monitor the enforcement of workplace safety.
- The Department of Security and Surveillance will then compile a report on the findings and results from their visits for discussion during security and surveillance meetings and formulate related measures.
- Department of Security and Surveillance conducts case research on individual risks and presents reports at monthly operational strategy meetings.

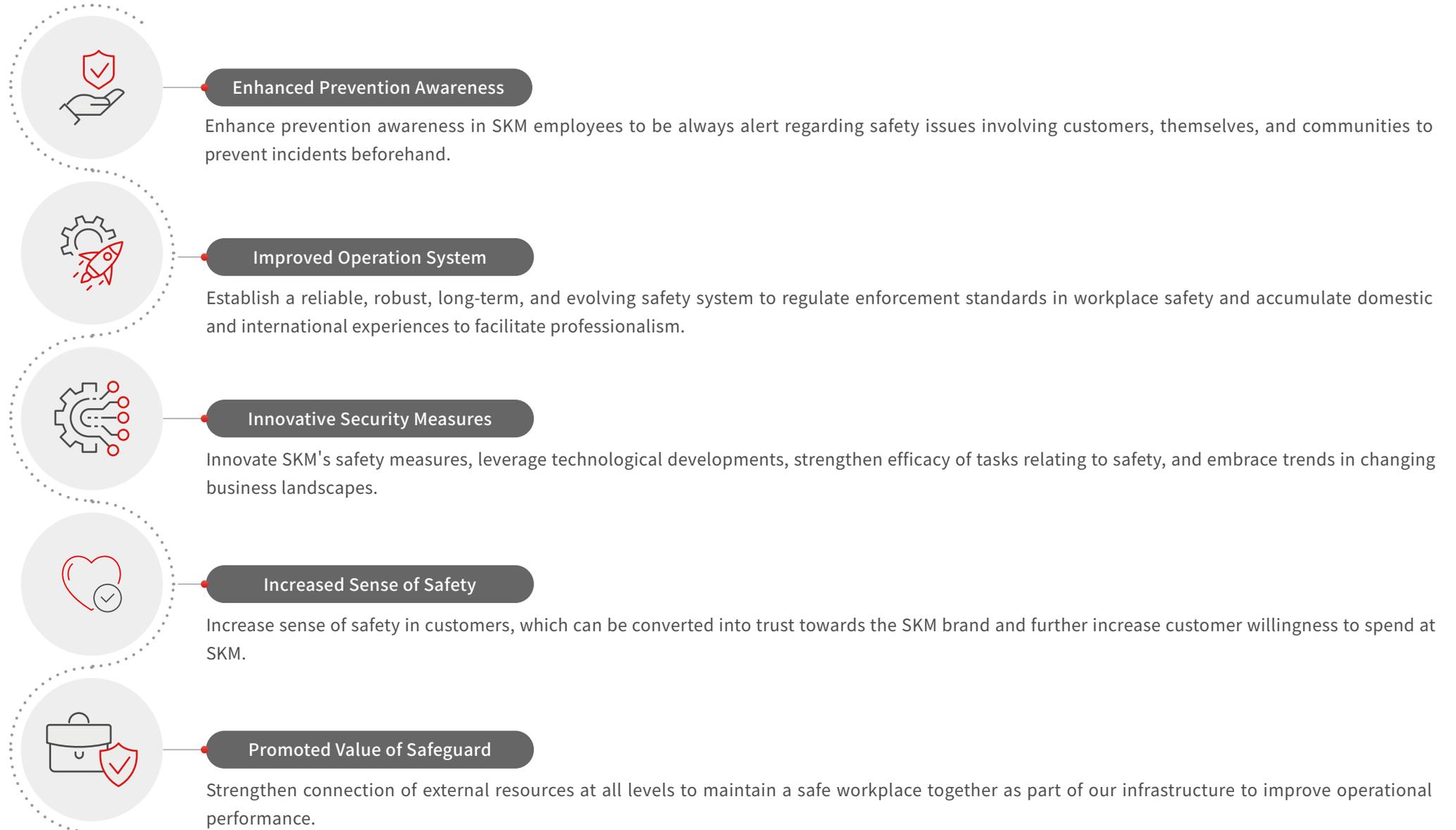
Three Lines of Defense in Risk Management



Four Steps in Risk Management



SKM Vision for Risk Management



Risk Management Framework and Key Work Plans

In 2018, SKM became the first in the industry to establish a position titled Chief Security Officer and the Department of Security and Surveillance, which are authorized to make suggestions, oversee, and assess safety policies. The Chief Security Officer and the Department of Security and Surveillance was established to build a more robust safety system in the company and facilitate overall safety. Safety-related policies refer to policies relating to public safety, information security, personnel safety, food safety, construction safety, occupational safety, environmental safety, and ESG risks. SKM regularly convenes security and surveillance meetings for representatives from related HQ departments to engage in discussions on workplace safety, stay updated on technological developments in 5G, AI, cloud, and digital applications, and evaluate their impacts on improving SKM's risk management

SKM is also aligning risk management frameworks with international standards, introducing external resources to ensure all safety-related tasks comply with the highest standards. In addition to introducing international management systems, SKM also works with supporting vendors and external consultants for external audits on domestic and international information security, occupational safety, and food safety and hygiene. We also communicate with government agencies, educational institutes, and private organizations to meet our safety needs, strengthen collaborative relationships, and acquire policy guidelines from the public sector and professional knowledge from the private sector. For related enforcement, please refer to the table below.

