

# 2018

## Corporate Social Responsibility Report



# About This Report



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## The Significance of Sustainability for FEDS

Founded in 1967, Far Eastern Department Stores (FEDS) has the longest history as well as the steadiest growth among local chain department stores. As the benchmark for domestic listed department stores, the Company has continued to keep up with the times. The purpose of this report aims to communicate with stakeholders about how FEDS executes sustainable governance. Not only does it create innovative benchmark shopping malls to offer safe products and services to the consumers, but also builds a happy workplace for its employees and actively participates in public welfare. The Company is committed to creating a win-win sustainable growth model in economy, environment and society.

This report can also be accessed and downloaded from the Corporate Social Responsibility section of the website ([https://www.feds.com.tw/csr/CSR\\_Report](https://www.feds.com.tw/csr/CSR_Report)).



### Reporting Period

The report is prepared annually and regularly disclosed. This report provides a summary of FEDS' performance in CSR management approaches, material topics, responses, and actions in 2018 (January 1st, 2018 to December 31st, 2018). Some information was traced back to previous years to increase the completeness of the information in the report.



### Reporting Cycle

The CSR Report is scheduled to be published annually. The current version is the fifth CSR Report of FEDS:  
Date of publication for the first report: August 2015.  
Date of publication for the current report: June 2019  
Date of publication for the next report: June 2020.



### Report Boundary

The subsidiaries of FEDS belong to different business segments including department store, wholesale, shopping mall and premium supermarket. According to the financial materiality and the relevance between locality and sustainable development, the boundary of the report covers all locations of the following companies in Taiwan:

FEDS	(Far East Department Stores Co., Ltd.)
The Mall	(Ya Tung Department Store Ltd.)
A.Mart	(Far Eastern Ai Mai Co., Ltd.)
City'super	(Far Eastern City Super Ltd.)
FE Sogo	(Pacific Sogo Department Stores Co., Ltd.)

Financial information of this report is based on the information audited by CPAs. If the performance covers different boundaries, it will be explained in the report. Non-financial information: As FE Sogo issues a separate CSR report, please refers its CSR report for the non-financial information.



### Reporting Guidelines and Third Party Assurance

This report is prepared in accordance with the Sustainability Reporting Guidelines (GRI Standards) published by the Global Reporting Initiative (GRI). Principles of disclosure for the Core Option have been adopted. In report assurance, this report has been assured by third-party assurance authority to ensure its conformity to the Core Option of GRI Standards and Type 1 Moderate Level of AA1000 (Account Ability Assurance Standard).



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Corporate Social Responsibility Section: <http://www.feds.com.tw/csr/opinion>

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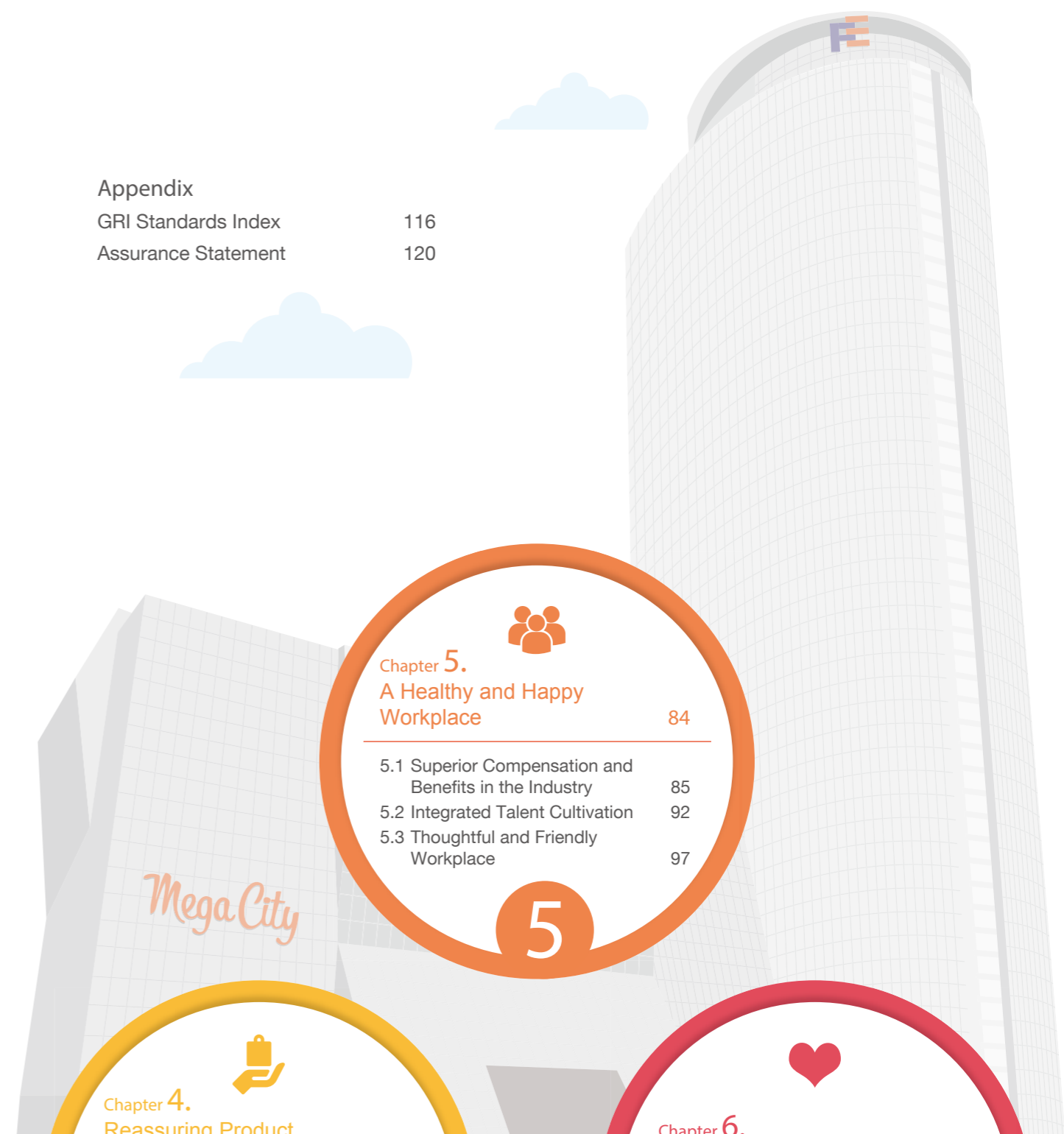


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## Message from the Chairman

# Facing Challenges Creating the Future



### Grand Opening of Smart Retailing in 2019

As Taiwan's leading department store, FEDS has been constructing innovative sales space to satisfy every consumer. Facing dynamic development of smart retailing, the Company has been promoting store upgrades to build a new model of smart retailing; the store in question is expected to have its grand opening in second half of 2019 in Taipei Hsinyi District. Aside from offering global luxury fashion boutiques and 24/7 dining and entertainment services, FEDS Hsinyi Store will also enhance its digital applications within the store to offer nearly 30 new services, each being an industry first, to enrich a new shopping journey, and satisfy customers' imagination and expectations on e-tailing.

### Green Building to Create Sustainable City Landscape

In order to create environmentally friendly shopping experiences, FEDS has long been instilling green concepts into our store design. Based on the four major themes of Ecology, Energy Saving, Waste Reduction, and Health, the Company is creating new energy-conserving department stores, constituted of sustainable and aesthetic sales space, allowing the store itself to become a beautiful landscape. In the coming two years, we will add two more green buildings (FEDS Taipei Hsinyi Store and Chubei Shopping Mall), alongside Far Eastern Retail Group Head Office in Mega Tower, Mega City Banqiao, and Top City Taichung, five green buildings in total, and we will continue to build a comfortable, healthy and eco-friendly sustainable city.

### Echo with Global Healthy Sustainability Initiative

FEDS is strongly dedicated to corporate social responsibilities, and hopes to instill warmth in the city through corporate social events. In 2018, the Company sponsored 336 non-profit events to care for women, children, elders, and under-privileged families, which averages to about one charitable event per day. As a global citizen, FEDS has actively participated in World Earth Day, World Maritime Day, World Kidney Day, and five more global sustainable initiatives alongside the rest of the world, raising social awareness around environmental sustainability and health.

Far Eastern Department Stores has been serving local consumers for 52 years. In 2019, we will launch a smart retailing store that encompasses leading fashion brands for a high-end lifestyle, providing excellent shopping experiences and services, setting up new standards in Taiwan's shopping malls, and also continuing to promote management innovation in order to register high marks in terms of economic growth, environmental protection, and social inclusion, creating a triple win sustainable growth model for the economy, environment, and society.

Far Eastern Department Stores

Chairman **Douglas Tong Hsu**

“The New Economy is reshaping the landscape of global commerce, leading even the century-old American department store Macy's to initiate renovation plans to respond expediently in operating at a lower cost and react to customers' changing expectations. Facing tremendous challenges brought by new retailing, Far Eastern Department Stores (FEDS) has been responding with expediting changes and transformation, establishing 46 project teams to promote management innovation, and setting up Digital Lab to design smart shopping spaces which are similar to an international retailer's new model. These new creations and innovative ideas have inspired the 52-year-old FEDS to think outside of box, exhibiting its innovative spirit and instilling its transformative momentum to push FEDS forward ahead and outperform against intense competitions in the retail landscape.”

### Bestowed "National Sustainable Development Awards" by the Executive Yuan

"Giving back" to the society is the basic value of FEDS. While seeking business growth, the Company is also committed to caring for the environment and maintaining its social responsibilities by leveraging its retail channel resources to instill positive energy in society. This dedication to sustainability has enabled FEDS to be accredited with "National Sustainable Development Awards" by the Executive Yuan, "Taiwan Corporate Sustainability Awards" as well as nearly 20 major domestic and international honors. In the future, FEDS will remain committed to sustainable energy, enhancing its sustainable corporate governance with green consumption, social welfare, and smart retailing to cultivate a sustainable life cycle for our consumers.

## Message from the President

# Innovative Management Advancing Transformation



### Creating Curbing Carbon Emission Equivalent to 88 Daan Forest Park

FEDS manages the service industry with the manufacturing industry's efficiency framework by setting up energy conservation KPIs which track and review on a weekly basis. In 2018, Energy Use Intensity (EUI) of the Company stood at 329, 1.5% lower than the industry average of 334. Alongside increasing revenues, we have been delivering outstanding performance in energy efficiency. As for electricity consumption, the Company has achieved our energy saving target for seven consecutive years, accumulated saving amounting to 35.68 million kilowatt-hour (kWh.), curbing carbon emission to the equivalent emission of 88 Daan Forest Park.

### Cultivate Human Capital Build Up Combative Team

FEDS has been ploughing the Taiwan market to continue its expansions. To cultivate the talents for further developments, the Company has been running management trainee programs, re-examining the learning competency for key positions, planning comprehensive training programs, designing nine categories and including over 50 training courses to build up innovative management ideas for the new generation of stores. Along with "talent cultivation," we have also launched "talent retaining" plans to re-establish the key performance indicator system in order to revamp the current equally shared incentive system all gets awarded equality. This performance-based mechanism will incentivize the manpower, and ensure that top talents are rewarded and stay competitive.

### Contribution to the Society Engaging in 336 CSR Activities

Far Eastern Department Stores has served as a local CSR platform to sponsor various philanthropic activities to bring warmth to people. The most impressive event for me is the Christmas Charity Lighting Ceremony which was held in Tainan Chenkong Store. Each year we invite students from remote areas to participate in this Christmas tree lighting ceremony. Aside from giving sneakers and school supplies to them, we have organized a full-day event to take them to visit book stores, explore exhibitions, and learn table etiquette so as to enrich their life experience and perspective. As of now, over 1,600 children have attended this event. Furthermore, FEDS colleagues have volunteer teams to engage in one-day services that include beach cleaning, children caring, and visiting elders, committing themselves to social responsibilities and spreading love to those who need it.

With island-wide branches in Taiwan, the footsteps of the Far Eastern Department Stores has touched into every city corner to share with consumers the wonderful joy of "Healthy, Eco-friendly, and Caring" life. In this digital era, FEDS will adopt technologies to initiate dialogues with consumers, develop a smart shopping center, provide more convenient services to cater to customer needs, offer exclusive and unique value and services, and unveil a brand new shopping journey with innovative digital services and experiences to embrace the new smart retail life.

Far Eastern Department Stores

President **Nancy Hsu**

“Challenges can motivate greater innovation. During recent years, under the impact of fierce competition among retailers and fast-growing e-commerce, traditional department stores have encountered numerous difficulties in their operations. Facing the tumultuous environment, Far Eastern Department Stores (FEDS) has risen to the occasion, looking to turn adversities into opportunities and building strategies with a forward-looking global vision. Through forty-six cross-departmental discussions and convoking more than 3,000 project meetings, the Company has been committed to promoting innovative plans in order to achieve outstanding performances in operations, services, and management.”










### Great Leap in Management Productivity Elevation Plan

FEDS has been promoting the "Productivity Elevation Plan" to engage in establishing e-systems, adjusting personnel, and increasing sales space. We have already completed the introduction of 44 e-management systems, relocating partial operation of the back office to the centralized office and executed from the head office to decrease these repetitive tasks and release the back office space as sales space which is equivalent to a whole floor of a medium-sized department store. Thanks to the "Productivity Elevation Plan," which fully integrated manpower and resources, FEDS has reported an increase in operating profit of 4.7% in 2018, which grew more than 10% year-on-year, and aims to maintain 5% annual growth in the next three years.

