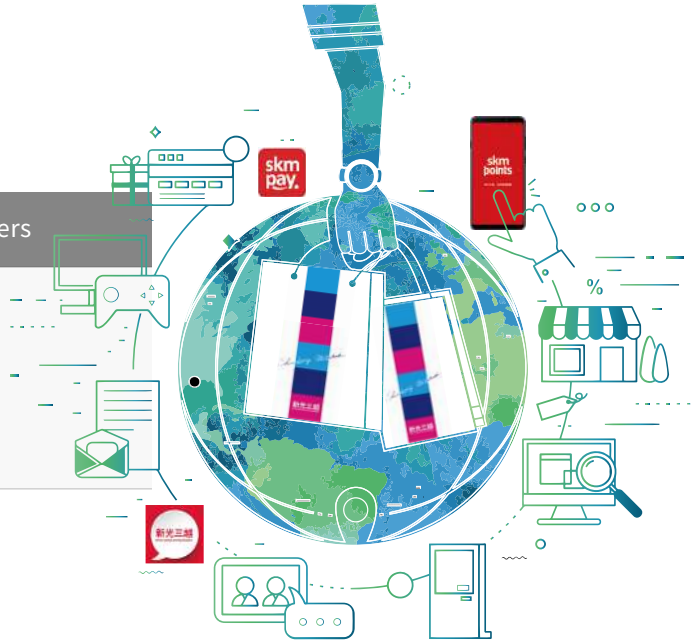
Chapter 02

Intelligent Experience

SKM is leveraging innovative digital technologies to move forward with customers and provide considerate and convenient services. We also strive to build a reliable information security protection network by consistently advancing ICT technologies. Our goal is to create long-term partnerships and an environment where customers feel safe.

Chapter 2 · Intelligent Experience



Material Topics	Corresponding SDGs	Affected Stakeholders
• Innovative Digital Services • Customer Relationship Management • Information Security and Privacy Protection	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS	• Customers • Employees

Achievements in Sustainability

Optimized digital experience

70% of the members hold membership points, with a maximum annual issuance of 600 million points, driving the points economy.
In 2022, new members binding their membership with skm pay was increased **from 40% to nearly 98%**.

The Best Service Awards

Received **Gold** at the Commercial Times' 2022 "The Best Service in Taiwan" awards.

ISO 10002 seven years

First department store to obtain ISO 10002 Customer Satisfaction and Complaints Handling accreditation, which SKM has continued to implement for the past seven years. SKM efforts in customer services have successfully **reduced customer complaints in 2022 by 23.6% from 2021**.

A+ in cloud safety

Rated A+ in cloud safety by cybersecurity assessment platform, Cymetrics, in the Cybersecurity Risk Exposure Report on Taiwan Department Stores.

ISO 27701 accreditation

Kicked off preparations for ISO 27701 Privacy Information Management Standard accreditation in 2022, with **plans to apply for ISO 27701 accreditation** in 2023.

2.1 Digital Customer Experience

With the emergence of phones, tablets, laptops, etc., we now live in an era where people own multiple devices. SKM not only hopes to provide customers with a safe and relaxing shopping environment, but is also dedicated to integrating online and offline resources, developing diverse marketing tools, providing guided shopping services through mobile applications, and offering online shopping and other digital services through digital internet technologies. Our goal is to deliver convenient services that cater to our customer's individual needs and establish a stronger presence in their lives, enabling them to enjoy high-quality shopping experiences anytime and anywhere.

To achieve this goal, SKM has been investing in digital transformation since 2019. With a focus on strengthening the quality of customer service at SKM, the Information Technology Department, E-commerce Department, Digital Development Department, and Customer Service Department work together to roll out various projects, including developing and optimizing skm online (e-commerce platform), skm pay (mobile payment platform), skm app, smart online customer services, and chatbots to increase customer satisfaction. We believe this can further strengthen trust and recognition in our customers toward the SKM brand, fulfilling a strong, long-term relationship with customers.

2.1.1 Investments in Digital Transformations

Management Guidelines

Policies & Commitments

SKM is committed to developing digital tools and proactively integrating online and offline resources to deliver convenient services that cater to individual customers. In response to the rise of smart retail and new consumer trends, we have also developed a digital shopping platform that brings us closer to the lives of our customers.

Impacts

Enhances customer's digital shopping experience (Positive Impact).

Action Plans

Management Measures

- Internally, developed and upgraded our Member System, skm online (online marketing system), and electronic business operations system.
- Externally, developed and upgraded digital member management, skm app's user interface, and new skm points system.

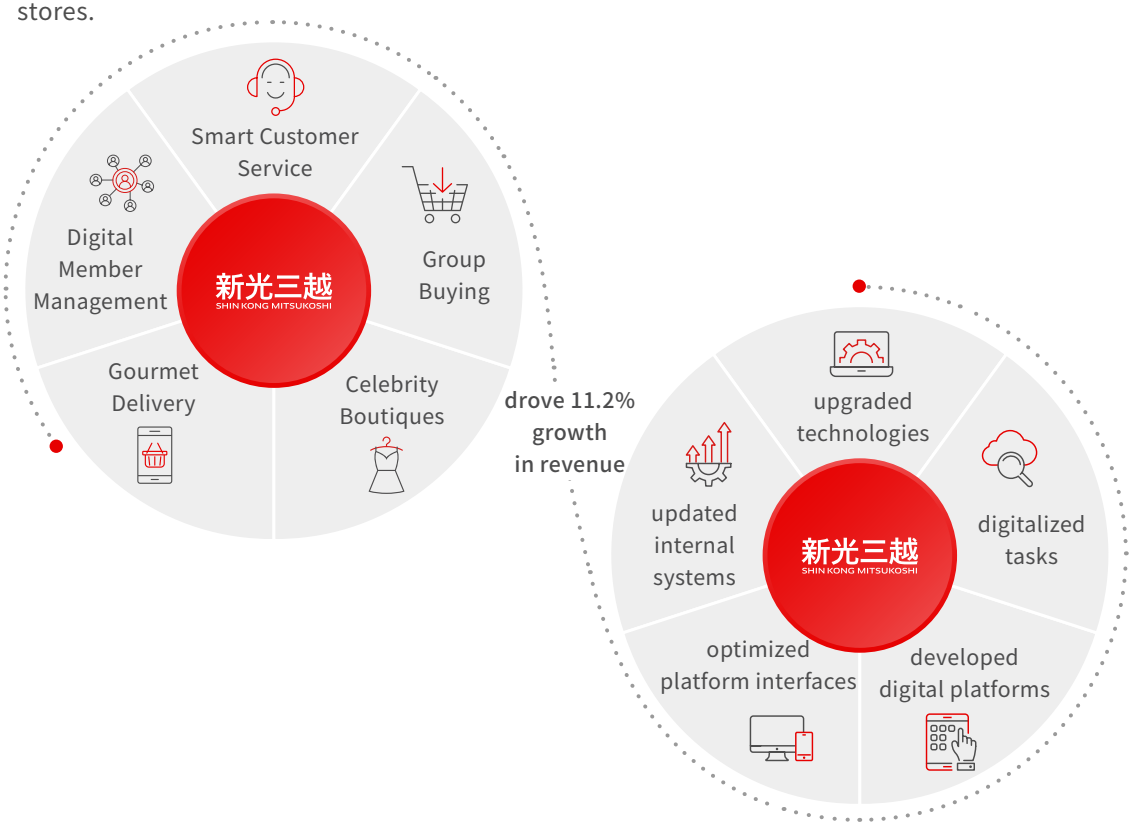
Stakeholder Engagement

- Conducted member satisfaction surveys on member benefits and new member system.

Assessment & Tracking

With web tracking, the Marketing Department, Information Technology Department, and Digital Development Department regularly utilize website analysis tools to observe metrics such as the number of visitors, click-throughs to campaigns, conversion rates, etc., for digital innovation services relevant to their own departments. This is to evaluate customer demands for digital services and serve as a reference for future optimization and updates.