Risk Item	Responsible Unit	Implementation of Important Work Plans	Future Plans and Goals
Public Safety	Department of Security and Surveillance General Affairs Department	<ul style="list-style-type: none"> Carry out the six-year plan to improve surveillance systems. As of the end of 2022, completed upgrades at two department stores: Xinyi and Nanxi. In 2022, completed CCTV digital upgrades for all SKM department stores (except for Kaohsiung Sanduo Store, Kaohsiung Zuoying Store, and Taoyuan Dayou Store). 	In 2023, promote safety inspections of low-voltage ACBs in all our stores to enhance electrical safety.
Information Security	Department of Security and Surveillance Information Technology Department	<ul style="list-style-type: none"> In 2020, obtained ISO 27001 Information Security Management System accreditation. In 2021 and 2022, passed ISO 27001 verification. 	In 2023, kick off ISO 27701 Privacy Information Management System accreditation process and obtain accreditation in the same year.
Personnel Safety	Human Resources Department Occupational Safety and Health Department Department of Security and Surveillance	<ul style="list-style-type: none"> In 2022, proposed changes in work shift guidelines in department stores to mitigate overtime. In 2022, delivered care packages for employees confirmed with COVID-19, employees with positive rapid testing, and employees quarantined at home to help them through quarantine. 	In 2023, started implementing changes in work shift guidelines at department stores.

Risk Item	Responsible Unit	Implementation of Important Work Plans	Future Plans and Goals
Food Safety	Food Safety Promotion Team Department of Security and Surveillance	<ul style="list-style-type: none"> Promotes food hygiene and safety management. In 2022, randomly inspected over 1,462 F&B vendor products and packaged foods to provide a reliable consumer environment and product quality to customers through internal and external food safety audits. 	Conduct four regular random inspections on F&B vendors and five random inspections on packaged foods during holidays every year.
Construction Safety	Store Development Department Department of Security and Surveillance	<ul style="list-style-type: none"> Carry out designs, renovations, and maintenance and repairs. 	Visit and search for construction partners to strengthen and enhance the store development team.
Occupational Safety	Occupational Safety and Health Department Department of Security and Surveillance	<ul style="list-style-type: none"> In 2021, obtained ISO 45001 Occupational Safety and Health Management System accreditation. In 2022, passed ISO 45001 verification. 	<ul style="list-style-type: none"> In 2023, roll out ISO 45001 to six department stores in north Taiwan and organize training. In 2024, roll out ISO 45001 to all department stores in Taiwan and organize training.
Environmental Safety	Department of Security and Surveillance	<ul style="list-style-type: none"> Convened 130 COVID-19 Response Team meetings since the outbreak of the pandemic to respond to the pandemic's impact on company operations, reporting on and discussing the pandemic's status, prevention measures, policies, and other items. 	Continue to convene COVID-19 Response Team meetings to respond to changing circumstances.
ESG Risks	Department of Security and Surveillance	<ul style="list-style-type: none"> E – Monitor risks to SKM from developing carbon border tax policies around the world. E – Monitor impacts on SKM when RECs are difficult to acquire. S – Monitor human rights issues and related SKM practices. G – Monitor impacts on SKM from changes and legal compliance required by competent authorities after public listing. 	Continue to research regulatory updates from the government in the four key tasks listed above to internalize into SKM policies, which empowers us to respond to risks and mitigate impacts.

Climate Risk Management

In recent years, extreme climate events have continued to have negative impacts on various countries, and climate change has become a challenge confronting our world. At the 2022 UN Climate Change Conference (COP 27), countries were urged to make more ambitious commitments to reducing GHG emissions. The Taiwanese government also passed amendments to the Climate Change Response Act in early 2023, committing to net zero GHG emissions across Taiwan by 2050. As such, in 2022, SKM identified and assessed related climate risks and opportunities. The process and results from the assessment can be found below. SKM will continue to pay attention to climate issues and strengthen our competency in climate risk management.

Identification of Climate Risks & Opportunities

In 2022, SKM listed and identified climate risks and opportunities with the following steps: 1. Define Risk Events, 2. Analyze Impacts from Risk Events, and 3. Rank Risk Events.



Define Risk Events

Considering characteristics and asset allocation in the department store industry, SKM explored climate events with potential short-, mid-, and long-term impacts on company operations and finance. We compiled a list of climate risks and opportunities unique to SKM, which consisted of 11 climate risks and 16 climate opportunities.



Analyze Impacts from Risk Events

Using information on risk events, SKM analyzed upstream, midstream, and downstream assets or operations that could be impacted by climate risk events given specific scenarios and times. We also evaluated the financial impacts from direct or indirect impacts, e.g., decrease in revenue, increase in costs, etc.



