

# Message from the President

In 2022, we entered the third year of the global COVID-19 pandemic. The pandemic introduced many changes and challenges but has also made us more resilient and stronger. We were able to reach new record highs and generated up to NT\$88.6 billion in revenue with the collective efforts of our employees and partners. We would like to express our deepest gratitude to everyone that has continued to care for SKM and worked tirelessly alongside us. Your support and encouragement have enabled us to overcome all the challenges and write a new chapter together.

Last year, our ESG theme was "Creating a Humanistic Touch with the Aesthetics of Sustainable Living," which encapsulates our core values and our consistent efforts and unwavering commitment over the past three decades and culminated in our first Sustainability Report ever.

This year, grounded in our continued efforts in Creating a Humanistic Touch with Aesthetics of Sustainable Living, we have defined our ESG theme as "R.I.S.E. to Lead a Sustainable Future." The theme conveys our willingness to embrace change, align with sustainable development ideals, and our consistent efforts toward innovation. We hope to work together to strive for better and generate positive impacts.

## New Experiences with New Renovations

Department stores are an essential part of our daily lives. They hold stories. One department store can bear witness to celebrations, anniversaries, gatherings, exhibitions, and events in just a single day. SKM has 15 department stores in Taiwan that welcome over 130 million visitors each year and approximately 300,000 visitors each day.

During the first half of 2022, the pandemic in Taiwan was still quite severe and many people were wary of visiting brick-and-mortar stores. Despite the challenges, SKM remained dedicated to providing safe, secure, and outstanding spaces and services and delivering the latest trends, fine dining, entertainment, art and culture, and lifestyle experiences to make our department stores unique. In 2022, we invested in over 41 renovation projects, renovating 11 floors and 30 areas, which affected and introduced over 640 retail counters. SKM continues to deliver new experiences to consumers as we embrace the post-pandemic era.



Shin Kong Mitsukoshi President · Richard H. Wu

## Lifestyle Ecosystem with Digital Transformation

In response to digitalization trends, we embarked on our digital transformation journey as early as 2013. In 2014, we introduced the service-oriented skm app. Since then, we have successfully connected 13 product hierarchy, 15 stores, over 2,000 partners, and nearly 7,000 retail counters to the skm app, forming a comprehensive OMO ecosystem that encompasses food, apparel, housing, transportation, sports, and entertainment.

During the pandemic, we expedited our digitalization efforts. In 2022, we underwent a comprehensive revamp of our official website and introduced five major digital services: "Digital Membership, Smart Customer Service, Group Buying, Celebrity Boutiques, and Gourmet quick order." These initiatives aimed to deepen customer engagement and connections. As a result, we successfully reached three million SKM members, with member-generated revenue accounting for 85% of our total revenue. The skm app garnered over two million downloads, with approximately 30% of users linking their accounts to skm pay, our mobile payment service. These groundbreaking results have opened up endless possibilities for the future.

Our focus will be on staying ahead of the latest consumer trends through digital transformation, advancing towards an "open ecosystem," advocating for sustainable consumption, expanding collaborations with various industries, and together with our partners, building an "Ecosystem of Trust" to offer our customers a wide range of diverse services.

The Lifestyle ecosystem is built upon a robust Ecosystem of Trust, which connects the three core elements of "openness," "trust," and "security" to integrate member engagement with digital innovation and deliver better lifestyles with an overarching goal of providing a comprehensive Lifestyle experience.

## Upgrades to Internal/External Management to Deliver Safe Shopping Experiences

Since the food safety incident in 2014, our team has recognized the importance of food safety. With the increasing presence of F&B businesses in department stores and consumers' growing concern for food safety, we feel deeply responsible for protecting our customers and making sure they feel safe at SKM. Therefore, since 2014, we have continued to improve various measures in "food safety" management, establishing the food safety concept of "protecting customers through food safety." To enforce food safety management, we also hold monthly food safety meetings and, each year, host training, internal/external audits, and product inspections.

SKM is also committed to providing customers with a safe and secure shopping experience and has thus proactively strengthened information security protection. Following the completion of the three-year certification cycle for ISO 27001 Information Security Management Systems, we have started preparing for the certification cycle for ISO 27701 Privacy Information Management Standards in 2022, with plans for a full rollout in 2023 to bolster information security management through online and offline integration.

While food safety and information security are both important safety issues, department stores are also spaces where people socialize and where life takes place, which means we are affected by several safety concerns. To better manage the different safety concerns, we established the industry's first Department of Security and Surveillance in 2018. The department regularly holds safety control meetings to manage six major safety concerns: occupational safety, public safety, food safety, information security, construction safety, and environmental safety. In 2022, SKM established the COVID-19 Response Team, holding a total of 30 meetings and completing ten safety projects, providing employees and customers with a comprehensive and secure working environment and shopping platform.