Consumer preferences and shopping behaviors are growing more diverse. To ensure insight into customer demands and strengthen our service staff's ability to respond, SKM has been investing in digital transformation. In 2022, SKM launched five major digital services - Digital Member Management, Smart Customer Service, Group Buying, Celebrity Boutiques, and Gourmet Delivery. We also updated internal systems, upgraded technologies, digitalized tasks, developed digital platforms, and optimized platform interfaces. These measures increased conversion rates and unique visitors on our mobile applications and digital shopping platforms and garnered positive feedback from our colleagues responsible for managing these platforms, meaning that we effectively strengthened services to both our consumers and employees. In 2022, SKM continued to generate record-high revenues thanks to our efforts in digital transformation, which drove 11.2% growth in revenue across all SKM department stores.



Evolving Management Systems Deliver Outstanding & In-depth Membership Services

- **Case in Focus I：Member System Upgrades**

When consumer behaviors shifted due to the COVID-19 pandemic, SKM responded swiftly by launching a Member System in February 2020, after just an 11-day development period. The Member System provides sales associates with insights into consumer demands, allowing them to create their own stores on our system based on customer preferences. They can also generate customized links for customers to place orders, saving them time during the purchasing process. Additionally, sales associates can offer online shopping support and recommendations through the system, transforming themselves into stylists who suggest products and services tailored to individual consumer needs. This creates a brand new shopping experience where we have a better understanding of our consumers than they do themselves and ensures sales associates can close sales after holding goods for customers. For brands, consumers paying with the Member System means that they receive immediate cash flow.

The Member System was launched almost four years ago, and since then, the majority of our sales associates have established their own personal stores on the system, attracting a growing number of customers through their community influence. To sustain this success, we are dedicated to ongoing optimization and the development of new functions. For example, in 2022, the Member System introduced new functions that support different specifications under a single product and optimized the purchasing process. These differentiated services make it easier for sales associates to upload products with multiple specifications, while also providing customers with a more convenient experience when choosing from a wide range of diverse products. In 2022, the Member System generated more than NT$1.1 billion in revenue.

Support different specifications under a single product and optimized the purchasing process

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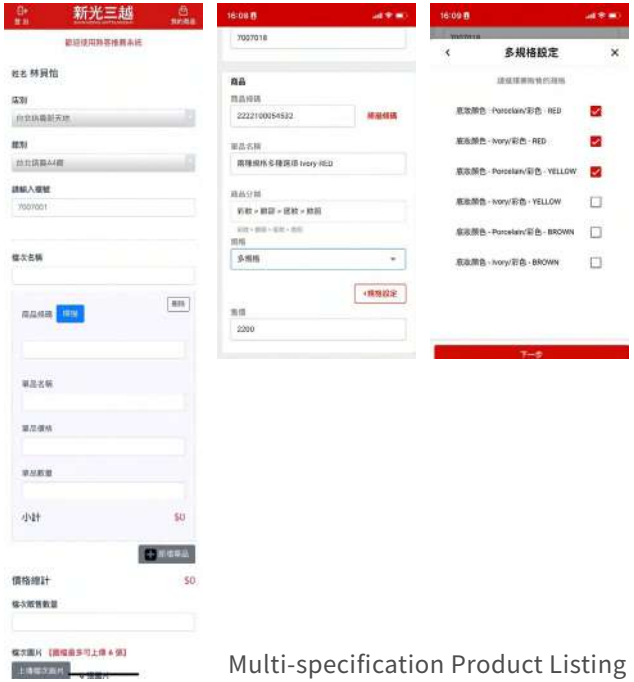
In 2022, the Member System generated more than NT$1.1 billion in revenue



Multi-specification Product Listing

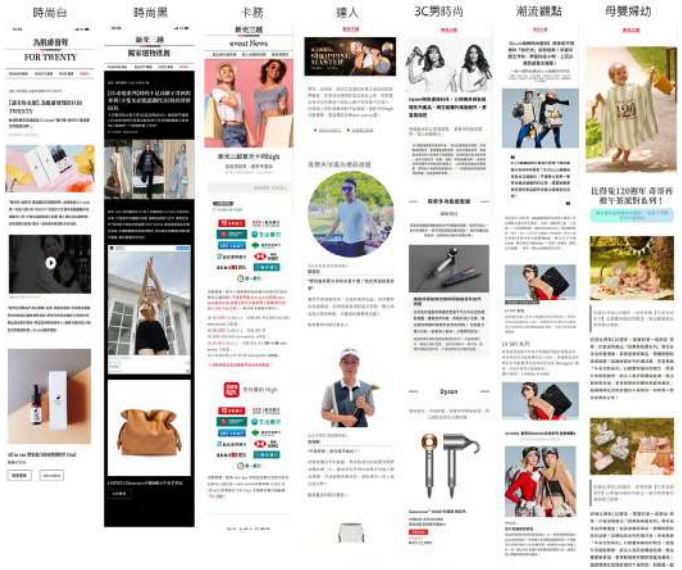
Item	Function	Impacts	Quantified Outcomes
Multi-specification Product Listing	• Sales associates can now upload different specifications of the same product under one listing, and customers can select the specification they desire and make purchases directly. The function is applicable to any products, such as apparel, cosmetics, home appliances, and luxury goods (bags & shoes) that are available in multiple sizes, colors, or materials	• Uploading products with different specifications is now a more efficient process	• Up to 96% of sales associates use the Member System • In 2022, the Member System generated over NT$1.1 billion in revenue with over 40,000 transactions
Optimized Purchasing Function	• Added original price to highlight discounts • Added visual and written descriptions for products (up to 3 images) • Added function for customers to choose from in-store pick-up or delivery	• Sales associates can now use prices, pictures, and written descriptions to attract consumers • Enables sales associates to provide in-store pick-up or delivery services according to consumer demands	

- **Case in Focus II：Breakthrough in skm online Website and Official Website Marketing Tools**

The forerunner to skm online was Beauty Stage, an e-commerce platform specializing in makeup and cosmetics. When the COVID-19 pandemic broke out in Taiwan in 2021 and offline sales were severely impacted, SKM acted swiftly and boldly, transforming the former Beauty Stage into the current skm online in just 14 days and expanding the product offering from 20,000 to over 80,000 products. Despite the challenging circumstances, we successfully achieved revenue growth and witnessed a seven-fold revenue increase in the six months following the system roll-out compared to the preceding six months.

However, according to our statistics, the conversion rate of skm online from January to April 2022 was only 0.73%. This indicates that customers were unable to find products they liked on the website, leading to a relatively low overall conversion rate. Mobile internet usage has been on the rise, but due to the limited screen size of mobile devices, customers can only receive limited information. As a result, the use of technology to accurately target advertisements to the right audience has become a crucial focus in the field of marketing. The 2022 Taiwan Market Insight Report, published by Meta, indicates that 53% of consumers are seeking a personalized shopping experience that offers tailored recommendations, while 54% of consumers desire personalized discounts and promotional campaigns. As such, SKM is actively on the hunt for mature MarTech solutions on the market, hoping to introduce personalized ad and recommendation systems to enhance customer experiences and strengthen conversion across all platforms.

In addition, SKM launched a Celebrity Boutique function on the official website, where KOLs from different domains can curate and sell products. This creates an intersection between KOL marketing and department stores but also generates more traffic for our official website. After upgrades to marketing tools and functions on our official website, we welcomed 10,506,270 unique visitors to our official website, a 4.28% year-on-year growth from 2021.