Rank Risk Events

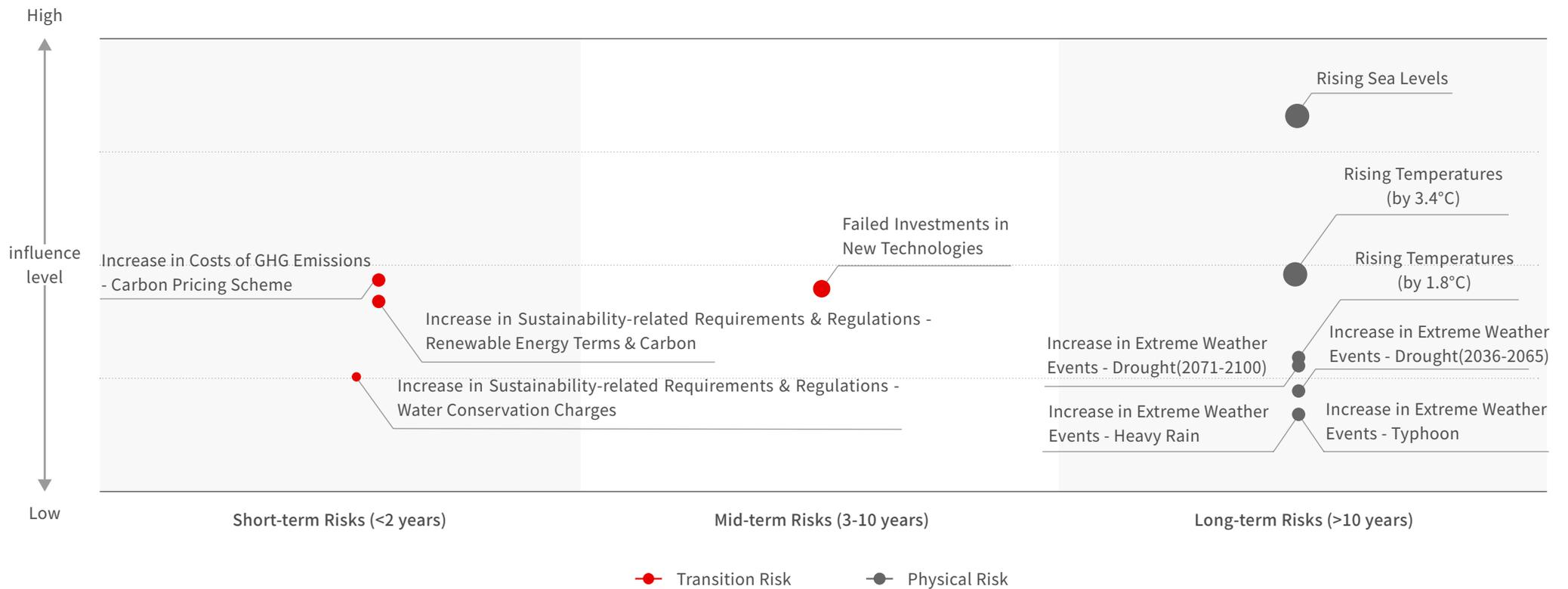
Management and employees across 16 departments come together to evaluate the likelihood and level of impact of all climate risks and opportunities. When evaluating climate risks, we consider different risk timelines, such as the short-term, mid-term, and long-term. All departments will rate risks based on the level of impact and potential vulnerability. For the level of impact, departments must consider the financial losses, operational impact, and impact on SKM reputation from the risk. For vulnerability, departments must consider the company's readiness level and adaptability toward the risk.

When evaluating climate opportunities, we also consider timelines for various opportunities and conduct materiality analysis on the impacts and business opportunities presented by specific climate opportunities.

Results from Climate Risk Identification

SKM regularly identifies climate-related risks, including physical and transition risks. We also further classify risks into short-term (>2 years), mid-term (3-10 years), and long-term (>10 years). This year, the climate risk matrix identified includes seven physical risks and four transition risks. The short-term and mid-term risks both derive from transition risks such as policy changes and new technologies. Long-term risks are either long-term or extreme physical risks.

SKM Climate Risk Matrix

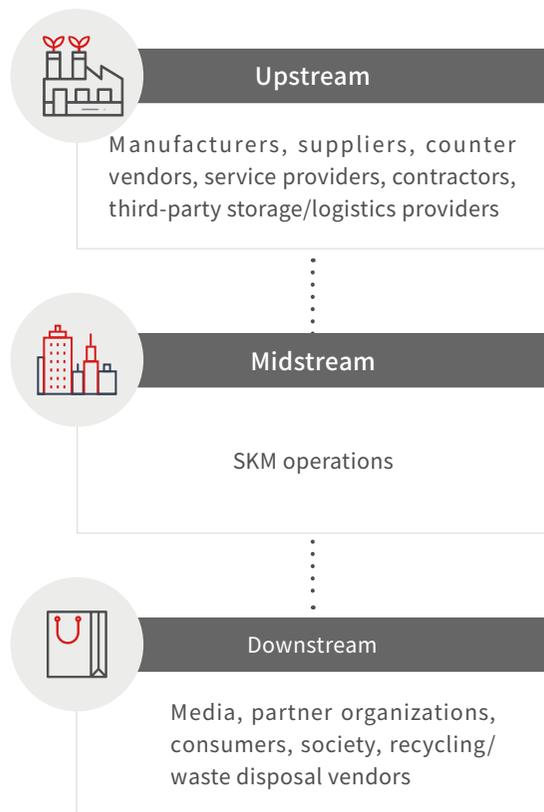


The size of each climate risk dot is directly proportional to the product of its "potential level of impact" and the "risk timeline."

