This is the future of age verification

- **PRESERVES EXISTING AGE-GATED OFFERINGS**
  Ensures you can sell ALL age-gated products, including full-line vape

- **ENABLES NEW REVENUE STREAMS**
  Opens the door to CBD, cannabis, sports betting revenue possibilities

- **ENABLES ONLINE SALES OF AGE-GATED PRODUCTS**
  Verification at point of sale and point of delivery to protect against cannibalization from new entrants

- **COMPLIES WITH MANUFACTURER SALES REQUIREMENTS**
  Future-proofs compliance should track, trace and limit become mandatory

- **INTEGRATES LOYALTY PROGRAMS**
  Enhanced targeting and digital couponing; no longer need to "card" your best guests

- **SMOOTHs DIGITAL TRANSITION**
  Embedded in base code; prepares for full digital ID standards
Convenience Stores and Age-Restricted Products Need One Another to Survive

C-stores are the Largest Channel for Sales of Age-Restricted Products

Age-Restricted $ Sales by Channel, $149.8B in 2019 excluding lottery ticket sales

42% All Other

58% C-Store

C-stores Rely Heavily on Age-Restricted Products to Drive Trips and Market Basket

51% of all transaction $ inside the store

37% of all transactions include age-restricted products (54M transactions/day)

27% of all unit sales

Source: Nielsen AOC (Calendar Year 2019 W/E 12/28/19) – does NOT include Lottery Tickets. Markets: xAOC + Conv (Tobacco + Tobacco Alternatives, CBD, Dextromethorphan + Pseudoephephrine), xAOC + Conv + Liquor Plus + Military Exchanges (Beer/FMB/Cider, Wine, Spirits)

Source: NACS Research, SwiftQ, Dec 2019
Product landscape increasingly complex; inconsistent retail verification capabilities create high risk for human error

**Product Landscape**
- Emerging categories require age checks
- Complex state-by-state guidelines by category
- Product legality by state, by product
- Volume limits by person/retailer
- Curbside & remote delivery (COVID)
- Product class availability by state

**Retail Landscape**
- Manual verification process
- Tracking capabilities limited or non-existent; opens risk to social selling
- Staff skills and training overhead; turnover
- Emerging confusion with mobile DLs & DID
- New delivery demands require solutions that are compliant at point-of-delivery
- Costly to implement robust solution independently

Costly to implement robust solution independently
Consumers remain frustrated with underage access to age-restricted products, and lack confidence in c-stores’ effectiveness to curtail the issue

90% Agree sales of age-restricted products to underage consumers is a problem

60% of parents believe it is an Extremely Important or Very Important Problem

Perceived Effectiveness of Preventing Sales of Age-Restricted Products to Underage Consumers

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacies</td>
<td>40%</td>
</tr>
<tr>
<td>Grocery Stores</td>
<td>33%</td>
</tr>
<tr>
<td>Wholesale Clubs</td>
<td>32%</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>19%</td>
</tr>
<tr>
<td>Smoke Vape Shops</td>
<td>19%</td>
</tr>
</tbody>
</table>

Who’s The Worst?

65% believe smaller, independent convenience stores in the community are the worst at preventing access to underage consumers

Source: NACS Consumer Age Verification Study, 2020

*represents average across all store types
The FDA continues to step up its pressure on underage product sales, resulting in additional negative brand impressions.

**Retailer FDA Failure Rates Since 2011**

*Incl involvement of minors only*

<table>
<thead>
<tr>
<th>Year</th>
<th>Failure Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
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<td>2015</td>
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<td>2016</td>
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<tr>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
</tr>
</tbody>
</table>

**F.D.A. Criticizes Walgreens and Other Retailers for Selling Tobacco Products to Minors**

FDA threatens to fine Walmart, Kroger and convenience store chains for selling tobacco to minors.

**FDA Announces Crackdown on Walgreens, 14 other National Retailers Selling E-Cigarettes to Kids**

Inconvenient Problem: One in Four 7-Eleven stores caught selling tobacco to kids.
Product bans are also being pursued. Various bans in effect across 3 states could result in a loss of ~$1.3B* in revenue and ~$360M* in margin alone for C-Stores annually.

### A Flavor Ban in a Single State is Financially Significant

Sales of All Flavored Tobacco & OTP in CA

<table>
<thead>
<tr>
<th>State</th>
<th>C-Store Revenue</th>
<th>C-Store Margin</th>
<th>CPG Revenue</th>
<th>CPG Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>$1.1B</td>
<td>$315M</td>
<td>$785M</td>
<td>$393M</td>
</tr>
<tr>
<td></td>
<td>$1.09B</td>
<td>$309M</td>
<td>$771M</td>
<td>$386M</td>
</tr>
</tbody>
</table>

### With More States Implementing Similar Bans

C-Store Effect of Menthol Ban in NY and NJ

<table>
<thead>
<tr>
<th>State</th>
<th>Lost Revenue 1st 5 wks</th>
<th>Est. Lost Annual Rev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>$13M</td>
<td>$135M</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$3.3M</td>
<td>$34.3M</td>
</tr>
</tbody>
</table>

**New York**  -34%

- Lost Revenue 1st 5 wks: $13M
- Est. Lost Annual Rev: $135M

**New Jersey**  -32%

- Lost Revenue 1st 5 weeks: $3.3M
- Est. Lost Annual Revenue: $34.3M

*Assumes sales consistent with 2019; margin uses weighted average of 28.6%
We must move our industry to the universal, nationwide solution we need and consumers want

**We Need It**

**Consumers Want It**

**Verification must evolve to be frictionless, and always maintain personal privacy and identify. Benefits must exceed cost of any inconvenience or concern.**

**100% VERIFICATION**

Verifying the age of every customer of age-restricted products is essential. Without verification, there can be no tracking.