80,000+

transforming the Beauty Stage into skm online, and expanding the product offering

seven-fold

revenue growth and witnessed a seven-fold revenue increase

10,506,270 visitors

unique visitors to our official website in 2022

4.28%

year-on-year growth from 2021

Item	Function	Impacts	Quantified Outcomes
Personalized Ad & Recommendation System on skm online	• Targets users based on their browsing behavior, shopping habits, customer status (new or returning), and inferred preferences to recommend suitable products or activities that align with their interests • Provided recommendations for the latest arrivals, best-selling products, and similar products with smart recommendations derived from skm online's big data on products/sales	• Improved customer's shopping experience and increased conversion across the whole site by providing product/campaign mixes that better meet their individual needs	• Increased skm online conversion rate from 0.73% to 1.13% (55% increase)* • Increased average order value from NT$6,016 to $12,945 (115% increase)*
SKM Official Website Templates	• Employees from different department stores can use templates for different functions, which allows them to quickly update the webpage for seasonal products or campaigns and produce high-quality marketing content with ease	• Reduced the technical barrier for designing and producing webpages for our official website • Reduced the times it takes for employees at department stores to produce a webpage and increase their work efficiency • Launched 7 templates, 6 modules, and 36 functions (including pictures, products, articles, communities, raffles, event checklists, etc.)	• Reduced the average amount of time required for producing a webpage from 5 days to 2.5 days • HQ and department stores produced a total of 918 webpages • Satisfaction between July and November 2022 among employees from HQ and 26 department stores was 3.69 (rated on a 1 to 5 scale with 5 being highly satisfied and 1 being not satisfied) • Over 60% of employees reported satisfaction, with feedback focusing on the templates being simple, responsive, visually appealing, and highly versatile. Employees also said that they were looking forward to features like discount modules and more editing functions
Celebrity Boutiques	• Launched SKM Media on the official SKM website to collaborate with KOLs from different fields for KOLs to curate and sell products on our online platforms (official website, skm app, and skm online)	• Bolsters SKM's reputation in fashion and generates traffic to our official website • Provides customers with new inspirations and trends	• In 2022, launched 12 Celebrity Boutique campaigns • Campaigns brought in 153,000 users and 229,000 clicks to our official website

(*: Comparison across January 1, 2022, to May 15, 2022 and May 16, 2022, to December 31, 2022)

- **Case in Focus III：Electronic Business Operations System**

With retail channels embracing digital transformation, we are entering a new era of smart retail. To adapt to these market changes, we are optimizing our existing digital B2C platform and digitalizing manual and paper-based business operations. This transition not only reduces paper consumption but also significantly enhances SKM's work efficiency, reduces human errors, and facilitates internal communication and management, ultimately enabling us to provide customers with high-quality services.

Item	Function	Impacts	Quantified Outcomes
EasyCard Function Integrated into Cloud POS System	• Added EasyCard function to the cloud POS system used in restaurants, food courts, food counters and supermarket	• Added diverse payment functions to our cloud POS system • Streamlined system operations for service staff	• In August 2022, added EasyCard function to F&B, food counters and supermarket at all • department stores As of December 2022, generated 820,000 transactions with the EasyCard function
Developed inventory management system	• Developed our own inventory management system, functions include： 1. Digital pre-orders 2. Integration with POS system 3. Product & supplier management 4. Customer order handling 5. Inventory & shipping status	• Increased employee management performance as real-time and flexible inventory management can help us respond to new trends in retail and sales	• Reduced paper usage by approximately 25,000 sheets per year with our inventory management system • Processed over 35,000 gift catalog orders between end of April and end of December 2022 after roll-out across all department stores
Digital budget system	• Standardized management processes in budget system, added function to compare estimated values and actual values, and strengthened the system's budget control function	• Compiled spreadsheets for different budgets and uploaded spreadsheets to database for storage and one-stop management • Reduced manual operations, work time, and labor required • Used system to automatically check and reduce errors • Unified systems across all department stores for easy management • Increased efficiency in reviewing budgets across different projects	-
Paperless Company	• Used the following tools to propel SKM into a paperless company： 1. Electronic signatures for BPM documents 2. Digital documents 3. Mobile operations platform	• Reduced paper usage and strengthened sustainable operations • Improved workflows to increase efficiency • Empowered employees to work with mobile devices, reducing demands for equipment procurement	• From 2014 to 2022, accumulated for over 660,000 BPM electronic forms have been approved. • Signed over 10,000 electronic documents • Mobile operations platform used nearly 430,000 times

Innovative Digital Shopping Experience

- **Case in Focus I： Digital Member Management**

In the past, membership applications were mainly promoted through department store campaigns and paper-based methods. However, SKM has now introduced a membership application portal on the skm app. This modern digitalization approach not only aligns with current trends but also reduces the risk of COVID-19 infections, enhances paperless operations, and potentially frees up manpower for other core tasks. In addition, our mobile application has completely replaced physical member cards. As of July 20, 2022, we no longer issue physical cards, eliminating the inconvenience of customers having to carry multiple cards and reducing waste and carbon emissions.

Item	Function	Impacts	Quantified Outcomes
New Member Application Portal on skm app	• Added two verification methods: third-party verification of personal ID cards and mobile phone numbers and video call verification. Once skm app users spend the requisite amount online, they can click on "Apply Now" to verify their identity and apply for membership online	• Simplified membership application process, which encourages customers to bind their membership to the skm app directly after online application	• Received applications from 79,136 customers in 2023 since roll-out in July 2022 and issued a cumulative total of nearly 80,000 digital VIP cards, with 98% of members binding their membership with their skm app • Added over 260,000 members on the skm app (through binding) in 2022. • 68.5% of SKM members have attached their membership to the skm app • Saved NT$3,626,338 from printing membership cards as of the end of 2022
Terminated Physical Membership Cards & Promoted Digital Memberships	• Terminated the issuance of physical membership cards in 2022, with memberships now being issued on the skm app. We also continue to encourage members to bind their membership on the skm app	• Terminated the issuance of physical membership cards to encourage customers to apply online and attach their membership with the skm app • Reduced costs from printing membership cards	
Shifted all non-official digital members as "Orange Card Members"	• All customers without SKM memberships become "Orange Card Members" for free by simply downloading the skm app and performing a semi-real-name authentication on their phones	• Convenient member management • Strengthened customer experiences across platforms	• Added 337,000 Orange Card Members in 2022

- **Case in Focus II： Optimized User Interface for skm app**

SKM values innovative services and personalized experiences. Through our skm app, members can enjoy various features, including convenient access to SKM campaigns and member benefits, the ability to purchase the latest products, browse restaurants on skm eats, and check parking lot availability prior to arrival. In hopes of increasing member stickiness, SKM decided to optimize and adjust the skm app's user interface in 2022, hoping that this could enhance customer's experience with purchasing and browsing on the skm app, allow customers to quickly find certain functions or campaigns, and create a more intuitive user experience to thereby increase order cnversion.

Before Update(L)& After Update(R)

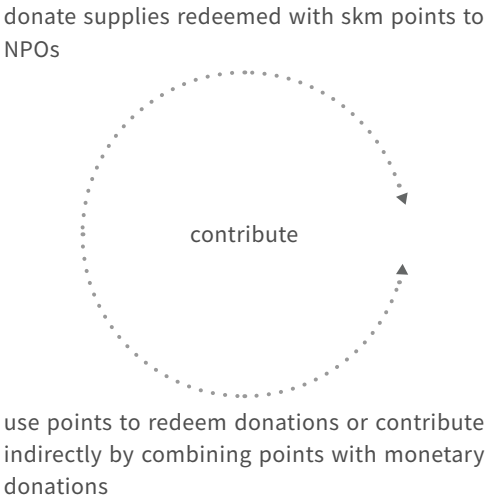
Item	Function	Impacts	Quantified Outcomes
Application Homepage Update	• Optimized user interface, including： 1. Automatically switching to the appropriate icon when customers bind on skm pay 2. Adjusted layout to make main visuals more appealing 3. Added shopping cart portal 4. Added portals to major campaigns 5. Added shortcut to department store information 6. Presented event information by topics and dates	• Enhanced user experiences on skm app • Added portals to different functions for easy access • Provided a clear and simple overview of member benefits	• Added icon for major campaigns on homepage as a portal; in 2022, added 1.26 million click-throughs to major campaigns
Coupon & Order Integration	• Integrated portal to orders and coupons	• Before the update, orders and coupons had different portals and many customers missed out on their coupons. After the update, customers can check any available coupons when checking orders	• In 2022, Member System generated NT$1.1 billion in revenue with over 40,000 transactions

- **Case in Focus III：New skm points System**

SKM introduced its initial member points system, which eventually evolved into the current skm points, in 2016. After five years, the system gained significant traction, with nearly 70% of members actively participating and benefiting from over 600 million points issued annually. In order to increase member redemption and maximize the value of points, SKM decided to launch a new skm points system after one year. The new skm points system maximizes the value of member points, issuing over 12 times more points annually. Currently, over 50% of SKM members hold skm points. We have also diversified the point redemption programs, allowing members to redeem products or participate in raffles using their points. This has resulted in the successful return of 179,000 customers to SKM department stores for point redemption, representing a growth of 60%.