Risk identification revealed that short-term risks are mainly derived from changes to domestic laws and policies, with transition risks such as GHG and renewable energy regulations having higher levels of impact. Long-term risks are mainly derived from physical risks brought on by climate change, with rising sea levels and rising temperatures having higher levels of impact.

In addition, as SKM operations engage with several value chains, we also assessed the potential climate change risks confronting the upstream, midstream, and downstream of our value chain.

• SKM Value Chain

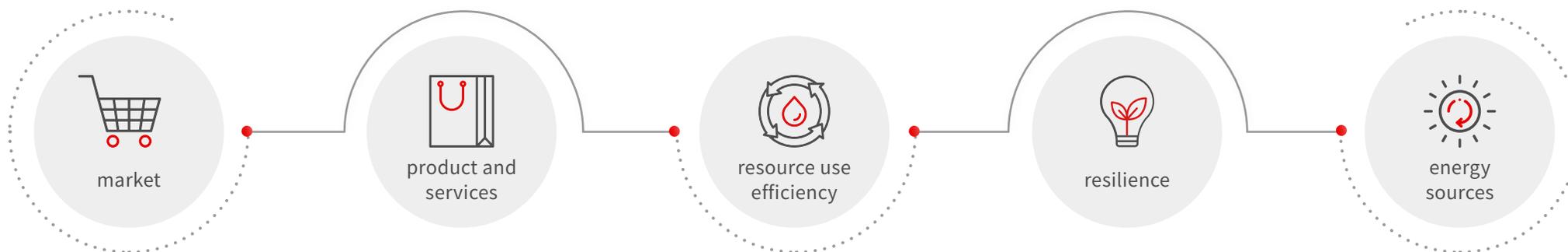


Risk Type	Climate Risk Event	Impact to SKM	Upstream	Midstream	Downstream
Transition Risk	Increase in Costs of GHG Emissions - Carbon Pricing Scheme	Competent authorities have progressively tightened regulatory control over GHG emissions every year. Potential carbon risks such as overall emission limits, carbon taxes, and carbon trading schemes may directly or indirectly impact the operational costs of businesses.	✓		
	Increase in Sustainability-related Requirements & Regulations - Renewable Energy Terms & Carbon	With regulations such as the Renewable Energy Development Act, product energy performance standards, carbon neutrality, and carbon footprint, the cost for SKM and suppliers to provide products and services may increase.	✓	✓	
Physical Risk	Rising Sea Levels	Rising sea levels may flood SKM locations and lead to financial losses, such as the devaluation of real estate assets and interruptions to business operations.	✓	✓	✓
	Rising Temperatures	Rising temperatures have an impact on human health and will affect the workforce and reduce the number of productive days, leading to impacts on company operations. SKM may face power outages, power rationing, or increased electricity costs that drive down revenue and drive up operating costs, thereby affecting overall profitability. Energy-intensive suppliers or locations facing power outages, power rationing, or rising electricity costs that drive up the cost of providing products and services may subsequently affect SKM's operating costs.	✓	✓	✓

Details on potential impacts on SKM and affected value chains are listed in the table below for climate risks with higher levels of impact, as indicated above.

Results from Climate Opportunity Identification

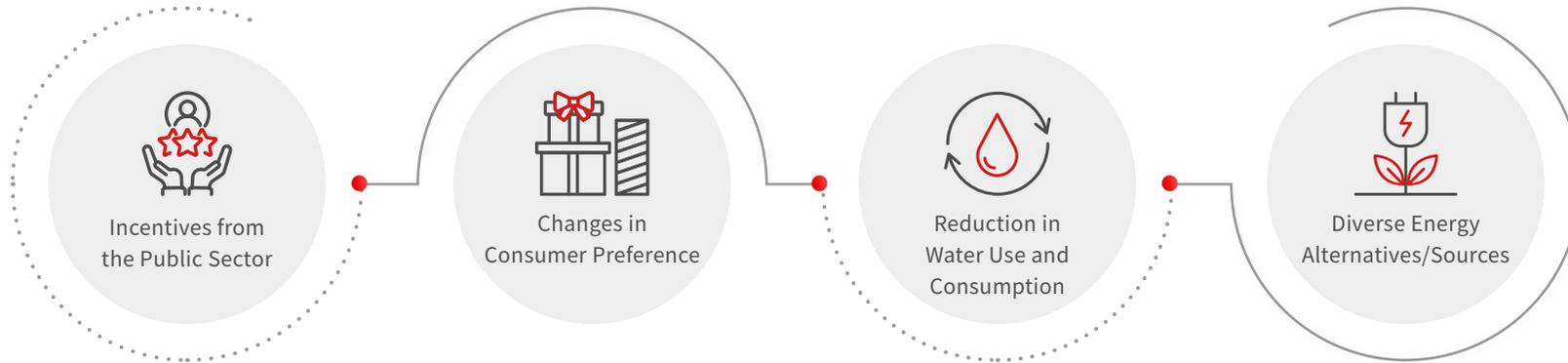
SKM evaluated 16 climate opportunities from dimensions such as market, product and services, resource use efficiency, resilience, and energy sources. Results from this year's materiality analysis can be found in the table below.