**CONSUMER ADOPTION**

**90% support a **nationwide standard** for age verification**

**78% favor a **mandatory/universal “We Card” style approach to age verification**

Source: NACS Consumer Age Verification Study, 2020
NACS is uniquely positioned to drive forward a solution most beneficial for our members, and industry

Most importantly, we **UNDERSTAND & SUPPORT** you, the retailer.

- **01** Understand age-restricted sales compliance
- **02** Unique ability to avoid antitrust concerns & provide industry-wide solution
- **03** Strong tech, data security & privacy standards expertise
- **04** Strong existing relationships with suppliers
- **05** Well-established networks & relationships in Federal & State government
- **06** Active in all relevant standards bodies
- **07** Experience in responsibly governing non-profit operations
- **08**
Our guiding principles for this solution have taken into account the things most crucial to keeping retail operations running smoothly:

**DO NO HARM**
Must be equally frictionless and operate in the reality of retail operations

**RELIABLE**
Must be more reliable than existing age verification; operate in off-line situations

**INTEGRATED**
Must work within common retailer technology stack and be easy for tech vendors to incorporate

**CONSISTENT**
Operations and data flows must be standards based

**EASY TO USE**
Takes advantage of existing habits of both retailers and consumers

**MAINTAIN PRIVACY**
Must not increase data security or privacy risk, today or tomorrow

**MINIMAL DOWNTIME**
Distributed specification (POS) changes must be infrequent

**EMBRACE DIGITAL FUTURE**
Must embrace emerging digital identity standards and technology
We will pursue a phased approach to implementation

**PHASE 1**

- **RETAIL-FOCUSED**
  - Adopt new retail processes; scan driver’s license for 100% of age-restricted purchases
  - Robust back-end consumer database, personal data minimized
  - Access scalable & secure hosting system to tokenize, track, trace, limit & report
  - All baseline capabilities will be available to retailers in Phase 1

- **CONSUMER-FOCUSED**
  - Personal data eliminated @ POS
  - Launch consumer “ID Wallet” smartphone application to replace need for driver’s license scan
  - Retailers scan pre-verified “ID wallet” via unique QR code
  - Data transmits to backend database and returns information in the same manner as Phase 1

**PHASE 2 2021**

- **Make it secure & flexible**

**PHASE 3 2021**

- **CAPABILITY EXPANSION**
  - Add retailer- and supplier-desired capabilities such as loyalty programs and 1:1 couponing
  - Add consumer-desired capabilities such as payments tied to “ID wallet”
  - Drive interoperability with emerging DIDs; lower cost & complexity

**Lead digital ID revolution**

**Make it standard**

**Make it secure & flexible**

**CAPABILITY EXPANSION**

**Make it standard**
Integration of this new approach will be relatively seamless at retail

**PHASE 1**
- Scan DL; proof
- Verify image & person match
- Database captures DL info
- Calculates age from ID
- Get single use token approving age for purchase(s)
- Check open to buy (optional)
- Finalize purchase

**PHASE 2**
- Scan single-use token
- Database validates token
- Database obtains age from token
- Check open to buy (optional)
- Finalize purchase

Both phases included in current systems specification
Unlike current 3rd Party alternatives, our approach will offer an end-to-end solution that fits the specific needs of C-Stores.

<table>
<thead>
<tr>
<th>CAPABILITY</th>
<th>MANUAL APPROACH</th>
<th>NEW APPROACH</th>
<th>3RD PARTY SOLUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accurate age verification every time</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Unit sales limitations, In-sale, systemic</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>Purchase authentication</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Integrate age verification in loyalty app</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>Allow couponing and loyalty reward integration</td>
<td>✗</td>
<td>✓</td>
<td>✗</td>
</tr>
<tr>
<td>Support of emerging digital IDs</td>
<td>✗</td>
<td>✓</td>
<td>?</td>
</tr>
</tbody>
</table>
What We Need From You – Retail leadership will make this happen

**Commit**

- **Letter of Intent** — your company’s commitment to eradicating under-age sales
- **Universal Implementation** — program deployed across all sites
- **Phase 2 & 3 Rollout**
  - Make verification at point of purchase and point of delivery standard practice – online and off
  - Make it a standard component of loyalty – verify every sale without friction

**Communicate**

- To your **systems vendors** that program support is important
- With your **age-restricted FMCGs** how important it is they support
- To your **peers** why this is important for them to support
- To your **customers** why you are participating, and establish your brand as a responsible seller