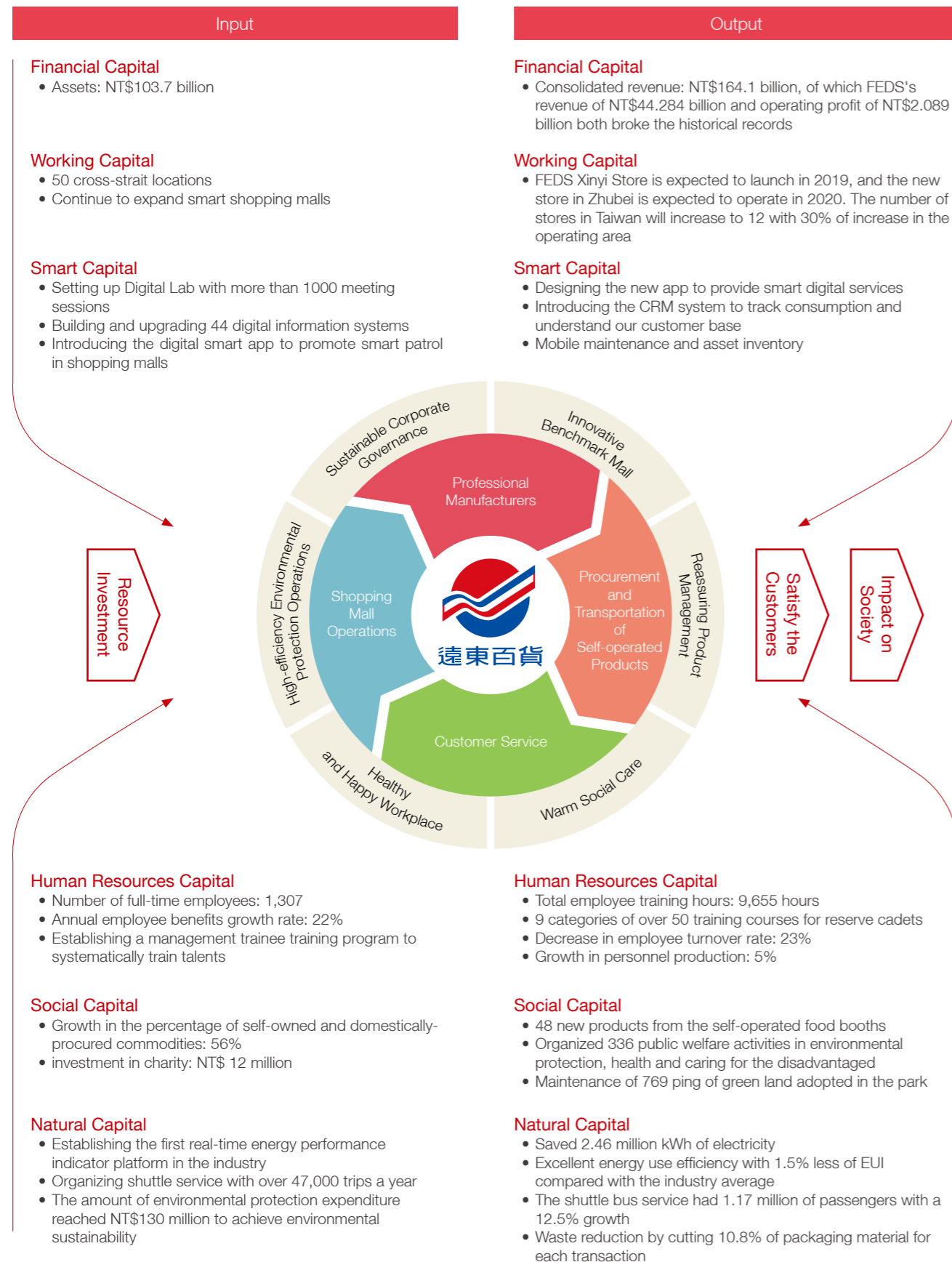


# FEDS Sustainable Value Creation

## Sustainable Strategy and Future Outlook

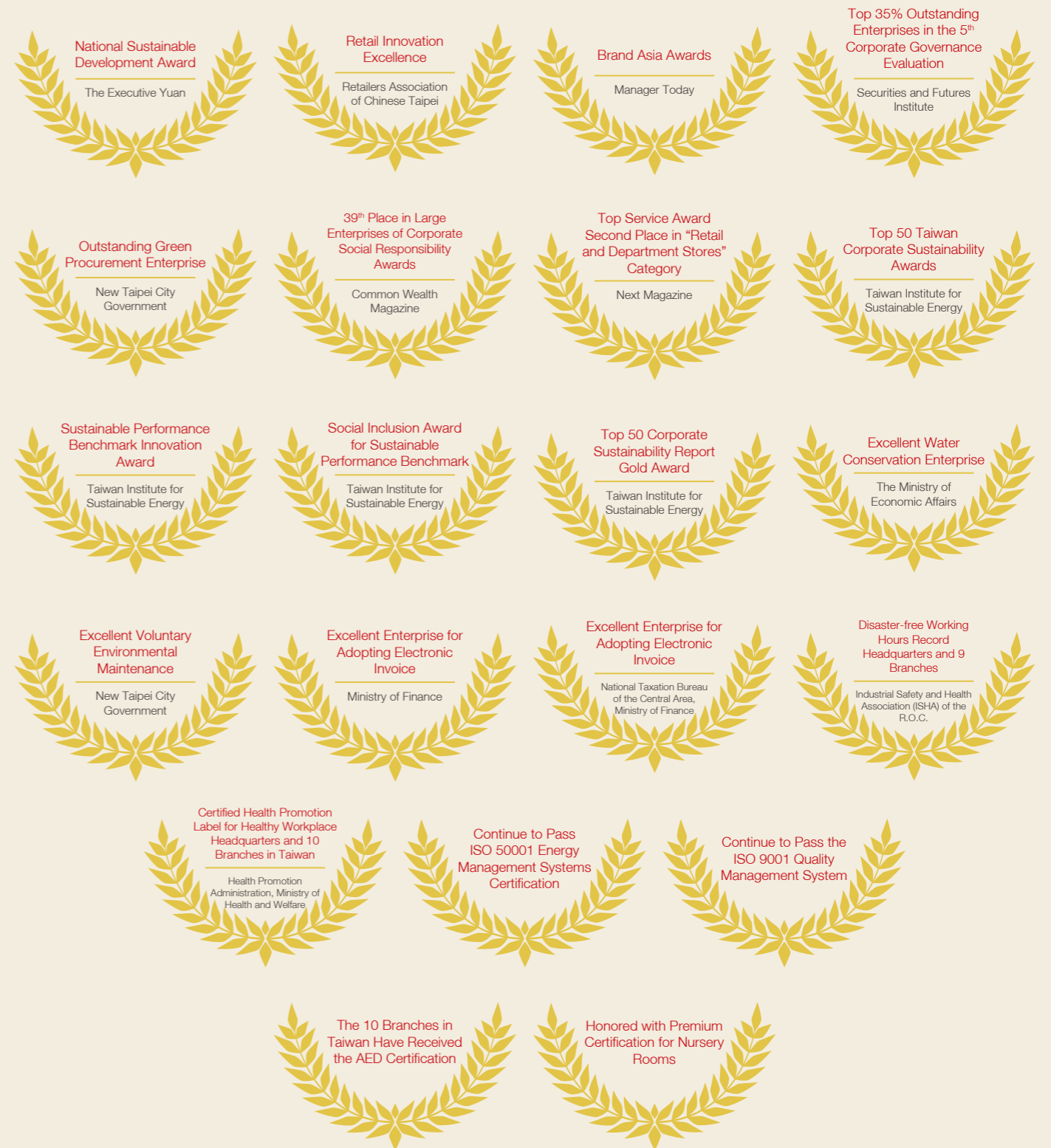
		2018			Future Prospects	
		Corresponding Material Topics	2018 Objectives and Performance	Responding to the SDGs in 2018	Mid-Term Strategy	Long-Term Strategy
<b>Governance</b> 	<ul style="list-style-type: none"> <li>Ethical Management</li> <li>Corporate Governance</li> <li>Business Performance and Innovation Strategy</li> <li>Risk Management</li> <li>Compliance</li> <li>Information Security Management</li> <li>Corporate Image</li> <li>Customer Service and Communication</li> </ul>	<p>The Company established 46 dedicate organizations to promote innovation and change, achieving excellent business performance and record-breaking turnover and profits as part of the effort towards the goal of sustainable management.</p>			<p>Continue to promote innovative management and create smart shopping malls for the digitalized version of FEDS to help increase adaptability, competitiveness and profitability.</p>	<p>Create a customer-exclusive happy lifestyle to become the leading retail brand with sustainable operations.</p>
	<p>Innovative benchmark shopping mall and designing smart department stores. The soon-to-be opened Xinyi Store will create a new smart shopping journey for consumers.</p>					
<b>Environment</b> 	<ul style="list-style-type: none"> <li>Energy Management</li> <li>Supply Chain Management</li> <li>Green Products and Services</li> <li>Shopping Mall Safety and Services</li> <li>Effluent and Waste Management</li> </ul>	<p>The efficient and environmentally-friendly operations create department stores with green value with low-carbon operations.</p>			<p>Continue to improve energy-saving activities by importing energy management platform, strengthening green procurement, selling environmentally-friendly products, and promoting environmentally-friendly services</p> <p>Zero-deficiency commodity labeling, strengthening the food safety control mechanism and building a safe dining network</p>	<p>A trendy and environmentally-friendly retail industry with smart green energy promotion</p> <p>Provide high-quality products and services to meet changes in the consumption trends as well as the requirements for environmental sustainability development</p>
	<ul style="list-style-type: none"> <li>Product Quality and Food Safety</li> </ul>	<p>Reassuring merchandise management, promoting green consumption, and providing consumers with a satisfying consumer experience with carefully selected high-quality merchandise</p>				
<b>Society</b> 	<ul style="list-style-type: none"> <li>Employee Salaries and Benefits</li> <li>Employee Training and Career Development</li> <li>Occupational Health and Safety</li> </ul>	<p>Provides a healthy and happy workplace by establishing a comprehensive training system and competitive remuneration and benefits to create a high-performance team of talents</p>			<p>Taking advantage of the department store industry resources to develop talents for the internal corporate development and the industry</p> <p>Promotes social welfare activities with the themes of "health, environmental protection and care"</p>	<p>Cultivate corporate human capital to create a healthy and happy workplace</p> <p>Connects resources to turn all locations into public welfare platforms in the cities, exerts channel resources and advantages to maximize benefits for the society.</p>
	<ul style="list-style-type: none"> <li>Charity and Social Involvement</li> </ul>	<p>Heart-warming charity events: investing in 336 charity events to give back to the society</p>				