More importantly, the new skm points system can strengthen member loyalty and stickiness, generating a circular economy where "SKM issues points to customers → Customers redeem points." In 2022, customers redeemed over 90% of the points issued, which far exceeds the usual redemption rate of 70%. During the 2022 anniversary sales, SKM introduced its first "Points for Purchase" campaign and added more than 3,702 new products for redemption compared to last year. We uploaded a total of over 100,000 products and increased click-through by 645,000, which increased by 91% from 2021.

Under the new skm points system, SKM introduced charity campaigns in addition to gifts for brand members (for more details, please refer to 3.3.1 Social Engagement for the Common Good), allowing members to donate supplies redeemed with skm points to NPOs, which are then gifted to underprivileged communities. SKM will continue to pursue different partnerships in the future to create a points ecosystem. We will also develop different charity projects, allowing members not only to make direct donations but also to have the opportunity to use their points to redeem donations or contribute indirectly by combining points with monetary donations. This will enable them to contribute to NPOs by donating funds or providing essential resources to those in need.



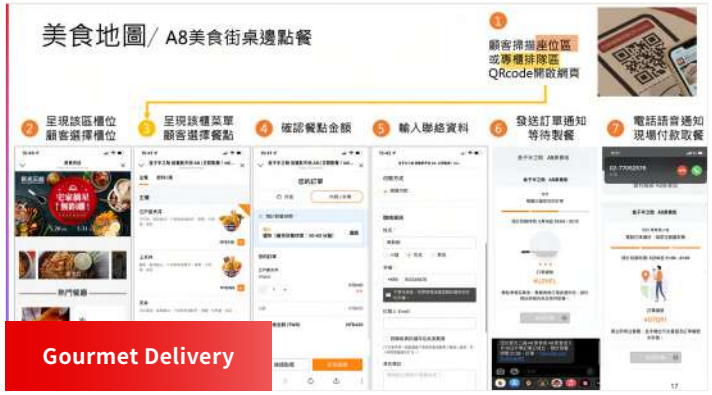
new skm points system

- **Case in Focus IV: New Shopping Experience with OMO**

To establish a seamless shopping experience both online and offline, SKM continues to strengthen digital functions. In 2022, we launched several features on our skm app, including Group Buying and Gourmet quick order, to ensure uninterrupted shopping across online and offline channels. The Group Buying feature revolutionized the traditional group buying model where customers had to join fan groups to enjoy discounts from group purchases. Now, customers simply need to register as members and complete the registration process to enjoy discounted prices on products from SKM department stores and counters.

The Gourmet quick order feature allows customers to order online by scanning QR codes at their tables or in line during peak hours, such as lunchtime or dinnertime. Once their orders are ready, customers will receive a notification, to which they can proceed to the counter for payment and pickup, effectively reducing their time in line.

Group Buying



Gourmet Delivery

Item	Function	Impacts	Quantified Outcomes
Group Buying	• Equipped counters with registration tools that allow customers to register and, once the required number of registered members is reached, enjoy exclusive offers.	• Increased product sales and offered discounted prices through group buying	• Launched 36 group buying campaigns in just six months after roll-out • Generated 372,000 views and generated NT$3.057 million in revenue • 67% of participating members increased frequency of application usage
Gourmet quick order	• Enables customers to order by scanning QR codes at their tables or in line. Once their orders are ready, customers will receive a notification, to which they can proceed to the counter for payment and pickup	• Reduced waiting time and prevented accidents from overcrowding in food courts	• Reduced waiting time from 5 minutes to 0 minutes for Gourmet quick order users during peak hours, such as lunchtime and dinnertime

2.1.2 Customer Relationship Management

Management Guidelines

Policies & Commitments

We believe in "putting our customers first and treating them with honesty and integrity." Therefore, SKM is committed to offering diverse channels for customer feedback and reporting. We've also established SOPs to handle negative feedback and incidents to ensure customer satisfaction. In addition, we continue to make improvements based on customer feedback.

Impacts

Outstanding customer relationship management (Positive Impact).
Customer complaints and disputes (Negative Impact).

Action Plans

Prevention & Mitigation

- Launched SKM Smart Customer Service to provide 24/7 response to simple customer inquiries.
- Introduced TECS, a customer feedback management system, to record and analyze customer feedback.

Management Measures

- Adopted ISO 10002 Customer Satisfaction and Complaints Handling system.
- Established an SOP to handle customer complaints.
- Established an SOP for customer incident reporting & handling.

Stakeholder EngagementStakeholder Engagement

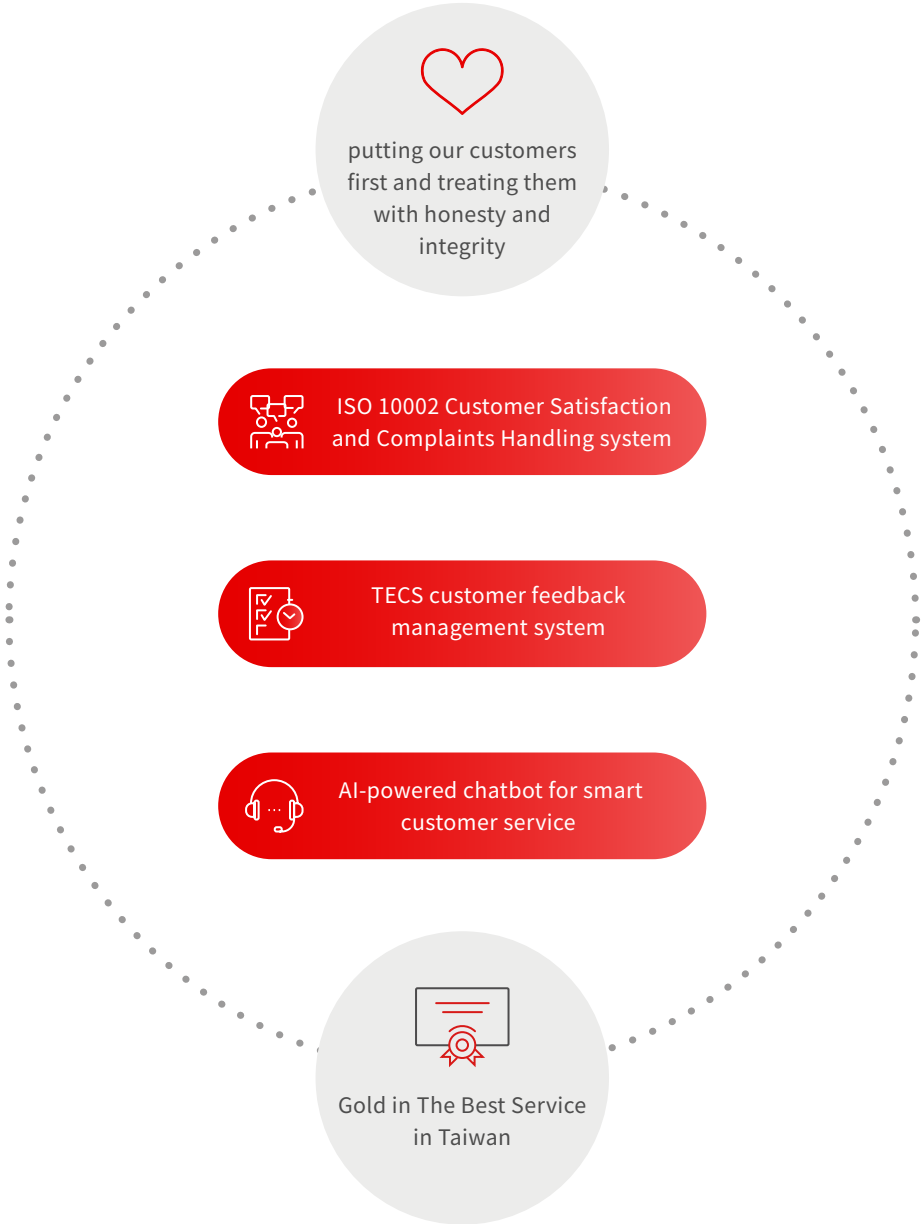
- Reached out to customers via telephone to explain SKM response to customer incidents after investigations are completed.
- Invited customers to fill out surveys regarding customer satisfaction with SKM handling of negative feedback.