SKM's Climate Opportunities Ranked by Materiality

Rank	Dimension	Definition	Rank	Dimension	Definition
1	Market	Incentives from the public sector	9	Energy Source	Low-carbon energy
2	Product & Services	Changes in consumer preference	10	Energy Source	Incentive policies
3	Resource Use Efficiency	Reduction of water use and consumption	11	Resource Use Efficiency	Shifting to more efficient architecture
4	Resilience	Diverse energy alternatives/sources	12	Resource Use Efficiency	More efficient shipping methods
5	Product & Services	Diverse business activities	13	Product & Services	Development or increase of low-carbon products and services
6	Resource Use Efficiency	Recycle and reuse	14	Product & Services	Development of new products and services through R&D
7	Resilience	Participation in renewable energy projects and energy-saving measures	15	Resource Use Efficiency	More efficient production and distribution processes
8	Market	Entrance into new markets	16	Energy Source	New technologies

Risk identification revealed that "Incentives from the Public Sector", "Changes in Consumer Preference", "Reduction in Water Use and Consumption" and "Diverse Energy Alternatives/Sources" are climate opportunities with higher levels of materiality. The opportunities listed and their potential opportunities for SKM are detailed in the table below.



Dimension	Climate Opportunity Event	Opportunity for SKM
Market	Incentives from the public sector	By actively engaging in government programs and partnering with green finance institutions, we can proactively stay ahead of regulations and access valuable resources to minimize the costs of transitioning. This will also establish SKM as a leading example of sustainable transformation.
Product & Services	Changes in consumer preference	SKM can capitalize on raising awareness of sustainable spending to promote sustainable retail, strengthen our competitive advantage, and increase revenue.
Resource Use Efficiency	Reduction of water use and consumption	SKM can advocate water conservation or use water recycling to reduce overall water consumption and water conservation charges.
Resilience	Diverse energy alternatives/sources	By strengthening climate resilience management and diversifying our supply chain, SKM can enhance market valuation and mitigate operational disruptions caused by climate risks along the supply chain.

Climate Risk Management

At SKM, the chairman, president, and senior executives are responsible for managing climate risks and opportunities and for overseeing practices to mitigate climate change.

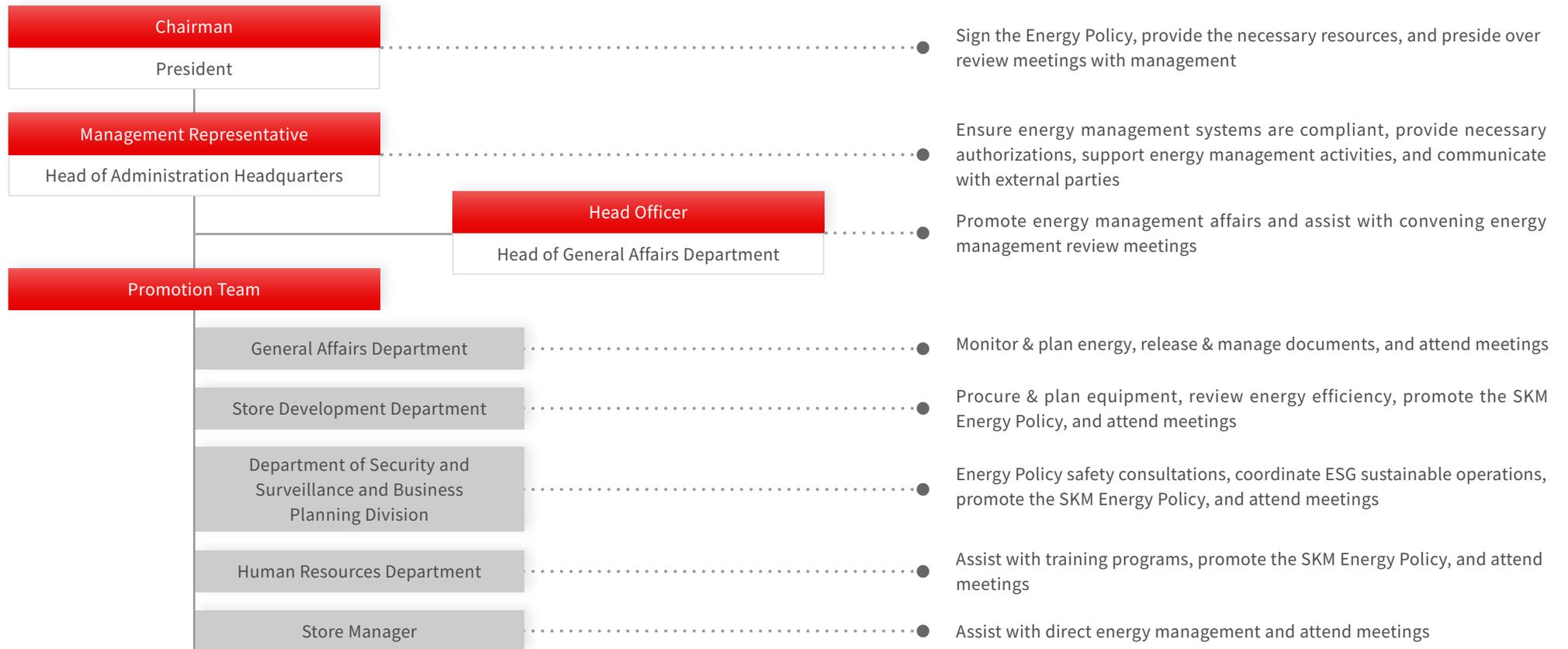
1.2.3 Green Operations

Promoting Green Operations

SKM is committed to ongoing efforts in energy conservation and carbon reduction. In 2022, we implemented ISO 50001 Energy Management System and will be extending the international framework to all our stores in Taiwan. To strengthen GHG management, we plan to adopt ISO 14064 Greenhouse Gas Inventory in 2023, starting with HQ and Taipei Xinyi Place A4 before full roll-out to all department stores. In 2024, we further plan to introduce ISO 14001 Environmental Management Systems at SKM.