## FEDS Sustainable Value Creation Chain



## Sustainability Highlights

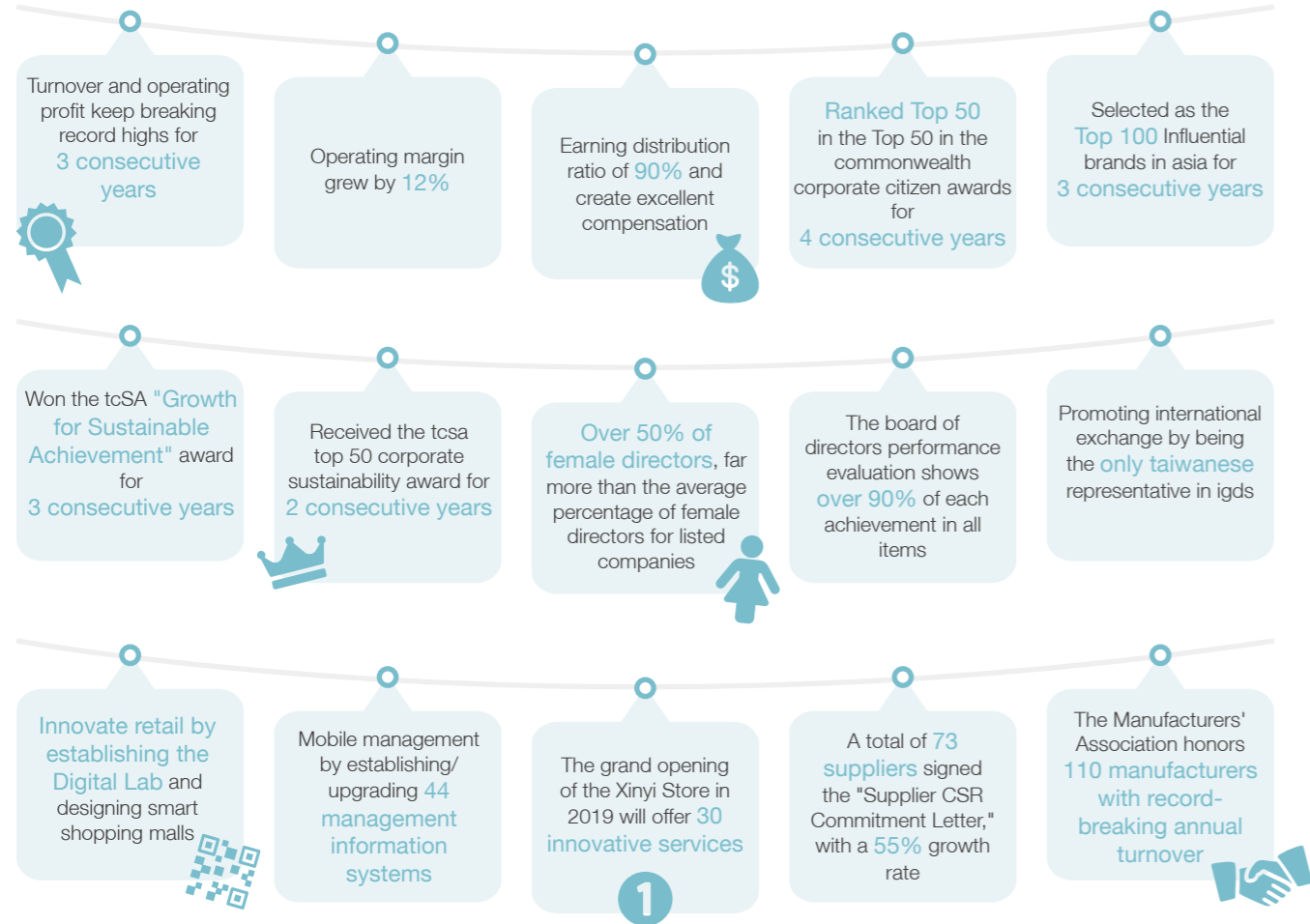
### 2018 Key Sustainability Awards



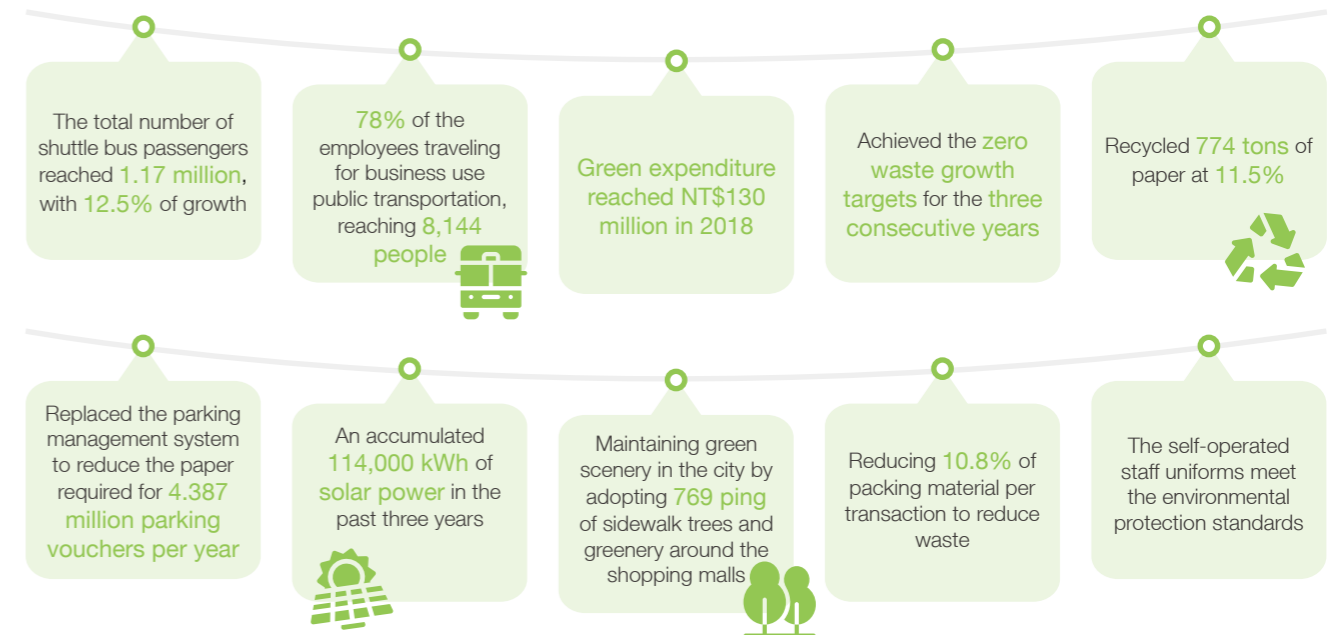
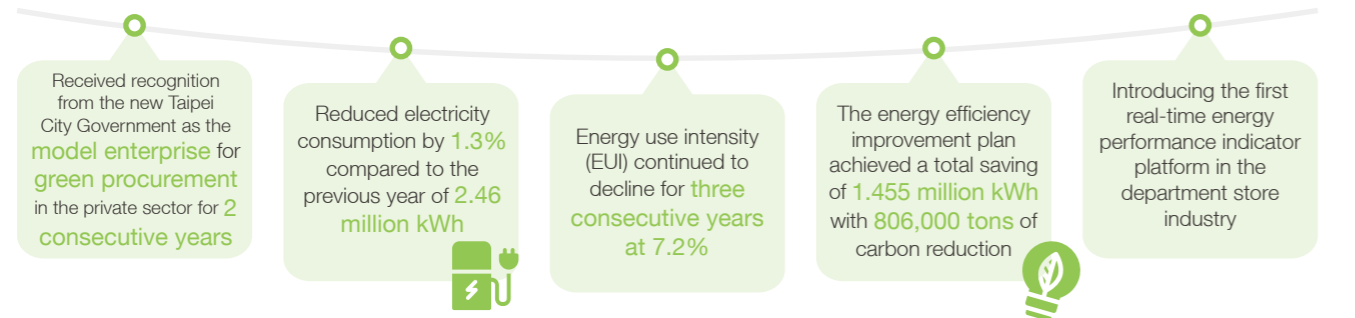


## Sustainable Development Performance

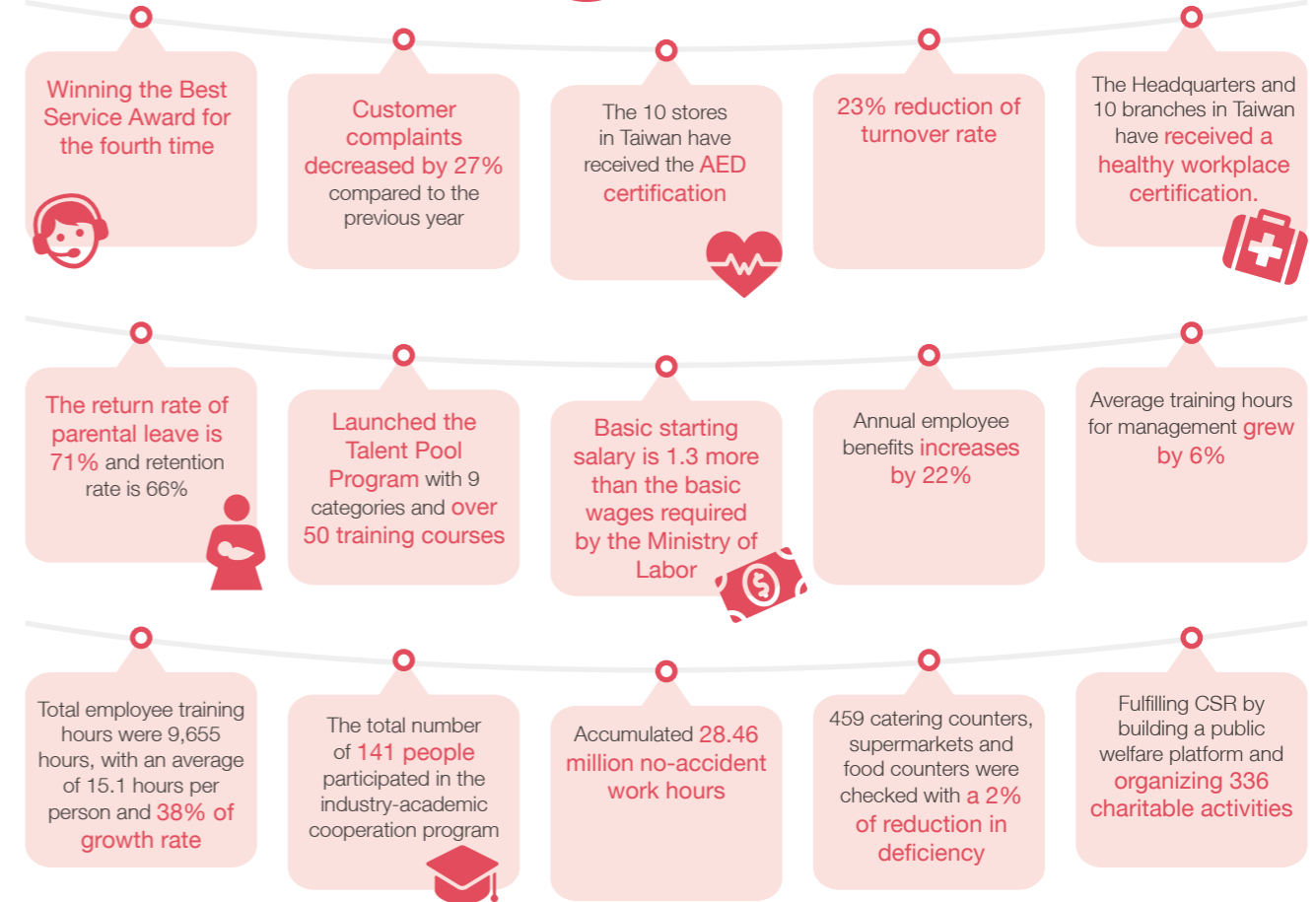
### Governance



### Environment



### Society

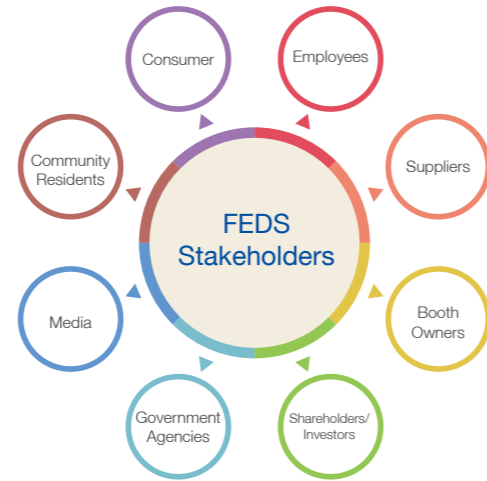


# Material Topics and Stakeholder Engagement

Based on the service spirit of the department store retail business, we value the opinions and expectations raised by stakeholders and maintain unimpeded communications with them. To understand the concerns and topics raised by stakeholders, the Company draws up countermeasures and actively responds to the concerns and topics raised by stakeholders as the basic principles in order to achieve sustainable development.

## Stakeholder Identification and Communication

Stakeholders of FEDS come from diverse backgrounds. Eight categories of important stakeholders have been selected with reference to the AA1000 Stakeholder Engagement Standard. Considering the characteristics of the department store retail industry, the Company examines the external stakeholder categories each year to adjust and conduct a survey to understand the sustainability issues the stakeholders are concerned with in order to comprehensively reflect on these issues and dimensions, develop response strategies as well as actively responding to them.



## Identification of Material Topics

To ensure the content and boundaries that should be disclosed in the report, the Company has referred to the AA1000 Account Ability Principles Standard and the principles of the Global Reporting Initiative (GRI) to identify material topics and disclosures for the report. For the first time in 2018, the major theme matrix has been adjusted from two axes to three axes. It not only considers the importance of each topic to the operation and the impact on stakeholders, but also considers the economic, environmental and social impact the Company has on the value chain.



### I. Identification

- A total of 18 theme lists were prepared and selected based on:
  - Major topics identified last year
  - Daily operations
  - Sustainability issues of the industry
  - Industry Events and Trends
- In 2018, the response rates of questionnaires was 42% for consumers, followed by 31% of employees and 11% of partners, taking into account the representation of internal and external stakeholders.



### II. Sorting

- Statistics and quantitative analysis of the impact level and degree
- Sorting Methods:
  - The CSR team conducted assessment of the EGS impact level of each issue within or outside the organization
  - Based on the stakeholder response, impact and transparency as indicators.



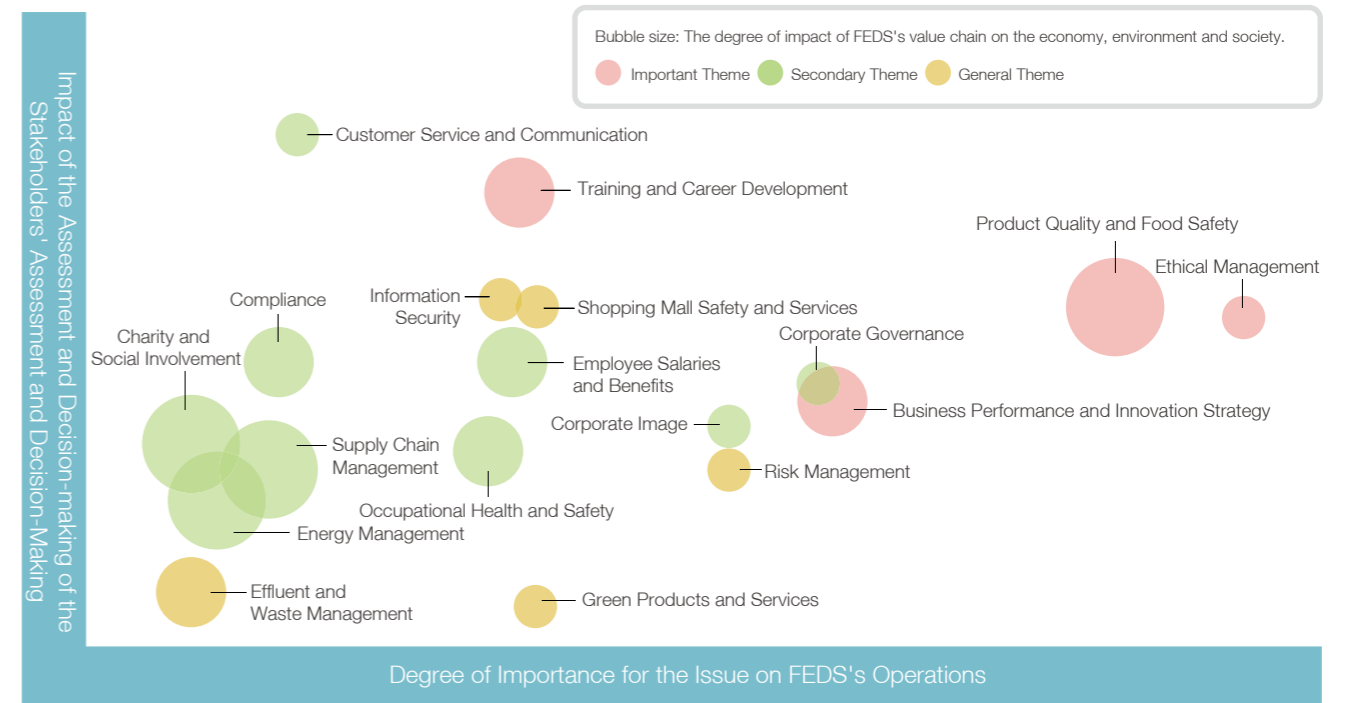
### III. Review

- Review the level of concern of material topics based on the material topics from last year
- Questionnaire Source: website questionnaire, suggestion box and externally-distributed survey
- Survey Period: January to December 2018
- 384 questionnaires were collected with an open feedback box to collect feedback












### IV. Verification

- The material topics of this report have been verified by the Chairman and the advisory committee of the CSR Committee to provide advice and adjustment recommendations
- The 18 topics in the report are classified into four major themes and eight secondary themes. The management approach and performance of these issues are prioritized and described in the relevant aspects.
- Other issues will also be presented in the report on the sustainability










## Explanation for Theme Adjustment

Key Themes in 2017	Key Themes in 2018 After Adjustment	Adjustment
Public safety and health	 Shopping mall safety and services	Text fine-tuning to better suit feds's concerns
Personal information security	 Information security management	Text fine-tuning to better suit feds's concerns
Operating performance	 Operating performance and strategies	Merged material topics to focus on feds's concerns
Business and investment strategies		
Marketing activities	 Customer service and communication	Merged material topics to focus on feds's concerns
Customer relationship management		
Product quality and price	 Product quality and food safety	Merged material topics to focus on feds's concerns
Food safety		
Employee salaries and benefits	 Employee salaries and benefits	Merged material topics to focus on feds's concerns
Respect for labor		
Occupational safety and health	 Occupational health and safety	Text fine-tuning to better suit feds's concerns
Philanthropy	 Charity and social involvement	Merged material topics to focus on feds's concerns
Community investment		
Energy management	 Energy management	Merged material topics to focus on feds's concerns
Regional traffic planning		