Assessment & Tracking

Customer Service Department reports all resolved and pending customer complaints to the president during monthly store manager meetings, explaining outcomes and future management plans.

SKM is committed to providing friendly and personal services. We believe in "putting our customers first and treating them with honesty and integrity" and care deeply about collecting customer feedback to strengthen SKM's reputation and image among customers. SKM is the first department store in Taiwan to obtain international verification for the ISO 10002 Customer Satisfaction and Complaints Handling system, We have been consistently updating and maintaining the verification in line with different versions, and for the past seven years, we have successfully retained the validity of the ISO 10002 Customer Satisfaction and Complaints Handling system. In 2022, in addition to continuing to provide diverse channels for customer feedback, SKM introduced new services such as the TECS customer feedback management system and an AI-powered chatbot for smart customer service, aiming to provide customers with more immediate interactive experiences. Regarding customer complaints and negative feedback, SKM not only offers various feedback channels for customers but also establishes SOPs to meet customer needs. SKM also takes customer feedback into account to make improvements accordingly.

With various improvement measures in place, SKM was awarded Gold in The Best Service in Taiwan organized by the Commercial Times in 2022. This marks the fifth time SKM has received this honor, following previous awards in 2017, 2018, 2020, and 2021.



SKM Response to Customer Feedback and Complaints

SKM values the opinions, comments, and requests of all stakeholders. Below is an explanation of our customer feedback channels and customer complaint handling process

SKM Data on Customer Feedback Channels

Customer Feedback Channels	Main Topics					2022 Data on Customer Complaints/Feedback
	Complaints	incident reporting	commendations	suggestions	inquiries	
Toll-free Hotline	✓	✓	✓	✓	✓	8,532
On-site Service Desks	✓	✓	✓	✓	✓	2,030
Customer Feedback Forms	✓	✓	✓	✓	✓	423
Official SKM Website - Customer Feedback Section	✓	✓	✓	✓	✓	8,575
IoT (Internet of Things)					✓	228
Letters	✓				✓	17
Others	✓	✓	✓	✓	✓	1079
Total Number of Customer Complaints/Feedbacks in 2022						20,884

Online

official website	Customer Feedback
food map	Order record, contact customer service
skm online shoppong	• IOT order question • Official website opinion mailbox
shopping butler	Customer Product Inquiry

Offline

on site	• front desk • frontline staff
phone	• switchboard • 0800 Free Line
Comment form	• Comment form • Customer Feedback Card
mail	• customer letter • government letter

Customer Feedback Channels

For customers who provide negative feedback, such as complaints or grievances, SKM's Customer Service Department will initiate an internal investigation upon receiving the feedback. The relevant departments will be assigned based on the nature of the feedback. Following ISO 10002 standards, the severity of the incident will be assessed and classified into three levels: general, moderate, and severe. Cases classified as severe or above will be contacted for initial resolution within six hours. As a general principle, all cases should be processed and resolved as quickly as possible within three days. The Customer Service Department will proactively provide updates on any progress, results, or follow-ups to the customers, aiming to reach a mutual understanding. Finally, customers will be invited to provide feedback on their satisfaction regarding our handling of their negative feedback. Every month, the Customer Service Department will compile and present all resolved and pending customer complaints to the president during monthly store manager meetings. They will also propose future tracking and review plans for further improvement. For commendations, the Customer Service Department will notify relevant departments for reporting and commend the department store during company-wide morning meetings.

Process for Handling Negative Customer Feedback

Customer feedback channel
All staff are window for customer opinions.

Unified processing unit
SKM is unified processing window

Opinion processing unit
Regularly reply to customers and record them, and finish processing as soon as possible within three days.

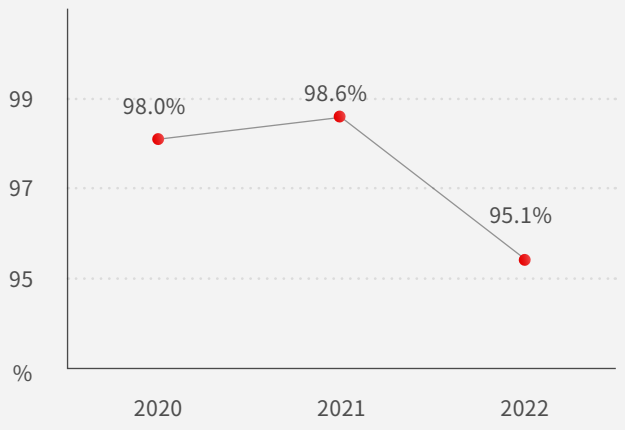
Tracking report
It is necessary to take the initiative to report and deal with the follow-up, so that the case can be concluded satisfactorily based on interests.

Customer satisfaction survey
Confirm customer satisfaction with complaint handling.

Note: "Central responsible unit" refers to the Customer Service Department

To ensure the enforcement of customer satisfaction surveys on SKM's response to negative customer feedback, SKM will personally survey customers in cases labeled "severe." In cases labeled "general," SKM will invite customers to fill out the survey after resolving the complaint. Results from customer satisfaction surveys this year on SKM's response to negative customer feedback showed an overall satisfaction rate of 95.1%, representing a slight decrease compared to 2021. As a response, we have strongly emphasized the importance for related employees to demonstrate empathy, patience, and attentiveness towards customer needs. We also highlight the importance of consoling customers, improving our response, and providing prompt updates to ensure customer satisfaction.