The existing governance structure for green operations currently involves an Energy Management Promotion Team spearheaded by the president. In the future, SKM will make further changes to the organizational framework and add an organization for environmental management.

- Energy Management Promotion Team



In December 2022, we announced our Energy Policy internally, which continues to uphold our management principles of "customers first, service with heart" and commits to:



SKM analysis reveals that A.C. systems are the most energy-intensive equipment in department stores. The second largest is vertical transportation, e.g., escalators and elevators, followed by electricity used by counters and restaurants. Based on these findings, we have implemented energy management measures to minimize energy consumption while providing consumers with a comfortable service experience.

At the operational level, the general affairs and facilities units under the jurisdiction of each location's store management function are responsible for environmental management tasks such as waste management, wastewater and effluent control, and emission management. We have an energy manager at all department stores, responsible for regular meetings with management to discuss the progress and effectiveness of energy conservation and carbon reduction initiatives. Additionally, we include energy efficiency requirements in our procurement specifications and prioritize the purchase of energy-efficient equipment.

For major items promoting green operations in 2022, please refer to the table below.

Energy Saving LED Lights	Upgraded A.C. Equipment	Green Parking Lot
<ul style="list-style-type: none"> Since 2013, gradually phased out traditional lighting fixtures for energy-saving LED lights. All back-end areas in all department stores are now equipped with LED lighting. In 2022, replaced 3,581 light bulbs, conserving 562,000 kWh throughout the year. 	<ul style="list-style-type: none"> Installed variable frequency drives on a total of 96 A.C. motors at the Taichung Zhonggang Store and Tainan Ximen Store, conserving 1,176,000 kWh throughout the year. Upgraded cooling fins in Taipei Tianmu Store's cooling tower, conserving 120,000 kWh throughout the year. Continued to identify ways to upgrade A.C. units and manage A.C. usage to conserve energy and maintain an indoor temperature of 26°C. 	<ul style="list-style-type: none"> Planned the green parking lot project, which includes enhancing mobile application payments, reducing parking payment kiosks, installing charging stations, and replacing traditional lights with LED lights.

Reduction of GHG Emissions

SKM continues its efforts to reduce greenhouse gas emissions. From 2015 to 2022, we have implemented various improvements in lighting and air conditioning systems, as well as controlled and managed air conditioning units and electricity usage. We have also carried out repairs and updates on passenger facilities and refrigeration equipment.

Over the past eight years, we have achieved a cumulative reduction of 30,000 metric tons of carbon dioxide equivalent, which is equivalent to planting 2.5 million trees or the carbon absorption of 77 Daan Forest Parks. Additionally, we have formulated a greenhouse gas reduction strategy, setting a target to reduce carbon dioxide equivalent emissions by 1.5% annually, starting from 2023.

2020-2022 SKM GHG Emissions

Year	Direct Emissions		Indirect (Energy) Emission	Total
	Stationary Emissions	Mobile Emissions		
2020	7,977.60	61.97	142,914.28	150,953.85
2021	6,877.14	47.34	131,980.80	138,905.28
2022	7,103.48	45.43	131,581.74	138,730.65