## Communication with Stakeholders

Stakeholder Categories	Topics of Concern	Communication Strategy	Frequency of Communication	Communication Channels	FEDS's Response
 Consumers	<b>Customer service and communication</b> <b>Employee training and career development</b> <b>Information security management</b> Product quality and food safety Shopping mall safety and services Ethical management	Operate according to customers' wishes and strive to increase customer satisfaction	Irregularly	Tv advertisement Promotion catalogue Satisfaction survey	Sustainable corporate governance Innovative benchmark mall Healthy and happy workplace
	 Employees		<b>Customer service and communication</b> <b>Employee salaries and benefits</b> <b>Employee training and career development</b> Product quality and food safety Shopping mall safety and services Occupational health and safety Business performance and innovation strategy Ethical management Corporate governance	Irregularly	
Create a happy workplace to allow employees to work at ease		Regularly	Knowledge sharing Department meetings Management meetings, labor-management meetings, employee welfare committee meeting		
		Immediately	Telephone/e-mail Face-to-face communications with unit supervisors Employees' suggestions mailbox		

Stakeholder Categories	Topics of Concern	Communication Strategy	Frequency of Communication	Communication Channels	FEDS's Response	
 Suppliers	<b>Supply chain management</b> <b>Product quality and food safety</b> <b>Information security management</b> Customer service and communication Shopping mall safety and services	Select quality suppliers to establish a sustainable supply chain	Irregularly	Arbitration meeting Information-sharing conferences Purchase contracts	Sustainable corporate governance Reassuring product management	
	 Booth Owners		<b>Customer service and communication</b> <b>Product quality and food safety</b> <b>Shopping mall safety and services</b> Supply chain management Ethical management Corporate governance Compliance	Regularly		Business communication
			Become best partners and head toward sustainable management	Immediately		Telephone/e-mail Procurement contact personnel
 Shareholders/Investors	<b>Customer service and communication</b> <b>Employee training and career development</b> <b>Ethical management</b> <b>Corporate governance</b> Business performance and innovation strategy	Generate outstanding profits to become a good investment target	Irregularly	Visits	Innovative benchmark mall Reassuring product management	
	Shareholder's meeting Institutional investors' conference Annual report		Regularly	Morning meetings with booth personnel Vendor meetings		
 Government Agencies	<b>Shopping mall safety and services</b> <b>Compliance</b> <b>Corporate governance</b> <b>Occupational health and safety</b> Employee salaries and benefits Charity and social involvement Effluent and waste management Energy management	Follow laws and regulations and actively comply with relevant policies	Irregularly	Telephone/e-mail Documents On-site audit Seminar/conference	Sustainable corporate governance Innovative benchmark mall	
	Financial statements Government agency evaluations Fire safety drill		Regularly			
 Media	<b>Product quality and food safety</b> <b>Shopping mall safety and services</b> <b>Business performance and innovation strategies</b> Customer service and communication	Honest management of transparent communication channels with stakeholders	Irregularly	Telephone/e-mail Press conferences	Sustainable corporate governance Innovative benchmark mall	
 Community Residents	<b>Customer service and communication</b> <b>Product quality and food safety</b> <b>Shopping mall safety and services</b> Employee salaries and benefits	Provide care and give back to create a wonderful and sustainable life	Irregularly	Personal visits Customer service helplines and call center	Innovative benchmark mall Reassuring product management	

Note: 1. The top three topics for stakeholders are indicated in bold.  
2. The Company's response is a response to corresponding chapters for the top three topics of concern

## FEDS Material Topics Sorting and Impact Identification

	Material Issue	Significance for the Company	Disclosure	Corresponding Sections and Chapters	Page	Scope of Impact								
						FEDS	Consumers	Suppliers	Booth Owners	Shareholders / Investors	Government Agencies	Media	Community Residents	
Important Theme	1	Product quality and food safety	Value product quality and food safety management, offering the products at the best price	102 Stakeholder communications: 102-43-44, 416 Customer health and safety 417 Marketing and labeling	1.3 Sound risk management 4.1 Selected high-quality food and beverage 4.2 Healthy and delicious food 4.3 Comprehensive supply chain management	38 72	★	★	★	★	★	★	★	
	2	Employee training and career development	Cultivate employees' professional skills to achieve better capabilities and establish a high-quality employee career development mechanism	404 Training and education	5.2 Integrated talent cultivation	95	★			★	★	★	★	
	3	Business performance and innovation strategy	Implement innovation to create excellent business performance	201 Economic performances	1.1 Forward-looking management 3.2 Real-time smart property management	19 64	★	★	★	★	★	★	★	
	4	Ethical management	Comply with the free market mechanism to avoid violation of laws and integrity towards customers	102 Integrity and ethics:102-16 205 Anti-corruption	1.3 Sound risk management	38	★		★	★	★	★	★	
Secondary Theme	5	Employee salaries and benefits	Provide superior compensation and benefits to give employees incentives and competitive packages	201 Economic performance 202 Market presence 402 Labor relations 405 Employee diversity and equal opportunity 406 Non-discrimination 407 Freedom of association and collective bargaining 409 Forced labor	1.3 Sound risk management 5.1 Superior compensation and benefits 5.2 Integrated talent cultivation 5.3 Thoughtful and friendly workplace	38 87 95 100	★			★	★	★	★	
	6	Supply chain management	In addition to quality control, the company also includes sustainable aspects of labor conditions and environmental protection.	102 Organizational profile: 102-9-10 204 Procurement practices 308 Suppliers' environmental assessment 414 Suppliers' social assessment	4.3 Comprehensive supply chain management	81	★		★	★	★			
	7	Charity and social involvement	Charity engagement and development of local community		6.1 Global initiative 6.2 Cross-border cultural contacts 6.3 Local public welfare	107 109 110	★	★		★	★	★	★	★
	8	Energy management	Promoting energy management and implementing energy conservation measures	302 Energy	3.1 Green energy-saving intelligence 3.3 Green actions	60 66	★	★	★	★	★	★	★	★
	9	Occupational health and safety	Improve the safety of work environment to allow employees to work in a safe and healthy manner	403 Occupational health and safety	5.3 Intimate-friendly workplace	100	★	★		★	★	★	★	



Material Issue	Significance for the Company	Disclosure	Corresponding Sections and Chapters	Page	Scope of Impact							
					FEDS	Consumers	Suppliers	Booth Owners	Shareholders / Investors	Government Agencies	Media	Community Residents

Secondary Theme	10	Compliance	Compliance with the relevant regulations of the company's operations	307 Compliance with regulations on environmental protection 419 Compliance with social and economic regulations	1.3 Sound risk management	38	★	★	★	★	★	★	★	★
	11	Customer service and communication	Maintain customer relations and communicate with customers in terms of products and services	102 Stakeholder communications: 102-43-44 417 Marketing and labeling	1.3 Sound risk management 2.3 Quality space 4.1 Strict selection of high quality goods 5.1 Superior compensation and benefits	38 54 73 87	★	★	★	★		★	★	
	12	Corporate governance	Towards excellent corporate management, strengthening the operations of the board, integrity management, internal control system, and anti-corruption policies.	102 Organizational profile: 102-1-8, 102-10, 102-12-13 102 Governance: 102-18	1.2 Sustainable governance	27	★		★		★	★	★	

General Theme	13	Shopping mall safety and services	Review the safety and health of public facilities as well as establishing an inspection and management mechanism	416 Customer health and safety	2.3 Quality space	54	★	★		★		★	★	★
	14	Information security management	Manage personal information and establish information security management procedures	418 Customer privacy	1.3 Sound risk management	38	★	★		★		★	★	
	15	Corporate image	Corporate brand value and image	102 Stakeholder communications: 102-40, 102-42-44 202 Market presence	5.1 Superior compensation and benefits 6.1 Global initiative 6.2 Cross-border cultural contacts 6.3 Local public welfare	87 107 109 110	★	★	★	★	★		★	★
	16	Risk management	Identification and control measures for systemic and non-systematic risks	102-15 Key impacts, risks and opportunities	1.3 Sound risk management	38	★		★	★	★	★		
	17	Effluent and waste management	Review the company's water consumption, effluent discharge and waste produced from operations, and formulate management objectives and measures	306 Effluents and waste	3.2 Real-time smart property management	64	★			★		★	★	★
	18	Green products and services	Products and services integrate green concepts to reduce impact on the environment	305 Emissions	3.3 Green actions 4.1 Selected high-quality products	66 73	★	★	★	★		★	★	

Note: 1. ★ indicates the issue has an impact in this scope.  
2. For the corresponding GRI indicators, please refer to the GRI Glossary in the Appendix.

# Chapter 1. Sustainable Management and Governance

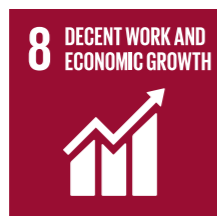
## 1.1 Forward-Looking Management

## 1.2 Sustainable Governance

## 1.3 Sound Risk Management



Link with SDGs



## 1.1 Forward-Looking Management

### Creating Innovative Department Stores that Keep up with the Times

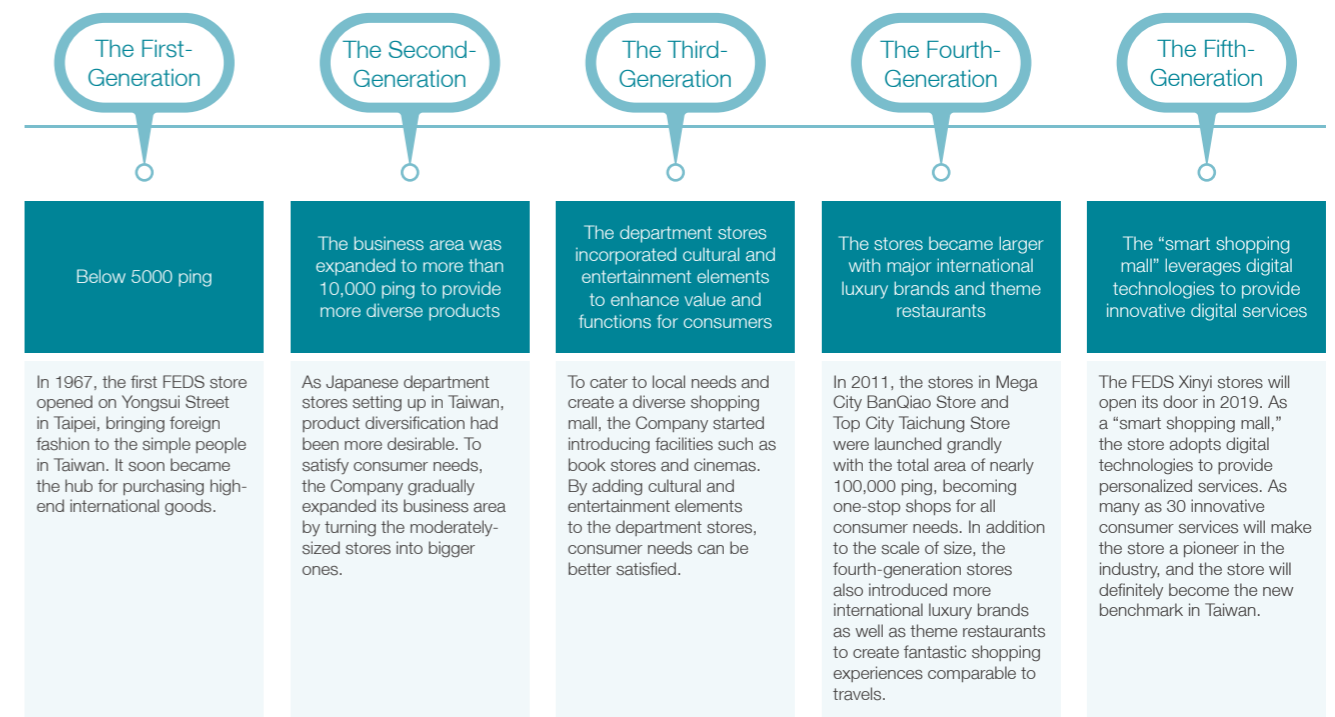
Founded in 1967, Far Eastern Department Stores have the longest history as well as the steadiest growth among local chain department stores. As the benchmark for the domestic listed department stores, the Company has never ceased to keep up with the times over the past 52 years. We strive to create an innovative outlook for department stores and bring consumers wonderful services as well as shopping experience. With the diversification of retail channels, department stores have entered the micro-profit era. However, the Company has adhered to the expansion plan by opening the fifth-generation Xinyi store in the second half of 2019. Combined with entertainment and 24-hour food services targeting all customers, the innovative "smart shopping mall" will create a brand new outlook to lead the trend for shopping malls in Taiwan, as well as setting a new milestone for the management in the industry.

Company Overview	
Date of Incorporation	1967
Headquarters	Banqiao District, New Taipei City
Number of Employees	1,334 people
Capital	NT\$14.17 Billion
Total Assets	NT\$103.7 Billion
Principal Affiliated Companies	FE Sogo A. Mart CitySuper The Mall
Stock Code	2903

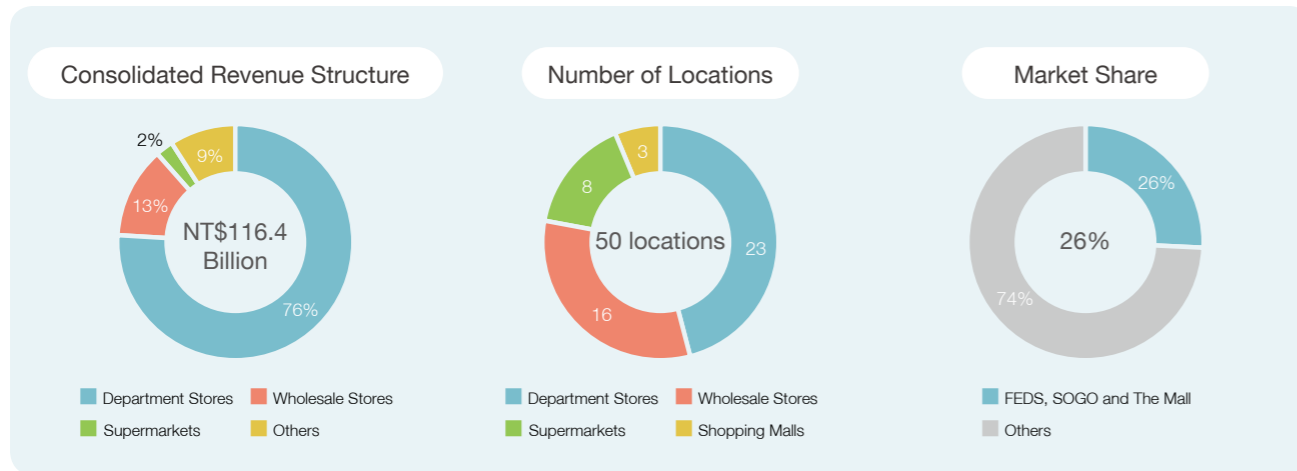
**Expanding into the New Era:  
Launch of the Fifth-Generation Store**

As the longest-established chain department store in Taiwan, the Company continues to transform and create innovative malls in order to improve shopping experience and meet the ever-changing consumer demand. In the past 5 years, the Company has focused on achieving steady growth with existing stores as well as developing new markets and expanding market share. The 5th-generation Far Eastern Xinyi Store will have its grand opening in the second half of 2019, and the Zhubei shopping mall will be the next highlight opened in 2020, bringing the store number to 12 as well as significantly increasing the business area by 30%.