2020-2022 Customer Satisfaction Survey on SKM's Response to Negative Customer Feedback



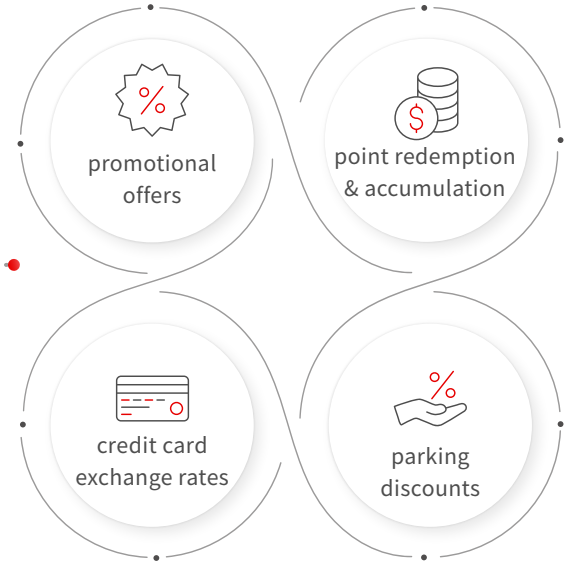
Customer Service Initiatives - Highlights

- **Case in Focus I： SKM Smart Customer Service**

SKM Smart Customer Service "Shin Shin" is a chatbot service introduced by SKM on July 11, 2022, available on skm online and the skm app platforms. It is equipped with information on promotional offers, point redemption and accumulation, parking discounts, credit card exchange rates, and other frequently asked questions. With preset automated responses, customers can simply enter keywords or select from recommended answers in the chat window to receive timely responses 24/7. Before Smart Customer Service, most basic inquiries were handled manually and customer service spent a significant amount of time answering repetitive questions. However, with the introduction of automated chatbot responses, customer inquiries are now addressed promptly, allowing SKM to serve more customers. This enables a more effective allocation of customer service personnel and allows them to focus on more complex complaints. Smart Customer Service chatbot covers the workload of around three customer service personnel each day. As of December 31, 2022, the direct response rate has increased to 66.7%, with the chatbot being able to successfully identify 94.8% of customer inquiries.

automated chatbot, customer inquiries addressed promptly

serve more customers and service personnel allow to focus on more complex complaints



- **Case in Focus II：TECS Customer Feedback Management System**

Introduced in September 2022, the TECS customer feedback management system can compile feedback from one customer based on their individual records, thereby improving the efficiency of customer feedback management. Before the TECS customer feedback management system, customer feedback was managed on a case-by-case basis, meaning that each individual feedback was treated as a separate case. Retrieving feedback from a specific customer for case analysis was also not a possibility under the former system. With the TECS customer feedback management system, feedback from the same customer will be recorded under their name. Accessing customer profiles will provide an overview of all previous feedback from the customer. This can help SKM clarify and track progress in customer feedback and appoint the same customer service to prevent duplicate work.

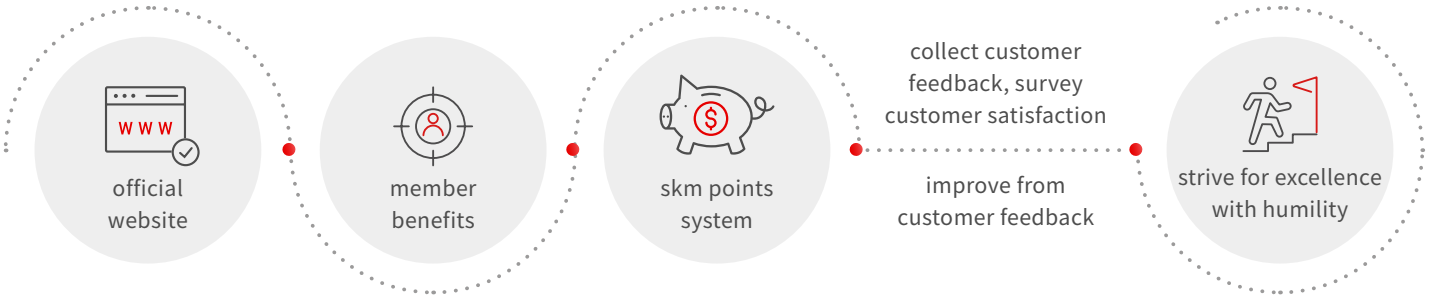
- **Case in Focus III：ISO 10002 Customer Satisfaction and Complaints Handling System**

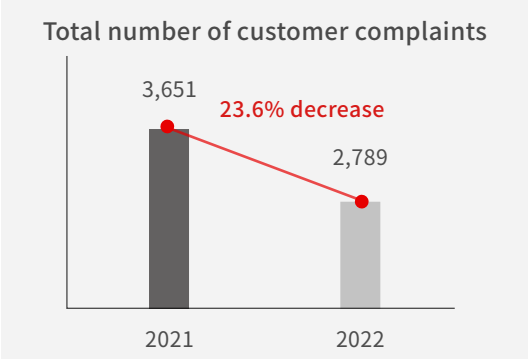
SKM first adopted the ISO 10002 Customer Satisfaction and Complaints Handling standards in 2015 and has consistently verified SKM practices to align with new versions of the system over the past seven years. SKM compiles and handles customer complaints in compliance with the 14 guiding principles set forth in ISO 10002:2018 and, in compliance with ISO 10002 guidelines, established standardized customer complaint handling systems in 2015 across all 15 SKM department stores in Taiwan. SKM compiles and manages customer feedback using the customer complaint handling system within the framework of ISO 10002 principles.

Data on Customer Satisfaction Surveys & Feedback

In 2022, SKM rolled out several new initiatives to enhance customer experiences. Examples include updating our official website, expanding member benefits, and launching the new skm points system. In the future, SKM will continue to collect customer feedback, survey customer satisfaction, and listen to the voices of every single customer. As we identify areas to improve from customer feedback, we will strive for excellence with humility.

With our consistent efforts to improve and perfect customer services, in 2022, we received 2,789 customer complaints, which is 23.6% less than the 3,651 customer complaints in 2021. In the future, SKM will continue to adhere to the ISO 10002 spirit and principles as we strive to maintain strong customer relations. We will continue to identify opportunities to improve through customer feedback and satisfaction surveys to further increase customer satisfaction.





2020-2022 Data on Customer Feedback						
Year	Customer Complaints	Accidents/Incidents	Commendations	Suggestions	Inquiries	Total Feedback from Customers
2020	3,613	524	606	91	12,613	17,447
2021	3,651	432	587	84	24,944	29,698
2022	2,789	423	627	64	16,981	20,884

Reporting and Handling of Customer Incidents

At SKM, we require customer service personnel to maintain a high level of vigilance to ensure proper response to emergency situations. When incidents or accidents involving customers occur at SKM department stores, customer service personnel are required to respond immediately in compliance with the Guidelines for Handling Emergency Injuries & Illnesses, providing assistance or access to medical attention depending on the situation. Follow-up will be performed by a single point of contact from the customer service unit to offer consolation as necessary. SKM has established an SOP to report and handle incidents and accidents involving customers, which all customer service personnel are obligated to comply with to ensure we provide a safe and secure shopping environment.

Five-time Gold Winner of The Best Service in Taiwan

Over the past thirty years, SKM has continued to perfect services from our customer's perspectives to ensure that our services keep pace with rapidly changing and evolving consumer trends. In the face of the COVID-19 pandemic, we have also been highly proactive and were able to capitalize on the resulting changes in consumer behavior with fast digital transformation. Our goal was to "transform every sales associate's phone into a department store," and we have developed OMO sales models to address consumer pain points. In 2022, SKM was awarded gold in The Best Service in Taiwan organized by the Commercial Times. This marks the fifth time SKM has received this honor, following previous awards in 2017, 2018, 2020, and 2021. The evaluation process involves mystery shoppers visiting service locations to experience and shop for themselves. Their experiences are then evaluated through national, professional, and fair evaluation processes, from which the Commercial Times selects outstanding service corporations and providers.

2.2 Customer Privacy Protection and Information Security

GRI Disclosures: 418-1

Management Guidelines

Policies & Commitments

SKM established a new position titled Chief Officer of Security and Surveillance directly under the president and assisted the Department of Security and Surveillance with compiling the Cybersecurity Advancement Framework. We commit to regularly reviewing and amending the framework to ensure a robust customer privacy protection and cybersecurity protection system at SKM.

Impacts

Corporate or customer data breaches (Negative Impact).

Action Plans

Prevention & Mitigation

- SKM requires all information-related vendors to add the revised Confidentiality Agreement and Information Security Agreement to existing contracts as part of efforts to strengthen the responsibilities and obligations of SKM and suppliers in information security.
- SKM received ISO 27001 Information Security Management System accreditation in 2020. In 2022, we kicked off preparations for ISO 27701 Privacy Information Management Standard, with plans to apply for certification in 2023 to strengthen the protection of corporate and customer data.
- Provided 2,081 hours in education and training on information security.
- Organized 4 phishing (social engineering) drills.
- Conducted annual audits, internal & external.