## Spotlighting Sustainability Issues & Committing to Sustainable Development

To strive for sustainable management, SKM launched the Sustainability Committee and its three subordinate sustainability teams in 2021. In 2022, we published our first Sustainability Report and received three awards for the report. The Sustainability Committee convenes each quarter and consists of myself as well as vice presidents and higher executives. During meetings, we explore various sustainability motions. To hear from younger generations, the Sustainability Committee also invites young "seed" members to participate as well. In 2022, we convened three meetings and approved four sustainability motions. We will continue to deepen ESG principles internally and transform them into management mechanisms, integrating them into the daily operations of all departments. We aim to strengthen our environmental, social, and governance efforts, and focus on stakeholders and sustainability issues, investing our efforts in sustainable development.

Looking into the future, SKM will continue to work towards environmental protection, social participation, corporate governance, and other ESG domains to support sustainable corporate growth. We believe in "putting our customers first and treating them with honesty and integrity" and we inject new life and creativity to integrate products, events, scenarios, and store types across offline and online channels, establish more strategic partnerships, and create a comprehensive Lifestyle ecosystem that delivers diverse services to consumers.

We will continue to work hard, strive for innovation, strengthen our local presence, and create new experiences for our customers to deliver a sustainable future. We will work together across our four pillars of sustainability - Resilient Management, Intelligent Experience, Sustainable Society, and Ecosystem of Trust to "R.I.S.E to Lead a Sustainable Future."



# Performance Highlights in 2022

## Environment

Committed to ongoing efforts in energy conservation and carbon reduction, we implemented the ISO 50001 Energy Management System in 2022.

### ISO 50001

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. Energy saving bulbs used for eco-friendly Christmas Treee, saving 307 thousand kWh of electricity.

### ESG Actions with Partners

Three major initiative promoting green operations: replacing conventional lights with LED energy-saving fixture, improving air conditioning equipment and developing green parking Lot. In 2022, SKM replaced 3,581 light bulbs, conserving 562,000 kWh throughout the year. The cumulative reduction in carbon dioxide emissions under green operations measures has reached 30,000 metric tons of CO2 equivalent from 2015 to 2022.

### Green Operations

Promoting DM digitization, the number of webpage viewers was 4.13 million in 2022. The use of E-invoice grew by 21%. The BPM electronic form system has accumulated over 660,000 approved forms from 2014 to 2022. Additionally, 20,000 electronic tags were introduced in the Beautiful Market.

### Paperless Actions

skm app digital membership card helped to reduce a total of 140,000 plastic cards. Plastic reduction plan in supermarket accumulated for 850 kilogram plastic use reduce.

### Plastic Reduction Actions

During procurement of general and administrative supplies, SKM prioritizes products with green indicators, eco-friendly products with minimal environmental impact. The amount of green procurement exceeded NT\$100 million in 2022.

### Green Procurement

# Performance Highlights in 2022

## Society

Launched the Three-Year Competency Program to introduce a new competency framework and talent development framework.

### 3-year Competency Program

Promoting the concept of Happy Enterprises: Providing paid leave for vaccination. Adjusting working hours, reducing the number of full-shift days per month that front-line personnel need to be on duty from 8 days to 4 days. Salary adjustments were made for entry-level employees, with an average increase of 6%, benefiting 1,700 employees.

### Work Shift & Compensation Adjustment

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.

### Food Safety Management

Hosting exhibition and events, including 29th The Dream of Craft, 21th Shin Kong Mitsukoshi Summer Art Festival, 16th SKM PHOTO SKM International Photography Exhibition Events, charity events, and art space exhibitions. Amount of annual visitors was over 10 million.

### Social Engagement & Artistic and Culture Promotion

Independent brands, including 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.

### Value Our Land

In 2022, SKM won Gold award at the Commercial Times "The Best Service in Taiwan" and Gold award at 1111 job bank "Happy Enterprise - General Life Service Industry".

### Gold Award Happy Enterprise Best Service

# Performance Highlights in 2022

## Economy and governance

Continuously creating new experiences, new consumer trends, and a new sustainable way of life for customers, allows them enjoy a more pleasant and wonderful life experience. The revenue for the year reached NT\$88.6 billion, with 3 million members.

### 88.6 Billion

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

### Sustainability Report Gold Award

70% of the members hold membership points, with a maximum annual issuance of 600 million points, driving the points economy.

### skm points

Obtained ISO system accreditation, including ISO 27001 Information Safety Management Systems, ISO 45001 Occupational Safety and Health Management Systems, ISO 50001 Energy management Systems, and ISO 10002 Customer Satisfaction and Complaints Handling system.

### ISO System

Optimized member experiences by upgrading SKM applications, successfully increased skm pay usage each year. skm pay generated NT\$31.3 billion in consumer transactions.

### skm pay

Strict information security protection has secured SKM an A+ rating in cloud safety by cybersecurity assessment platform, Cymetrics.

### Cloud safety A+