### FEDS Store Development History



In addition to innovating the business model continuously, the Company also engages in diversified investment. The retail channels include high-end supermarkets, wholesale stores and shopping malls, making the Company become the most unique and complete large-scale retail group in Taiwan and China. In 2018, the Company has 50 locations in Taiwan and China with the consolidated revenue reaching NT\$116.4 Billion, creating excellent return on shareholders' equity.



Main Operating Locations of FEDS Retail



- Mainland China**
    - ① Chiangbei Store in Chongqing
    - ② Chongqing Metropolitan Plaza Pacific Store
    - ③ Luomashi Store in Chengdu
    - ④ Tenfu Store in Chengdu
    - ⑤ Xuhui Store in Shanghai
    - ⑥ Shanghai City Plaza Store
  - Far Eastern Department Store**
    - ① PaoChing Store
    - ② Mega City BanQiao Store
    - ③ BanQiao Store
    - ④ Taoyuan Store
    - ⑤ Hsinchu Store
    - ⑥ Top City Taichung Store
    - ⑦ Chiayi Store
    - ⑧ Tainan Store
    - ⑨ Kaohsiung Store
    - ⑩ Hualien Store
  - A.Mart**
    - ① Keelung Store
    - ② Zhongxiao Store
    - ③ Jingmei Store
    - ④ Yonghe Store
    - ⑤ Sanchong Store
    - ⑥ Nanya Store
    - ⑦ Taoyuan Store
    - ⑧ Yangmei Store
    - ⑨ Hsinchu Store
    - ⑩ Big City Store
    - ⑪ Yongfu Store
    - ⑫ Fengyuan Store
    - ⑬ Fuxing Store
    - ⑭ Chungkang Store
    - ⑮ Tainan Store
    - ⑯ Hualien Store
  - City'Super**
    - ① Tienmu Store
    - ② Fuxing Store
    - ③ The Mall
    - ④ Banqiao Store
    - ⑤ Tai Mall Store
    - ⑥ Hsinchu Store
    - ⑦ Taichung Store
    - ⑧ Log on
  - Far Eastern Big City Shopping Mall**
    - ① Big City
  - Ya Tung Department Store Co., Ltd.**
    - ① The Mall
  - SOGO**
    - ① Taipei-Zhongxiao Store
    - ② Taipei-Fuxing Store
    - ③ Taipei-Dunhua Store
    - ④ Taipei-Tianmu Store
    - ⑤ Hsinchu Station Store
    - ⑥ Hsinchu-Big City Store
    - ⑦ Kaohsiung Store
- Within the report's boundary   ○ Outside of the report's boundary

## Record-Breaking Performance Against the Competition

### Execute 46 Project Teams to Promote Innovative Management

The rapid changes in consumption are both the core of competition and the basis for operations of the industry. The Company integrates innovation and market differentiation into its business philosophy and actively promotes various management and innovation measures. In addition to driving performance growth, the management transformation has also significantly reduced operating costs, allowing the Company to achieve record-breaking performance amidst fierce competition. Both revenue and operating profit have been hitting record high each year since 2015. In 2018, the operating profit exceeded NT\$2 Billion with more than 10% of growth, and the revenue has been the highest with the amount of NT\$44.284 Billion, NT\$490 Million more than the previous year. It shows that the Company's localized operational strategy and timely transformation have succeeded in continuously delivering excellent results.



### Financial Performance Statement (Based on International Financial Reporting Standards)

		Unit: NT\$ thousands		
Item		2016	2017	2018
Operational Performance	Total Assets	106,195,610	105,708,451	103,746,341
	Total Liabilities	69,752,808	68,850,273	66,055,951
	Shareholders' Equity	36,442,802	36,858,178	37,690,390
	Operating Revenue	43,496,489	41,166,982	39,242,551
	Net Income After Tax (attributable to owners of the parent company)	1,134,252	1,535,986	1,318,150
Value Distributed	Employee Salaries and Benefits	3,927,825	3,814,858	3,729,211
	Dividends	1,447,258	1,772,980	1,577,000
	Interest	345,672	302,609	278,753
	Income Taxes	207,114	673,673	549,618
Profitability	Community Investment	11,947	6,374	12,920
	Return on Assets (%)	1.74	2.09	1.91
	Return on Equity (%)	4.08	5.03	4.42
	EPS (NT\$)	0.81	1.09	0.94

Note: 1. Value distributed lists the consolidated figures from FEDS, FE Sogo, The Mall, city'super and A.mart.  
 2. Information regarding employee salaries and benefits includes training expenses for FE Sogo.  
 3. Community investment only lists information regarding the parent company, FEDS.



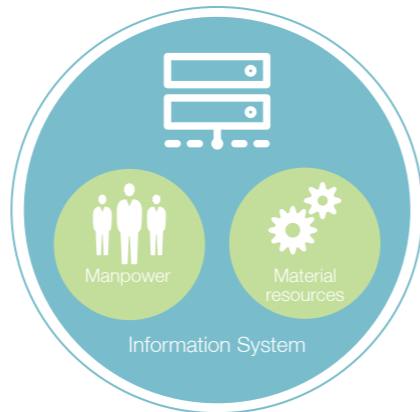
### Innovation Initiative I

#### Breaking High Operating Leverage and Creating a New Business Model

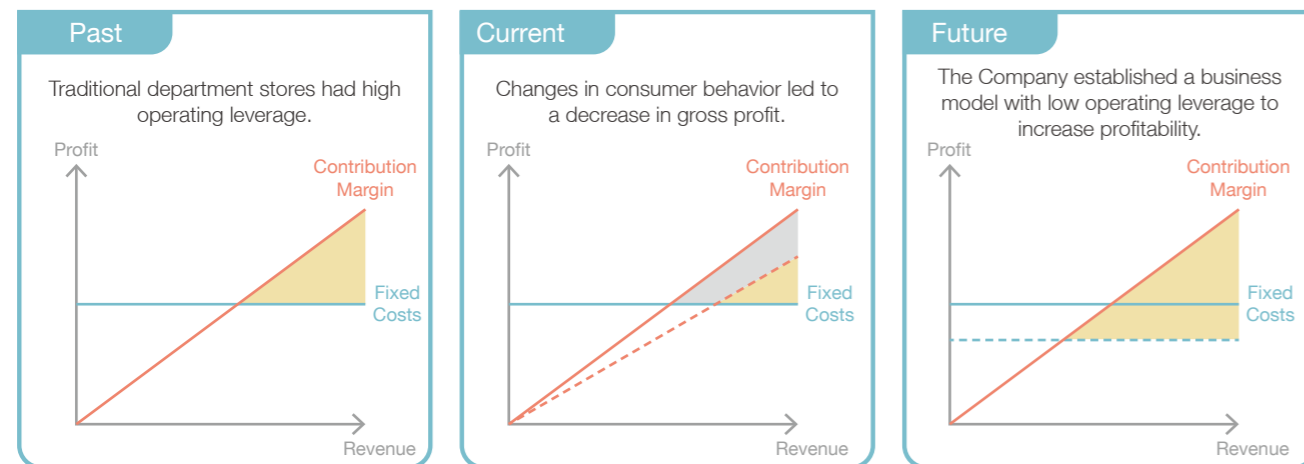
The industry has high operating leverage since profits can be increased rapidly by boosting the revenue. Therefore, the traditional business model prioritizes revenue increase. However, with the booming e-commerce, fast fashion and food service industry that are low in gross profit, the profit-making structure of the department store has been challenged with the overall gross profit margin decreasing year by year.

With the high operating leverage business model being challenged, the Company is breaking away from the traditional mindset of "increasing gross profit and operating profit by raising revenue," and aiming at gaining real profit instead, actively improving the efficiency in both "human" and "material" resources through various innovative management measures. In addition to the implementation of KPIs and work inventory to understand whether the operating efficiency of people and materials is reasonable, the Company has installed or upgraded forty-four management information systems for the parts that need improvement, established a new business model with low operating leverage, and prepared for the future of retail big data analysis.

#### Integration of manpower and material resources through information system integration



#### Analysis of Business Models for Department Stores



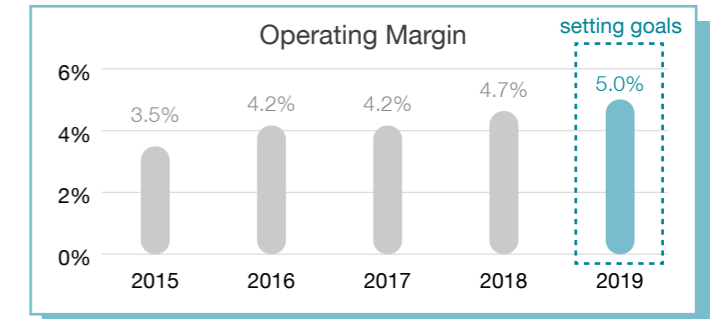
#### Forty-four Management Information Systems



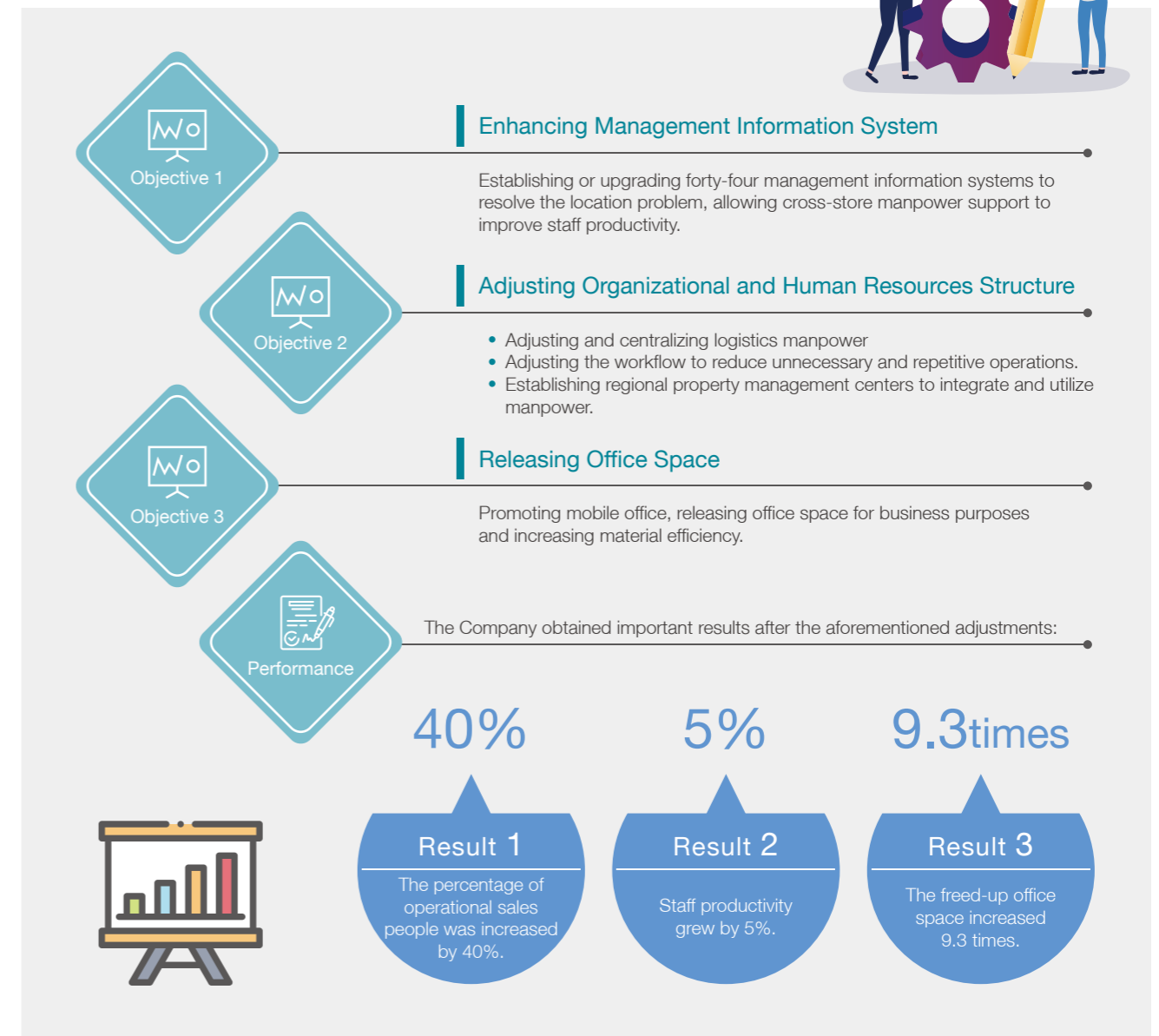
### Innovation Initiative II

#### Upgraded Management and Improved Production Capacity

Faced with significant changes such as the transformation of the industry, the Company has adapted faster than others to demonstrate superior flexibility and execution. The management launched the "Productivity Improvement Project" to manage three aspects including E-system development, staff adjustment and space enlargement. The innovative management concepts have been integrated into various action plans to optimize the organizational structure, increase staff productivity and resource operational efficiency. This has led to an increase in operating profit from 3.5% in 2015 to 4.7% in 2018 as well as 34% of growth. The growth rate is expected to reach 5% in the next 3 years.