Remedial Measures

- SKM established information security reporting flows in the Information Security Incident Management Procedures, which comply with the ISO 27001 Information Security Management Systems. In the event of major information security incidents, SKM shall assemble an emergency response task force to identify the root cause, review the incident, and discuss subsequent improvement measures. During this process, SKM shall continue to remain responsive and communicative with stakeholders.
- SKM provides diverse customer feedback channels both online and offline, and has established a process for handling customer complaints to respond to customer demands.

Stakeholder Engagement

- Strengthen information security network through education, training, and raising supplier awareness.
- Reach out to customers to share SKM responses after investigating and handling negative customer response.

Assessment & Tracking

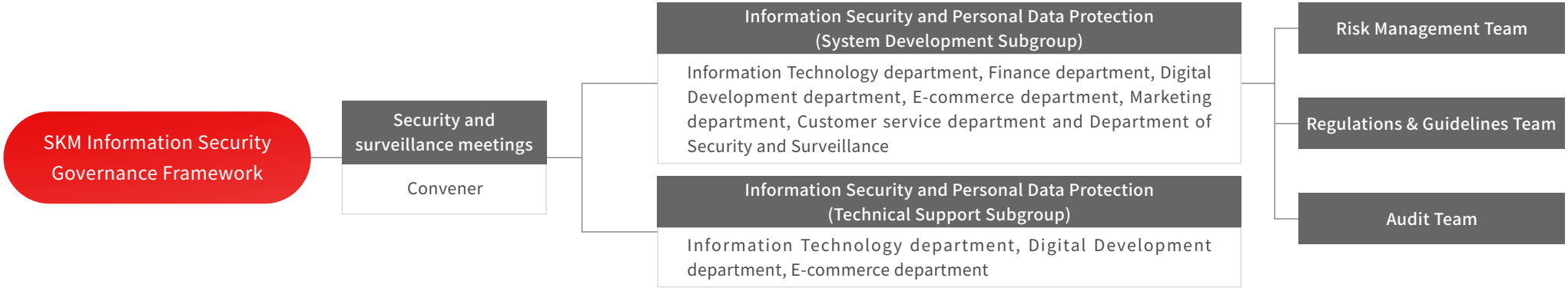
SKM HQ convenes at least one information security review meeting per year and convenes monthly security and surveillance meetings to receive reports on information security, review information security management strategies, and track performance.

One of the characteristics of department stores is a diverse and large customer base. As of December 2022, SKM has accumulated up to three million members. The large amount of data on customer purchases and vendor transactions requires strict protection. With our growing number of department stores and business expansion, SKM adheres strictly to domestic regulations and policies on data collection, storage, access, and usage. We received ISO 27001 Information Security Management System accreditation in 2020 and initiated personal data inventory and preparatory training for ISO 27701 Privacy Information Management Standards, which we intend to apply for in 2023. Our strict information security protection has secured SKM an A+ rating in cloud safety by cybersecurity assessment platform, Cymetrics, in the Cybersecurity Risk Exposure Report on Taiwan Department Stores in 2022. Throughout the years, we've consistently held ourselves to international standards as we establish and enforce information security and personal data protection systems. We strive to ensure strong protection over personal data and proprietary business information and safeguard the privacy and rights of all stakeholders.

2.2.1 Information Security Enforcement

To enhance internal security policies, SKM pioneered the industry and created the Chief Officer of Security and Surveillance position and related units in 2018. We also, ahead of the announcement of the updated 2021 version of the Regulations Governing Establishment of Internal Control Systems by Public Companies, complied with related regulations from the FSC. The Department of Security and Surveillance, under the direct supervision of the president, is responsible for suggesting security policies, conducting investigations, and organizing education and training to create robust policies for various dimensions, including information security. Led by the Chief Officer of Security and Surveillance, security and surveillance meetings comprises department managers responsible for security (for details on security and surveillance meetings, please refer to 1.2.2 Risk Management). The meetings also include subgroups responsible for the establishment of information security systems and technical support for information security. These subgroups handle matters related to risk management, security regulations, crisis response, and audits.

SKM convenes monthly security and surveillance meetings to receive reports on information security, review information security management strategies, and track performance. Any consensus and resolutions from the meeting will be submitted to the president for approval and then issued to related departments for implementation. SKM HQ will also convene at least one information security review meeting per year. The information security review meeting is attended by members of security and surveillance meetings, the Information Security System Subgroup, and the Information Security Technical Support Subgroup.



SKM Information Security Units & Responsibilities

Coordination & Decision-making

Security and surveillance meetings - Responsible for overseeing the management system and for reviewing and making decisions on matters relating to the company-wide management system.

Roles	Responsibilities
Information Security and Personal Data Protection, System development subgroup -Risk Management Team	1. Compile information on and raise awareness for management systems & organize training on information security technologies 2. Establish management systems and measures & enforce security and surveillance 3. Perform tasks relating to asset risk management, which includes maintaining an inventory of assets, conducting vulnerability and threat assessments, assessing asset risks, and developing and tracking plans to mitigate asset risks
Information Security and Personal Data Protection, System development subgroup -Regulations & Guidelines Team	1. Amend and control process documents relating to management systems 2. Prepare for management system reviews
Information Security and Personal Data Protection, System development subgroup -Audit Team	1. Formulate the annual audit plan for management systems and its implementation & compile the Information Security Audit Checklist 2. Compile and present audit reports to the security and surveillance meetings for review
Information Security and Personal Data Protection-Technical Support Subgroup	1. Provide technical support on information security for SKM & carry out emergency responses to crises relating to management systems 2. Perform tasks relating to business continuity management, which includes business impact analysis, business continuity plans, incident reporting procedures, and related drills

The Department of Security and Surveillance completed the Cybersecurity Advancement Framework on August 5, 2019. Since then, the department has reviewed and amended the framework annually to ensure a robust information security protection mechanism at SKM. In addition, SKM amended security management procedures for outsourced services in 2021, requiring all information-related vendors to add the revised Confidentiality Agreement and Information Security Agreement to existing contracts as part of efforts to regulate the responsibilities and obligations of SKM and suppliers in information security. To strengthen system resilience and SKM's information security protection network we continued to implement management measures such as updating practices to comply with revised ISO 27001 Information Security Management Systems, providing 2,367 hours of education and training on information security, organizing four phishing email (social engineering) drills, and conducting internal and external audits to reduce risks of data breaches.

Revised Confidentiality Agreement and Information Security Agreement

2,367 hours of education and training on information security

Organizing four phishing email (social engineering) drills, and conducting internal and external audits to reduce risks of data breaches

Eight Directives & Measures of the Cybersecurity Advancement Framework

No.	Directives	Measures
1	Adopt international information security standards	• In 2020, received ISO 27001 accreditation and continued to maintain a valid ISO 27001 certificate • In 2022, organized preparatory training for ISO 27701, which we intend to apply for in 2023
2	Maintain external consultants	• In 2022, continued to maintain long-term partnerships with several information security consultants from the industry, government, and academia
3	Promote SKM's information security policies	• In 2020, the president approved & announced SKM's Information Security Policy • In 2022, completed 8 project research reports to strengthen information security policies
4	Established internal organizations for information security & risk management	• In 2022, introduced security and surveillance meetings and, in response to ISO 27701 guidelines, a personal data protection and management organization
5	Formulated emergency response guidelines for information security incidents	• Continued to spotlight reporting and response procedures for significant information security and personal data incidents & introduced a response procedure for personal data protection in compliance with ISO 27701 guidelines
6	Improve external information security tests and offense/defense exercises	• Continued to organize phishing email (social engineering) drills • Continued to review, engage, and assess different information security vendors to identify strengths and prevent regular testing from falling into mere routines
7	Maintain employees' information security defense capabilities	• Continued to organize phishing email (social engineering) drills, using email templates updated to current events to regularly raise employee awareness of information security • Organized information security training for employees & encouraged employees to obtain information security certification
8	Assess information security insurance	• Continued to monitor the market for information security insurance products & assess and purchase information security insurance when necessary

2022 SKM Achievements in Information Security & Risk Management:

Information Security Management Certificates

In July 2020, SKM received ISO 27001 Information Security Management Systems for the first time and continued to maintain the certificate in 2021 and 2022 through tracking and verification. Through the validation of ISO 27001 standards, we continue to monitor internal and external issues, conduct risk assessments, and consolidate internal information security awareness through risk management plans. This allows us to achieve the information security objectives of system confidentiality, integrity, and availability, thereby enhancing overall corporate security and reducing operational risks. In 2022, we took further steps to prepare for the implementation of the ISO 27701 Privacy Information Management Standards. This included conducting personal data inventory, risk assessments, and education and training. We plan to apply for ISO 27701 certification in 2023.