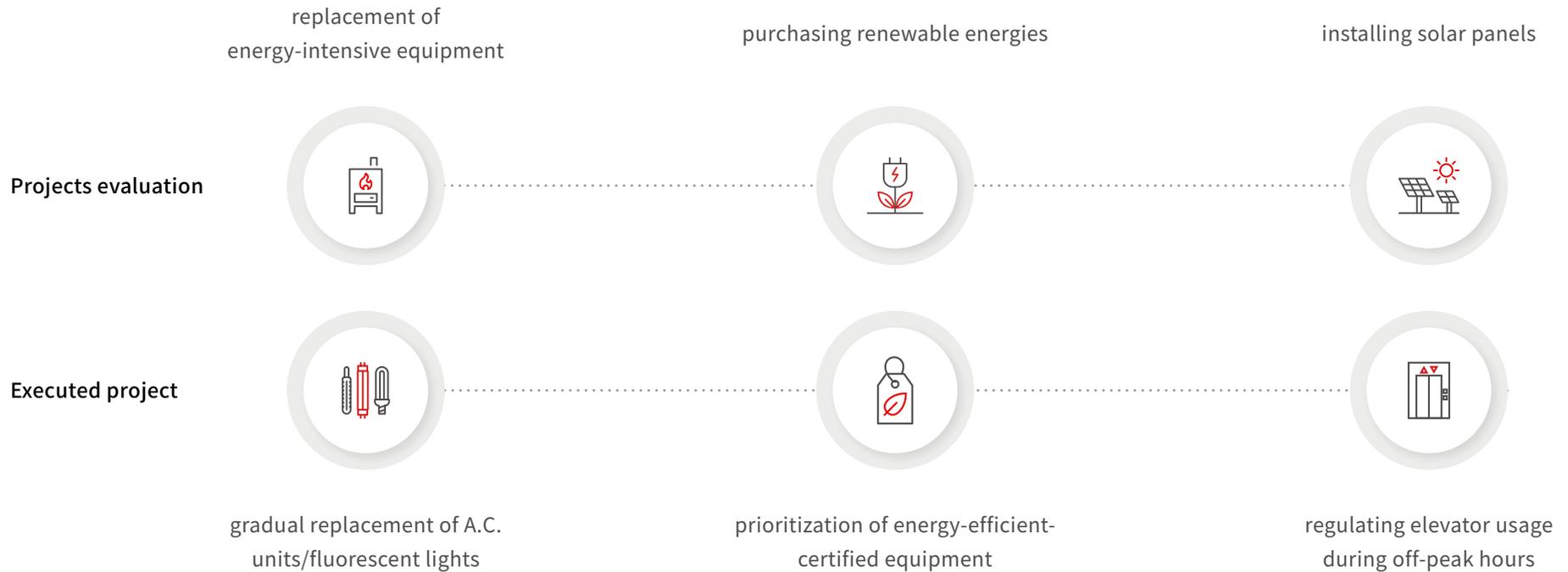
Note:

1. Unit is MTCO₂e/year
2. Figures from SKM HQ and 15 department stores; excludes figures from subsidiaries and affiliated businesses.
3. Emission coefficient: Select the "Greenhouse Gas Emission Coefficient Management Table" from the National Greenhouse Gas Logging Platform of the Environmental Protection Agency of the Executive Yuan. "Version 6.0.4" and the 2022 annual electricity carbon emission coefficient announced by the Energy Bureau of the Ministry of Economic Affairs.
4. Carbon accounting for fugitive emissions is currently incomplete and slated for completion in 2024.

Energy Management Performance

SKM's energy management strategy aims primarily to increase energy use efficiency. Key plans in energy management include proactive assessment and replacement of energy-intensive equipment as well as assessing renewable energy measures such as purchasing renewable energies and installing solar panels. SKM is currently carrying out the following projects: gradual replacement of A.C. units, gradual replacement of fluorescent lights (replaced 3,581 fluorescent light bulbs in 2022), prioritization of energy-efficient-certified equipment, and determination of reasonable usage time for vertical transportation facilities based on foot traffic by working with individual department stores, e.g., regulating elevator usage during off-peak hours.

Energy Management Plan



2020-2022 SKM Energy Consumption

SKM Energy Consumption			2020	2021	2022
Energy Source	Unit				
Non-renewable Fuel	Diesel	L	5,517	3,092	1,035
	Gas	L	20,092	16,630	18,120
Purchased Electricity	Electricity	kWh	284,689,805	259,294,711	265,821,694
Sales of Self-generated Electricity		kWh	0	0	0
SKM Energy Consumption		GJ	537,321	489,324	500,858
Percentage of Energy Consumption from Purchased Electricity		%	100	100	100
Surface Area		m ²	1,175,697	1,175,697	1,175,697
Energy Density		SKM Energy Usage/ Surface Area	537,321/1,175,697=0.457	489,324/1,175,697=0.416	500,858/1,175,697=0.426

Note:

1. Figures from SKM HQ and 15 department stores; excludes figures from subsidiaries and affiliated businesses.
2. SKM Energy Consumption = Non-renewable Fuel + Purchased Electricity - Sales from Self-generated Electricity.
3. 1 L of Gas = 7,800 kcal, 1 L of Diesel = 8,400 kcal, 1 kWh = 860 kcal, 1 kcal = 4,184 J. Source: MOEA Bureau of Energy.
4. GJ (gigajoule) = 109 J (joule)

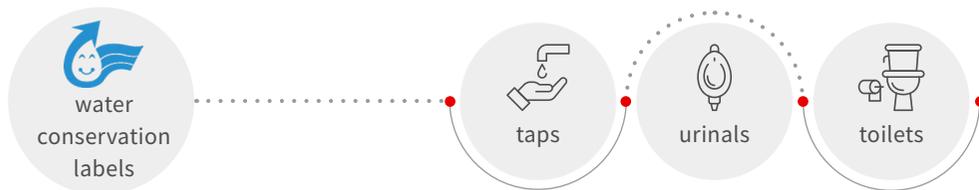
To ensure the safety and reliability of energy provision and provide a safe and comfortable shopping environment for consumers, SKM established the Electricity Safety Busway Management Regulations and a five-year plan for the safety management of power equipment.

In 2022, we completed the first phase of low-voltage ACB safety inspections, where we conducted the following items: overload protection and circuit breaking function test, isolation switch function test, load switching function test, arc extinction and non-extinction function confirmation, operation signal function confirmation, and visual inspection of the main body's exterior. Phase 1 has been completed for Taipei Xinyi Place A11, the Taipei Nanxi Store, Taipei Station Store, Taoyuan Dayou Store, and Tainan Zhongshan Store.