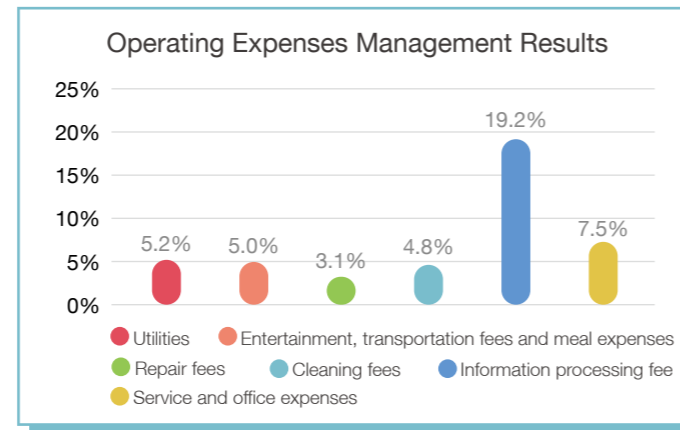
#### Productivity Improvement Project (2015~2018)



### Innovation Initiative III

#### Utilizing Statistical KPI to Effectively Manage Fees

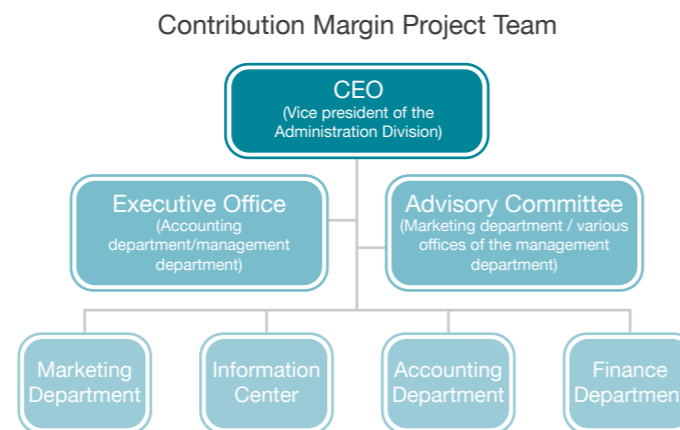
To reduce fixed costs and increase operational efficiency, the Company established the Budget Management Committee in 2015 to formulate targeted budget management plans for various operating expenses, including repair fee, cleaning fee, information processing fee, utility bills, entertainment, travel expenses and meals. The accounting department keeps track of the budgets of each department and branch office, reviews the reasons for overspending, and includes "repair fee, service fee control, and transaction fee control" in the KPI. The operating expenses are effectively managed through the monthly KPI data management. The range of various expense control in 2018 fell between 3% to 20%, including: 3.1% of repair fees and 19.2% of information processing fees. In the future, the Company will continue to implement budget management with the target of boosting the operating profit to 5%.



### Innovation Initiative IV

#### Finding the Key to Targeted Marketing Through BI Cost Model

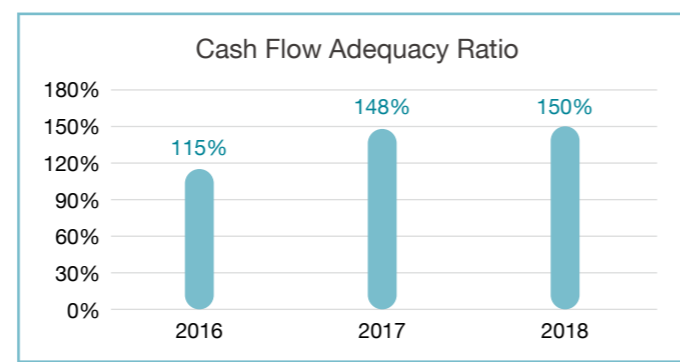
The Company established the Contribution Margin Project Team in 2018 and started convening monthly meetings to discuss the contribution margin ratio of marketing expenses for various products. Based on the degree of contribution, the Company formulated a marketing expense model as a measurement tool to deliver targeted marketing to customers. The results can also be used to adjust the proportion of marketing resources investment, and serve as reference data for commissioning fee. The team has completed the analysis of contribution margin of the department store vouchers in 2018, adopting a voucher benefit analysis model to divide the vouchers into the gifted and redeemed categories with the help of the system in order to evaluate the respective contribution of gifted and redeemed vouchers. The Company plans to complete the introduction of the voucher details in 2019 and establish a rate of return analysis model. The mid-term goal is to derive marketing strategies according to the model, and the long-term goal is to adjust the product mix and profit-making structure according to marketing resources.



### Innovation Initiative V

#### Steady Cash Flows with Over 1.5 Times of Cash Flow Adequacy Ratio

Sufficient operating cash flow is the key to steady growth and expansion of the enterprise. In order to create higher economic value for the stakeholders, the Company has carefully managed the cash flow adequacy ratio. Cash inflow from operating activities is measured against the ratio to judge whether it is sufficient for meeting the needs for operational growth and dividend payment. The ratio greater than 100% show that the cash inflow from operating activities is sufficient to satisfy the Company's long-term needs for business growth and dividend payment, and both amount of funds needed from external sources and the capital cost can be reduced. The cash flow adequacy ratio of the Company has increased year by year over the 5 years. In 2018, the ratio has reached over 150%.



## 1.2 Sustainable Governance

### A Professional and Diverse Board Profile

#### Excellent Performance in Corporate Governance

The Company has a functional governance framework. The Company has formulated Corporate Governance Best Practice Principles as the basis for the governance framework, as well as being committed to its implementation through transparency and responsibilities in order to safeguard the shareholders' interests.

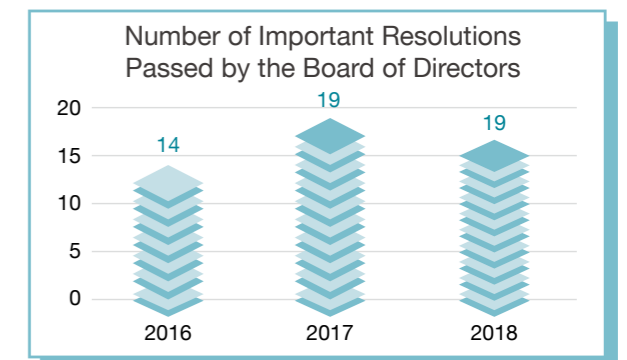


#### 2018 Corporate Governance Committee Resolutions

Board of Directors	Economy	Environment	Society
Remuneration Committee	★	★	★
Audit Committee	★		
Market Development Committee	★		
Budget Committee	★		
Corporate Social Responsibility Committee	★	★	★

#### Professional Governance with Shareholders' Interests at Heart

In June 2018, the Company re-elected the Board of Directors. There are 9 seats of Directors after the re-election, among which 3 are Independent Directors. The Directors are equipped with the knowledge, skills and qualities required to perform their duties. Board meetings are convened quarterly in order to enhance the transparency of the Company's operations and protect shareholders' interests. The Board is able to fully and regularly communicate with the management on the implementation and supervision of the Company's business. The Board gives timely guidance and executes follow-up actions in response to the issues and strategies raised by the management, so as to ensure that the operating objectives are adjusted and implemented. In 2018, nineteen important resolutions were made including the approval of audit plans, operational reports and financial reports. For important resolutions of the Board of Directors, please refer to the Company's website: [https://www.feds.com.tw/shareholder/shareholder\\_tw.html](https://www.feds.com.tw/shareholder/shareholder_tw.html).



### Board Members

Position	Name	Education	Gender	Age
Chairman of the Board	Douglas Hsu	Honorary Ph.D. of Management, National Chiao Tung University M.A. in Economics, Columbia University, USA.	Male	●
Director	Nancy Hsu	Fashion Design, Shih Chien University	Female	●
	Nicole Hsu	B.A. in Interior Design, New York School of Interior Design B.A. in Literature, Simmons University, USA	Female	●
	Yvonne Li	Master of Accounting, University of Illinois at Urbana-Champaign	Female	●
	Philby Lee	Accounting Department of the Arizona State University	Female	●
	Jin-Lin Liang	Master of Communications, Illinois University EMBA, NTU	Female	●
Independent Director	Eugene Chien	Ph.D. in Aviation Engineering, New York University Bachelor of Mechanical Engineering, National Taiwan University	Male	●
	Ruiming Dai	Master of American Studies, University of Hawaii Honorary Doctor of Law, Fu Jen Catholic University	Male	●
	Edward Wei	MBA, University of Georgia, USA.	Male	●

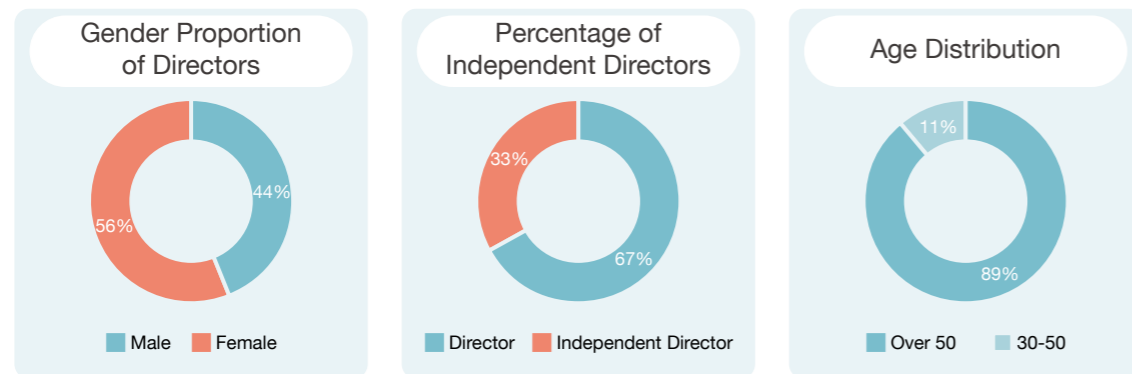
Note: Please refer to the annual report for details of shareholding and concurrently-served positions of Directors and Supervisors.

● 30 to 50 ● Above 50

### Meeting the Industry Needs by Electing More than Half of Female Director

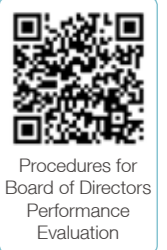
The Company values gender equality and adheres to this principle in the election of Directors. Currently, there are 5 female Directors accounting for over 50% of the seats, a percentage much higher than the average of the local listed companies. In the department store industry dominated by female consumers, this allows the Company to make retail decisions that better cater to customer needs, as well as increasing the Board's awareness of ESG issues (environment, social, governance).

To enhance the Board's functions, Guidelines of Strengthening the Functions of the Board of Directors have been incorporated in the Corporate Governance Best Practice Principles. The nomination and election of Board members are carried out using the candidate nomination system. Besides taking the opinions of Independent Directors into consideration, the academic qualifications and experience of each candidate is also evaluated. The Company also complies with regulations of Election Procedures for Directors and Supervisors and the Corporate Governance Best Practice Principles to ensure that diversity, independence and stakeholders' opinions are taken into consideration.

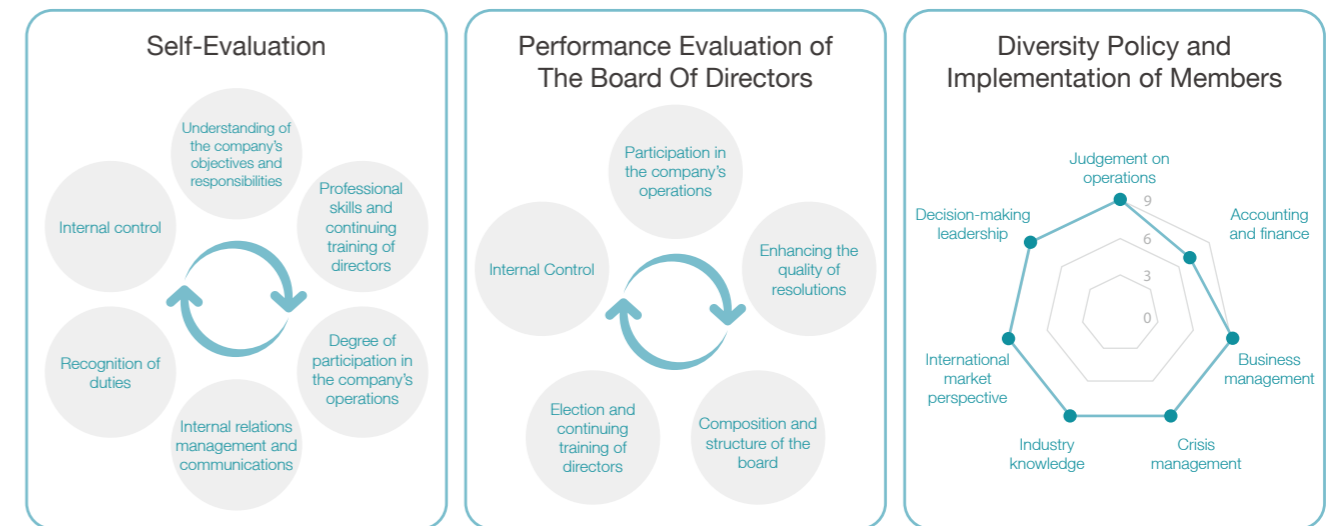


### The Board Performance Evaluation has been Deemed to Exceed Standards

To strengthen the effectiveness of the Board of Directors and set performance targets, the Company has established the Procedures for Board of Directors Performance Evaluation and execute the evaluation annually to ensure the diversity and competence of Directors. In November 2018, the Board members and the Board meeting affairs unit were separately assessed by questionnaire. All Board members have participated in the evaluation process. The evaluation results were divided into three categories, including exceeding the standards, meeting the standards and room for improvement. Since over 90% of each evaluation item was reached, the result was exceeding the standards. All the Directors are fully aware of their functions, the Company's operations and the environment and effectively enhance the decision-making quality, demonstrating the Board's good performance.

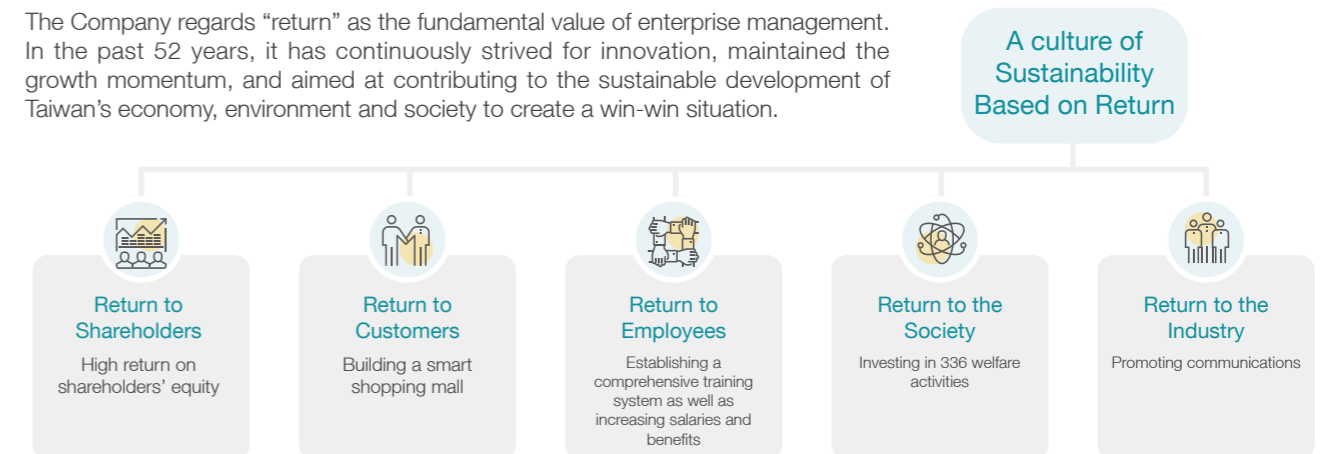


According to Article 27 of the Articles of Association, if there is a profit for the year, no more than 2.5% shall be distributed as remuneration of Directors. The actual distribution ratio and amount for Directors' remuneration shall be determined by the Board of Directors in consideration of various factors, including performance evaluation, the Company's operational performance, and future business risks, and the proposal shall be reported to the shareholders' meeting. The Company has set up the Remuneration Committee in accordance with the law. Meetings are held to evaluate and decide on the remuneration of Directors and managers while taking the standard for the industry and listed companies into consideration. The Remuneration Committee submits its recommendations to the Board of Directors for resolution, and any objection or revision from the Board shall be explained with specific reasons. However, if the resolution of the Board is superior to the proposal by the Remuneration Committee, public announcement and declaration shall be made in accordance with Committee Charter. For more information regarding the remuneration paid to the Directors, President and Vice Presidents, please refer to the annual report.