Information Security Education, Training, and Promotion

Personnel involved in information security are required to complete three hours of information security courses each year, while new employees are required to complete online information security courses. In addition, SKM holds internal lectures on information security from time to time on topics such as mass data loss from PTS's news database and new trends in business email compromise to raise employee awareness for information security.

2022 SKM Data on Information Security Training

Course	Training Hours	Trainees	Total Training Hours (ppl*hrs)
Introduction to SKM's ISO 27001 System and Information Security Awareness	1	15	15
Information Security Course for General Sales Employees	3	9	27
Information Security Course for General Employees	2	10	20
Social Engineering Drills	1	1,743	1,743
Online Onboarding Courses	1	276	276

Information Security Risk Identification and Incident Drills

SKM compiles and reports external attacks, information security attack analyses, and information security assessment progresses at monthly security and surveillance meetings to evaluate existing information security risks. In addition, we conduct internal social engineering and phishing email drills to assess information security systems and simulate and evaluate SKM's ability to respond to information security attacks from time to time, which we then used to formulate plans to strengthen information security at SKM. Data on information security items inspected in 2022 are as follows:

2022 SKM Information Security Assessment		
Item	Goal	Summary of Results
External vulnerability scan	Patch all high-risk vulnerabilities	Patched all high-risk vulnerabilities across 12 SKM websites
Penetration tests on key websites	Patch all high-risk vulnerabilities	Patched all high-risk vulnerabilities on skm online
Phishing email (social engineering drills)	≥ 90% pass rate	Average pass rate in 2022: 94.36%
Malware scans on mainframe computer	Zero malware	No malware was detected on SKM's 200 mainframe computers
Vulnerability scan on mainframe computers	Patch all high-risk vulnerabilities	Patched all high-risk vulnerabilities on SKM's 200 mainframe computers
Source code analysis	Patch all high-risk vulnerabilities	Completed scan and developer provided revised and updated version
Information security test on skm app	Pass L3 security accreditation from the Mobile Applications Security Alliance	Passed

Information Security Incident Reporting & Remediation

SKM established the Information Security Incident Management Procedures, in compliance with the ISO 27001 Information Security Management Systems to regulate any reports that may materialize into information security breaches and outline reporting and response procedures against any major information security incidents. In the event of major information security incidents, SKM shall assemble an emergency response task force to identify the root cause, review the incident, and discuss subsequent improvement measures. During this process, SKM shall continue to remain responsive and communicative with stakeholders. Once the incident has been handled, an Information Security Incident Report Form, detailing follow-up items and timelines in details, shall be submitted to prevent recurring incidents. In 2022, there were no data breaches, data theft, data loss, or any leaks of personal identifiable information (PII).

2.2.2 Customer Privacy Protection

SKM cares about the rights and interests of our customers and strives to build a safe and reliable shopping environment. Since adopting ISO 27001 Information Security Management Systems, we also kicked off preparations for ISO 27701 Privacy Information Management Standard in 2022. This includes taking stock of personal information and organizing risk assessment training. SKM is currently planning to apply for ISO 27701 accreditation in 2023 to improve and enforce protection over customer privacy and personal information.

SKM also values customer feedback and is eager to listen to our customers. Customers can share their feedback, suggestions, or complaints through multiple channels, including the toll-free hotline, on-site service desks, and customer feedback form on the official website (for more details on customer feedback channels and related data, please refer to section 2.1.2 Customer Relationship Management). The company adheres to the "confidentiality" in the ISO 10002 guiding principle, and the personally identifiable information of the complainant is only used to handle the complaint service, and will not be disclosed to non-related persons, and it will be actively and strictly managed. Personal information shall not be disclosed to third parties unless the complainant understands and agrees. Surveys from individual departments revealed six cases of customer complaints involving personal data, with six customers affected in total. None of the complaints were penalized by competent authorities (please refer to Table 4. Customer Complaints on Personal Data).

Customer Complaints on Personal Data				
Types of Customer Complaints	Appeals to/Penalties from Competent Authorities	SKM Investigation	Total	No. of Affected Customers
Promotions (sending fliers)	None	✔	6	6

Due to the nature of our business, SKM holds mass data on the personal information of our customers. SKM investigated all of the above customer complaints regarding personal information in compliance with ISO 10002 Customer Satisfaction and Complaints Handling procedures. Investigations into the six customer complaints regarding fliers for a sales event revealed the root cause was an error made by the membership service personnel during customer data entry, where the customer's ID number was mistakenly entered into the name field. This led to some customers receiving marketing materials with their ID numbers displayed in the name field, raising concerns about potential data leaks. In compliance with ISO 10002 guidelines, SKM apologized to the affected customers, provided explanations, and assisted in correcting the data. We also initiated review and improvement measures, including asking customers to apply for membership and fill out their own information online, ensuring membership service personnel confirm personal information entered for member registration and then asking customers to confirm the information before saving, and sending SMS notifications to customers with incomplete fields and then inviting them to visit service desks at any department stores to fill out a Member Information Change Form to make the necessary changes. In the future, SKM will learn from past experiences to bolster customer privacy management mechanisms.

2.2.3 Outcomes from Annual Audit & Security Protection

To achieve sustainable operations, SKM established an information security organization, compiled information security policies, and developed an information security system. Every year, SKM compiles an annual audit plan, creates an Information Security Audit Checklist, and works with an external third-party organization to conduct comprehensive assessment. We strive to ensure that we are effectively enforcing existing information security and customer privacy management systems or responding immediately to potential risks and leaks with corrective measures in compliance with internal information security management standards and regulatory requirements. The goal is to safeguard data, information systems, equipment, and networks to ensure normal operations and prevent any internal or external incidents or threats. This commitment aims to safeguard and protect consumers, employees, and partner vendors.

2022 Audits	
Internal Audits	External Audits
• June 2022: Commissioned KPMG Advisory Services to conduct the annual internal ISO 27001 audit • June 2022: Audit Department completed the Data Processing Cycle	• March 2022: Deloitte conducted the annual information and related tasks verification • July 2022: SGS Taiwan conducted the annual ISO 27001 verification

2020-2022 Audit Results		
Year	Internal Audits	External Audits
2020	Uncovered 0 secondary deficiencies, 16 items for further monitoring, and 12 recommendations	Uncovered 8 secondary deficiencies, 37 items for further monitoring, and 0 recommendations
2021	Uncovered 0 secondary deficiencies, 23 items for further monitoring, and 8 recommendations	Uncovered 1 secondary deficiencies, 8 items for further monitoring, and 0 recommendation
2022	Uncovered 0 secondary deficiencies, 14 items for further monitoring, and 7 recommendations	Uncovered 1 secondary deficiency, 11 items for further monitoring, and 2 recommendations

Note: All items have been remediated, with 3 being included as internal issues and slated to be fully remediated in August 2023.