2022-2025 Plan for the Safety Management of Power Equipment			
2022	2023	2024	2025-2027
Low-voltage ACB Safety Inspections - Phase 1 Scope: 6 department stores	Low-voltage ACB Safety Inspections - Phase 2 Scope: 5 department stores	Low-voltage ACB Safety Inspections - Phase 3 Scope: 4 department stores	High-voltage Transformer Safety Inspections Scope: 5 stores (first stage)

Water Management Performance

Climate change has resulted in increasingly severe extreme rainfall in Taiwan. While the retail industry is by no means a water-intensive industry, we have also been deeply impacted. In recent years, domestic retailers have been confronted with water rationing crises on several occasions. In addition to adopting emergency response measures, SKM has also, once again, recognized the importance of water as a resource. SKM is committed to enforcing water management and is reviewing and installing water conservation facilities, taps, urinals, toilets, and various water-consuming facilities to increase water use efficiency. We also prioritize purchasing products accredited with water conservation labels and are encouraging all employees to join in our efforts to conserve water. Wastewater and effluents are treated in compliance with related laws and regulations and then discharged to county/city underground sewage systems.



2020-2022 SKM Water Use				
Tap Water Use	Unit	2020	2021	2022
Total Water Use in Taiwan	megaliters	2,631.14	2,114.94	2,320.82

Note:

1. Figures from SKM HQ and 15 department stores; excludes figures from subsidiaries and affiliated businesses.
2. SKM withdraws tap water from the Feitsui Reservoir, Shihmen Reservoir, LiYuTan Reservoir, Renyitan Reservoir, Lantan Reservoir, Zengwen Reservoir, Nanhua Reservoir, Wutoushan Reservoir, Chengqinghu Reservoir, and Fengshan Reservoir, which draws water from rivers such as the Beishi River, Nanshi River, Dahan River, Dajia River, Bazhang River, Zengwen River, Taoping River, and Donggang River. Wastewater is discharged into public sewage systems.
3. Due to the COVID-19 pandemic in 2021, SKM shortened business hours from mid-May to late July, which also reduced water usage. In 2022, business hours remained as usual and, therefore, water usage increased in 2022 from 2021.

In addition to water conservation measures, SKM established processes relating to wastewater, treating wastewater generated from department stores by intercepting solid waste and removing oil and grease before discharging into county/city underground sewage systems. Any wastewater generated from business activities will be discharged into county/city underground sewage systems.

Waste Management Performance

Primary waste generated from department stores consists of domestic waste and kitchen waste. At SKM, we do not generate any hazardous waste. SKM also complies with laws and regulations, commissioning certified vendors to handle waste and recycle kitchen waste. In addition, we report any business waste, enforce waste sorting, track waste streams, and strengthen the disposal of kitchen waste from food courts and restaurants.

SKM commissions certified waste disposal vendors to incinerate general waste such as domestic waste; certified recycling companies to sort and recycle aluminum cans, glass bottles, paper, and plastic bottles; and certified farms to incinerate or recycle kitchen waste as animal feed or fertilizers.



To effectively prevent environmental pollution from fugitive fumes, all SKM buildings are equipped with scrubbers and electrostatic machines. We also established the Kitchen Pollution Prevention Equipment Setup and Cleaning Regulations in 2021, requiring F&B vendors set up pollution prevention facilities and manage cleaning equipment in compliance with SKM regulations. In 2022, we cleaned a total of 305 stalls in restaurants and food courts. We replaced 10,600 meters of exhaust ducts, installed 93 water-washing machines, and 23 electrostatic fume purifiers. Additionally, 150 flexible hoses were replaced. To enhance kitchen safety, we added quarterly cleaning of exhaust ducts in specialized grease containers, involving 90 containers, 1,100 meters of exhaust ducts, and 30 hose replacements.

SKM also supports government policies, campaigns, and regulations, meaning that we do not provide disposable plastic straws and also work with restaurants in SKM to reduce the use of plastics. In addition, we encourage the public to say no to plastics by providing discounts for buyers that bring their own eco-friendly utensils.



2020-2022 SKM Waste Generation

Waste	Unit	2020	2021	2022
 Domestic Waste	MT	8,459	7,470	7,551
 Recyclables	MT	2,259	1,936	2,421
 Food Waste	MT	1,687	1,858	2,464
 Total Waste	MT	12,405	11,264	12,436

Note:

1. Recyclables include paper, glass, plastic bottles, and aluminum cans; excludes food waste
2. Figures from SKM HQ and 15 department stores; excludes figures from subsidiaries and affiliated businesses.
3. Due to the COVID-19 pandemic in 2021, SKM shortened business hours from mid-May to late July, which also reduced waste generation. In 2022 business hours remained as usual and, therefore, waste generation increased in 2022 from 2021.

Future Plans and Goals

SKM will continue to obtain and expand the application scopes of international certificates such as ISO 50001, ISO 14064, and ISO 14001. We strive to enforce energy management, GHG inventory, and environmental management across all SKM stores in Taiwan through a systematic management framework.

In addition, we conduct energy audits on electrical equipment to identify energy-intensive equipment for replacement, for which we will be compiling an annual budget. We are also proactively assessing important energy projects such as purchasing renewable energies, installing solar panels, upgrading A.C. units, building green parking lots, and upgrading to LED lights.