### Creating a Culture of Sustainability Based on Return

The Company regards "return" as the fundamental value of enterprise management. In the past 52 years, it has continuously strived for innovation, maintained the growth momentum, and aimed at contributing to the sustainable development of Taiwan's economy, environment and society to create a win-win situation.







### High Return on Shareholders' Equity

The overall department store industry experienced a downturn last year. With the effort of the management team and all employees, the Company continued to create excellent business performance through flexible operational strategies and innovative management actions. In addition to the continuous growth in revenue, the operating profit further broke the record and exceeded NT\$2 Billion, increasing 12% from the previous year with the net profit before tax of NT\$1.63 Billion. As the overall operating performance is good, the Company's average ratio of earnings distribution for the past 3 years was 89%. The 2018, the ratio was as high as 90%, making the Company a good investment target with outstanding investment returns. For details on innovative management, please refer to the section of "Forward-Looking Operations" of this report on P24~P26.



### A Smart Shopping Mall for Customers

The Company puts a lot of thoughts in all the details to provide the customers with a high-quality and heart-warming shopping space and services that target all groups of customers. The Company continues to progress with the times and creates an innovative outlook for department stores to elevate the shopping experience and satisfy the changing needs of consumers. With the development of digital technology, the Company also actively utilizes new technologies to move towards smart new retail and introduce innovative digital services to create a new digital consumption journey. The digital shopping mall allows customers to enjoy the new experience of smart technology consumption. For more information on the smart shopping mall, please refer to the section of "Innovative Benchmark Mall" of this report on P43~P45.



### Comprehensive Training System and Promoted Salaries and Benefits for Employees

All employees have made contribution in the 52 years of history of the Company to achieve what it is today. We provide a healthy, equal and happy working environment, rights that employees are entitled to as well as competitive salaries and benefits to reward their contribution, allowing employees to grow with the Company. The Company set up the Employee Welfare Committee to properly plan various employee welfare measures. In addition to the year-end bonus, employee bonus, anniversary bonus and other bonuses and rewards, employees also enjoy employee shopping discount, festival bonuses, subsidies for childbirth, marriage, birthday, funeral, as well as other welfare measures such as employee trips, hospitalization subsidy and educational funds for children. In 2018, the entry salary level was 1.3 times of the minimum national wage. We offer stable and generous remuneration to attract outstanding talents to the Company. For more information on training systems and compensation packages, please refer to the section of "Healthy and Happy Workplace" of this report.



### 336 Welfare Activities for the Society

The Company has 10 locations in Taiwan, making it the department store chain with the widest-spread locations. From the perspective of industrial supply chain, the Company forms a triangular public welfare platform with the upstream (counters) and downstream (consumers), making good use of the advantages and strengths of the channels. The Company connected local governments, public welfare organizations and other units with resources to care for disadvantaged families, children in rural areas and elderly people living alone during the holiday season. The Company aims at enhancing their quality of life by giving them the much-needed materials and resources as well as conveying warm wishes to increase interpersonal interactions in cities and making the world a better place.

For example, the Tainan Store has held the Christmas public welfare lighting event for 11 consecutive years. Every year, the children from the rural areas Tainan are invited. In addition to giving out sneakers and stationery, the Company also carefully arranges a whole day of activities taking them to the bookstore and exhibitions to expand their experience and horizon. So far, more than 1,600 children have participated in the event. For more information on public welfare activities, please refer to the section headed "Heart-Warming Social Care" of this report.



### Promoting Communications in the Industry

The Company participates in over 40 domestic and international associations of the retail industry, as well as plays important roles, such as Supervisors, in 6 of them. The Company devotes considerable resources to contribute to the prosperity, progress and development of the industry. Nancy Hsu, the President of FEDS, has served as the chairperson of the Retailers' Association of Chinese Taipei since January 2016. In addition to leading the association to become a platform for information exchange of the department store retail industry, she also provides professional advice for the government's industrial policy so that the industry can grow stronger with the support of a good policy environment. For more information on return to the industry, please refer to the section of "Participation in Associations to Exert the Industry Influence" of this report.

### Regular Senior Management Meetings Commit to Sustainability

The CSR Committee of the Company promoted the "Sustainability Action" in 2018. The Company hopes to strengthen the employees' awareness of sustainable development, establish common values and work culture of sustainability by internalizing the values of environmental protection, service and public welfare into the corporate DNA. The Company adopts green consumption, public welfare and smart new retail to provide the customers with a sustainable life, drive the sustainable growth for the Company as well as the Taiwanese society, and leading the department store industry into the new era of sustainable development.

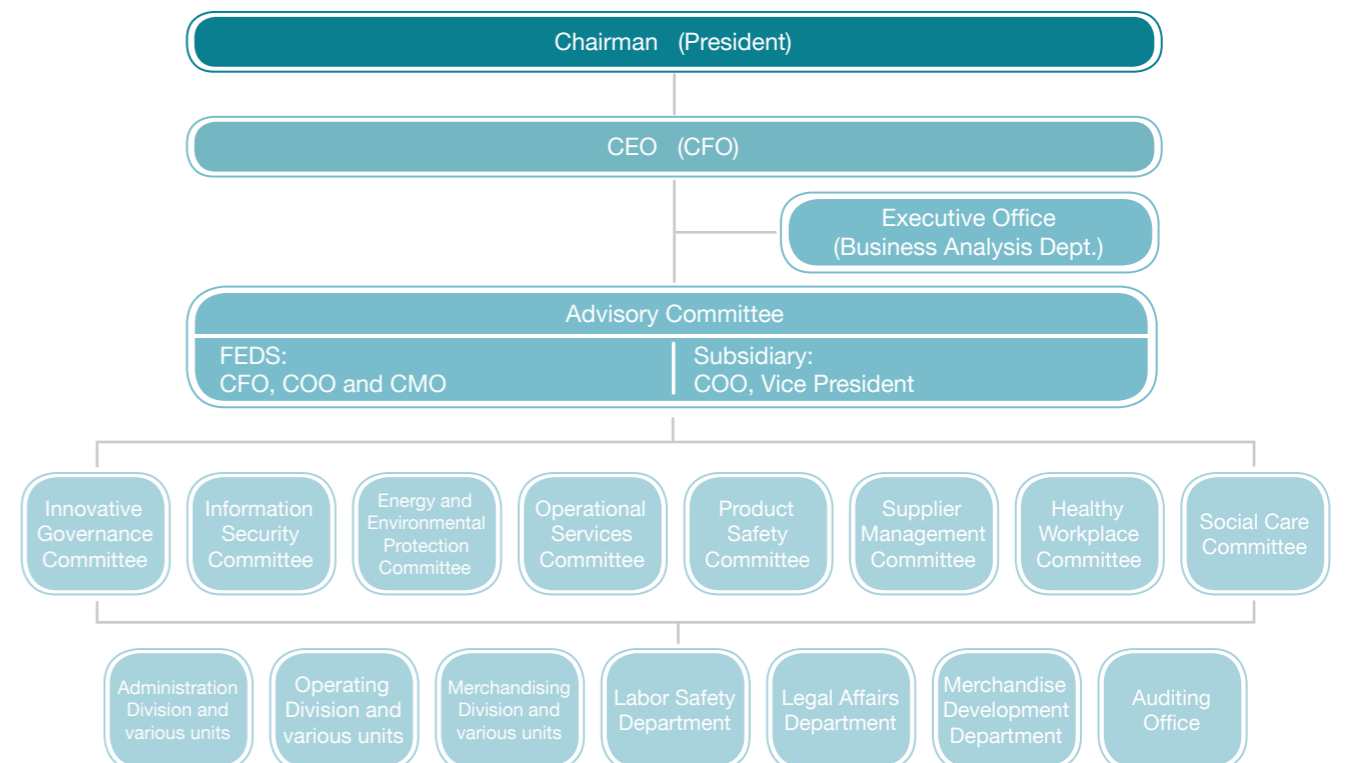
### Corporate Social Responsibility Committee

The Company established the CSR Committee in 2015 with the three subsidiaries including A.Mart, city'super and The Mall. The President of FEDS serves as the Chairman and the Vice President of the Management Department serves as the CEO to lead committee operations and supervise project progress.

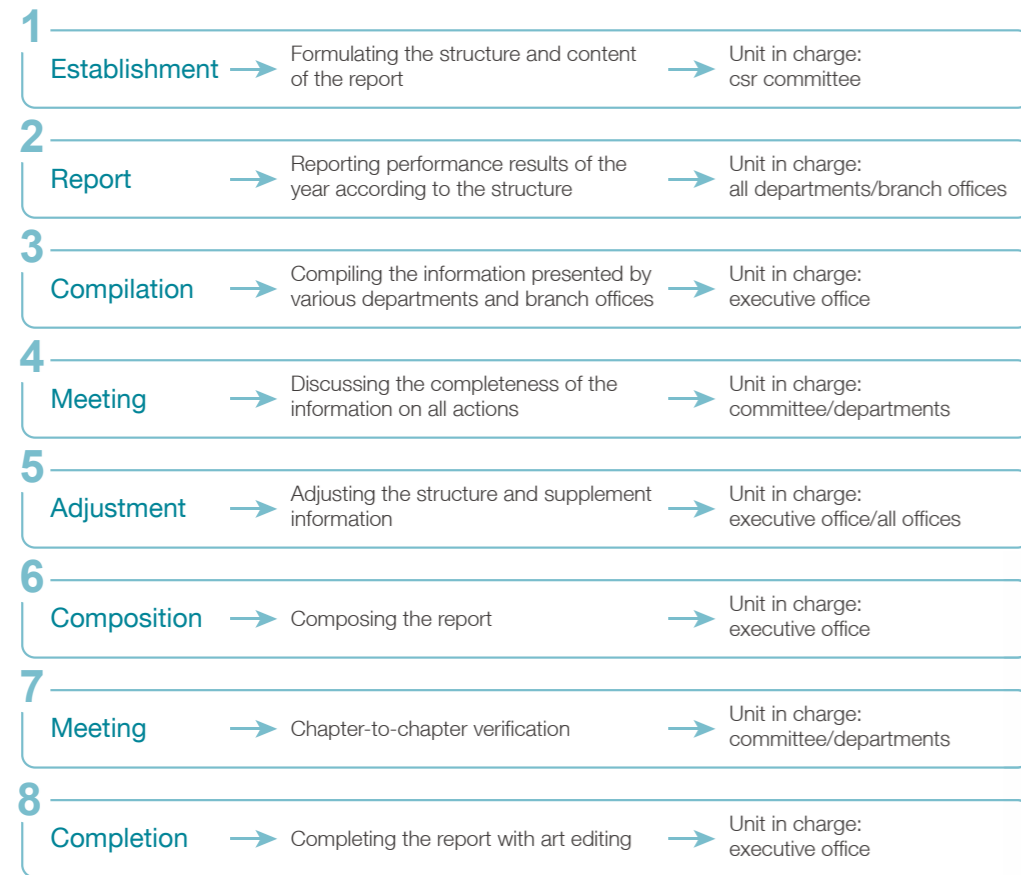
In order to implement corporate social responsibility into daily operations, the organizational structure of the Company's CSR Committee was adjusted in 2018. Eight functional committees were established to manage fields such as corporate governance, information security, environmental protection, commercial operation, quality of goods, supplier management, employee incentives and social welfare. The Committee works together to identify economic, environmental and social risks as well as formulating relevant strategies and goals. The CEO of the CSR Committee hosts a meeting on a monthly basis with different topics. All functional committees reported about the scope of their work, and then the CEO reports the project progress and results to the chairman. In addition to integrating the project execution performance, the office is responsible for coordinating and integrating inter-departmental matters and resources for CSR matters as well as compiling the corporate social responsibility report.

In addition to the CSR Committee, the Company holds weekly management meetings to review and manage issues such as energy use, energy saving, human resource management, budget saving and KPI control to ensure data and information accuracy so that the CSR Committee can review the objectives and effectiveness of information management.

Through compiling the CSR report, the CSR Committee has disclosed the results of environmental protection, social contribution and governance. The content of the report is reviewed and verified every step of the way to ensure its correctness and integrity, in order to communicate effectively with stakeholders. According to the FEDS CSR Policy, the Company will strengthen its corporate social responsibility information disclosure as an important principle for realizing CSR. In order to make information disclosure conform to the three principles of completeness, materiality and communication, the report preparation process begins with editorial meetings convened by the CSR Committee. The dedicated staff of each department returns the sustainability performance results in their scope of work, and the executive office is responsible for the coordination and compiling.



### Corporate Social Responsibility Report Preparation Process



### Enhancing the Ability to Create Sustainable Values



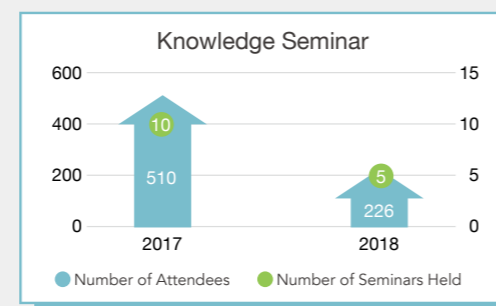
#### Sharing Knowledge About Sustainability Trends

The CSR implementation office regularly shares sustainable development trends and practices in the management meetings, including the 0 carbon emission by 2050 initiative of the AEON department store and the building energy management system of Delta Electronics. In addition to increasing the corporate sustainability awareness of the heads of department, the Company hopes to take a leaf out of others' book to transform good examples into the momentum for promoting sustainability.



#### Regular Cross-Departmental Discussions

To strengthen the cross-departmental CSR communications and build consensus, the Company has involved personnel in the areas such as finance, accounting and legal affairs since 2017 to hold knowledge-sharing meetings on a monthly basis. Aspects of finance, accounting and law that might apply to work are shared by groups based on agreed-upon topics for discussion and questions.



#### Training Seed Instructors for Sustainability

In 2018, the Company sent 12 people for professional sustainability training courses with a total of 176 hours of training. 4 employees passed the assessment to be certified as TCSA Volunteer Reviewers and served as volunteer panel members for the annual award. Another employee completed the Enterprise Sustainability Manager license course jointly sponsored by the National Taipei University Business School and the TAISE. As the participants generally responded well to the training courses, the Company will invite professional instructors in sustainability to offer the Corporate Sustainability Elite Training Course in the Company in 2019. This will bring more sustainable development energy into the Company and cultivate more specialists in promoting sustainable management.



#### Implementing Sustainable Management KPIs

To encourage the employees to implement the CSR value in daily work, the CSR Executive Office began to develop relevant assessment plans at the end of 2018. It is hoped that the ESG aspects will be gradually incorporated into management performance indicators, and the implementation of each branch will be tracked every month. For branches that fail to meet the standards, explanations and improvement plans must be submitted. The Company hopes to build a positive cycle of continuous improvement of internal sustainability performance through sustainability performance management, as well as promoting sustainable operations of the Company.



### National Prize Winner Recognition for Sustainability Performance

#### Chairman Douglas Hsu was Awarded the Outstanding Promoter of Corporate Sustainability

Douglas Hsu, Chairman of the Group, was awarded the Outstanding Promoter of Corporate Sustainability by TCSA, which is known as the Oscars of corporate sustainability in Taiwan. This recognizes his vision in sustainable corporate development and his leadership that allows the Group to achieve excellent sustainable governance performance. After Douglas Hsu received the award from Vice President Chien-jen Chen, he said that he expects the Group to become a model of corporate sustainability to set the benchmarks for Taiwan in terms of economic growth, environmental sustainability and social integration. The transformation will create a curve for sustainable growth and enhance the sustainable value chain, acting as the upward forces of Taiwanese society.



#### FEDS Won the National Sustainable Development Award

In the 52 years since its establishment, the Company has internalized environmental protection, service and public welfare into its DNA. The Company aims at creating a win-win situation for the economy, environmental protection and society as its sustainable growth model. After three stages of strict review, including the written review, on-site visit and the panel selection, the Company's effort has been recognized by the Executive Yuan and went on to win the National Sustainable Development Award in 2018.



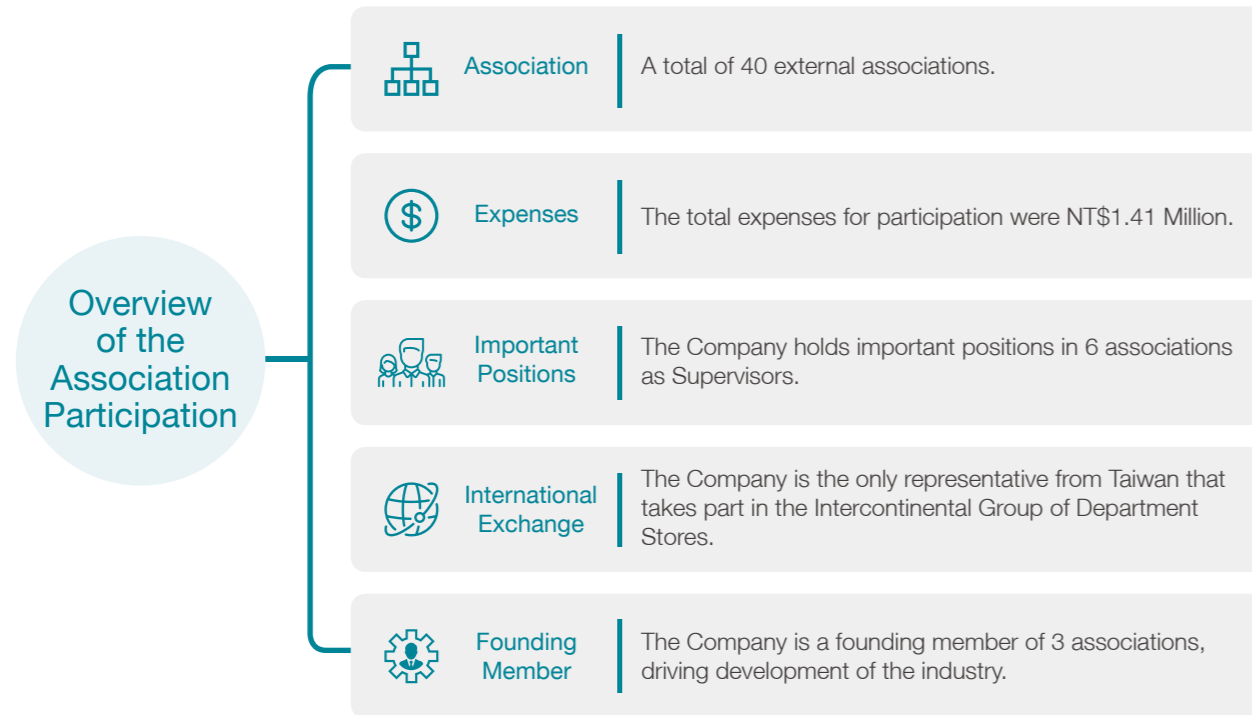
#### Taiwan Corporate Sustainability Awards (TCSA) the Company Won four Awards

The Company regards "return" as the basic value of sustainable corporate management. While upholding the spirit of innovation and change, the Company has always insisted on "giving back to society what has been taken from it" after half a century. The Company performed spectacularly in the evaluation of the 11th TCSA Taiwan Corporate Sustainability Awards in 2018 by winning 4 awards including the Top 50 Taiwan Corporate Sustainability Award and Innovation Growth Award. The results of the Company's sustainable management have received recognition.



## Participation in Associations to Exert Industry Influence

As the longest-standing and only listed chain department store in Taiwan, the Company actively participates in domestic and international department store retail organizations and other relevant public associations. The Company hopes to join hands with the peers in the industry to promote prosperity, exert the industry's influence and contribute to the internationalization and modernization of department stores in Taiwan.



Note:  
 1. The Company is a supervisor of: Retailers Association of Chinese Taipei, Taiwan Council of Shopping Centers, Center for Corporate Sustainability, Chinese National Association of Industry and Commerce, Taiwan, Taipei Department Store Association, Intercontinental Group of Department Stores.  
 2. The Company is a founding member of: Retailers Association of Chinese Taipei, Taiwan Council of Shopping Centers, Center for Corporate Sustainability.  
 3. Members of the Intercontinental Group of Department Stores are spread over 5 continents with 41 members and more than US\$7.5 billion in total turnover.

## Joining IGDS to Increase the Visibility of the Department Store Industry in Taiwan

In order to enhance the international vision of Taiwanese department stores, draw on the successful experience of foreign department stores, and to connect with the modern operations of global department stores, the Company joined the Intercontinental Group of Department Stores (IGDS) in 1988 as the first member from Asia. It has also been the only representative of Taiwan for a long time. Through IGDS, Taiwan's department stores have been found a good way to connect with the world. Through the annual visits, the Company will not only bring international peers and brands into Taiwan, but also establish regional partnerships and strategic cooperation. It will equally promote Taiwan's department store development and business direction to the international market, so that global department stores will become more aware of the current situation of Taiwan's industry, as well as promoting its internationalization and visibility.

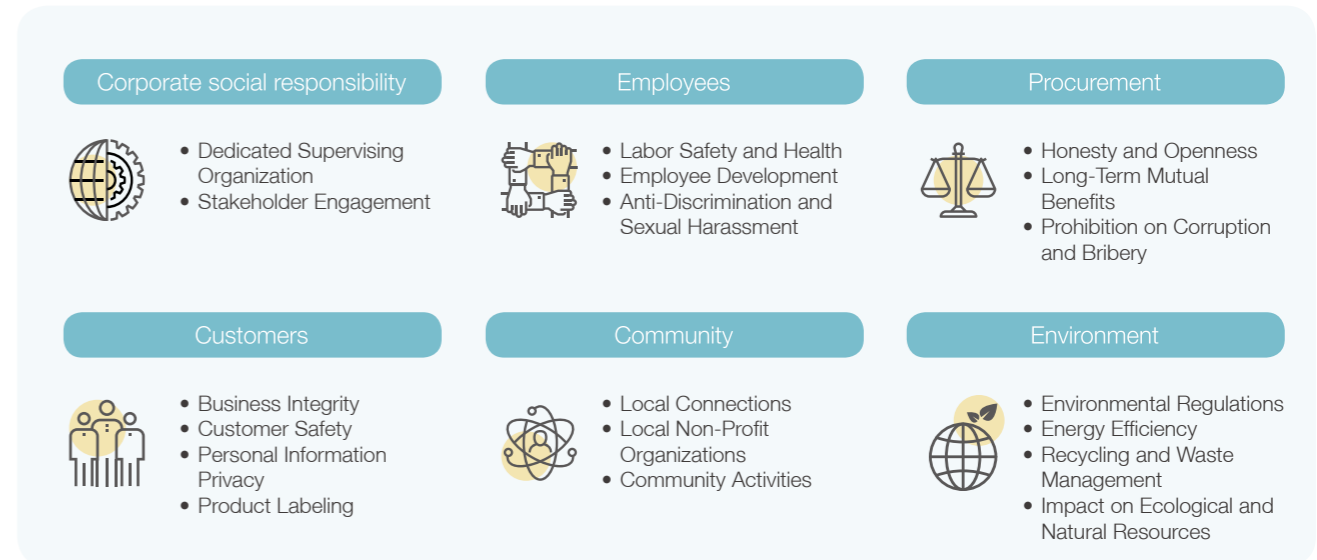


## The 70th IGDS Annual Conference and Global Department Store Summit

In May 2018, the Company participated in the 70th IGDS Annual Conference and the Global Department Store Summit in London to discuss the trend of the global luxury goods consumption with 371 leaders of global department stores, focusing on the importance of mindful consumption. The partnership between department stores and brands was also a focus, as well as the power of luxury redefined and what it means to the department stores and brands.



## Key Points of the Code of Corporate Social Responsibility of IGDS



## Creating the Smart Shopping Mall to Promote Innovative Department Store Development

The department stores are where fashion trends and social movements take place. With the spirit of innovation, the Company continues to create new business models to lay the foundation of modernization for the department store industry in Taiwan. In the glorious history of the Company, it is not only the first department store to incorporate a supermarket, but also the first in Taiwan to offer gifts and lucky draws for purchases of a certain amount, hold mid-year promotions as well as international goods fair. Opening in 2011, the new generation stores (Mega City BanQiao Store, and Top City Taichung Store) successfully created the "shopping mall in department store," leading to the transformation in the local department store industry. The 5th-generation store that will open in mid-2019 (Xinyi store) will combine digital technology and smart retail to create a smart shopping mall. This new smart model will set the benchmark for shopping malls in Taiwan, making the Company an important driving force for innovation.



### Communications with the Industry Association through Department Stores

Since January 2016, the General Manager of FEDS has been the Chairman of the Department Store Department. In addition to the Association of the Department Store Retail Industry Opinion Platform, the Company will also take advantage of the industry cooperation and bring in the industry's commitment to the industry. In order to enhance the Company's overall customer's retail industry, the Company will strive to contribute to the professional development of the Taiwan Department Store industry. Currently, the Association has 7 group members and 63 individual members. Seventeen domestic and foreign industry, government and academic exchanges and visits were held in 2018.



#### FEDS Received the Retail Innovation Achievement Award

The Retailers Association of Chinese Taipei organized the first Retail Innovation Achievement Award in 2018 in order to encourage department store retail industry to strive for innovation and excellence in the increasingly competitive environment. Nine companies, including FEDS, Hanshin, Taipei 101, FE Sogo and Big City participated. The selection and review were conducted by a panel composed of scholars, people in the industry as well as the media. With the FEDS Energy Management Plan-Increasing the Energy Efficiency of the Service Industry with the Management Concept of Manufacturing Industry, FEDS won the first Retail Innovation Achievement Award. Ms. Dan-Yao Chong from the FEDS Hualian Store was awarded as the Best Employee of the Industry.



#### The 3rd Annual Meeting of the 7th Retailers Association of Chinese Taipei

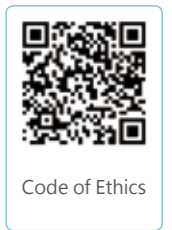
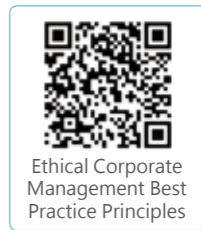
Retailers Association of Chinese Taipei held its annual meeting on the 17th floor of the FEDS Headquarters Building on March 14th, 2018. The chairperson, President Nancy Hsu of FEDS, quoted Tom Peters, the author of who is the Director of the book, quoted Tom Peters, the author of the book In Search of Excellence, saying "the best quality, reasonable price and good service" are the basic conditions for participation in competition. For the department stores retail industry, in addition to quality, price and service, innovation must be added to the mix in order to become more competitive as well as facing all external challenges. The new technologies such as big data, IoT and artificial intelligence have gradually starting playing a role in our daily life. The department stores should actively innovate and achieve differentiation in quality and service with the help of new technologies in order to provide customers with the perfect experience and to create a new outlook for the industry.



## 1.3 Sound Risk Management

### Ethical Corporate Management for Risk Minimization

Based on the principles of honesty, responsibility and transparency, the Company has formulated a policy based on integrity as well as establishing sound mechanisms for corporate governance and risk control to create a sustainable business environment. The Company formulated the Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles and the Code of Ethics as the basis for all employees' behaviors. The Ethical Corporate Management Best Practice Principles clearly stipulates that the Company shall comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, relevant regulations for listed companies or business activities as the premise for implementing ethical corporate management. The Code of Ethics stipulates that employees should follow the ethical code and uphold the principle of integrity in business operations, as well as encouraging them to report any illegal act that violates the ethical behavior with a protection mechanism for confidentiality. In the self-evaluation conducted annually, all departments and operational locations are required to assess whether their actions are in compliance with the ethical values and corruption avoidance required by the Company. No significant risks of corruption were detected in 2018.



#### Implementation of Ethical Corporate Management and Code of Ethics

<p><b>Applicability</b></p> <p>The Company, subsidiaries, and groups or organizations which directly or indirectly donated more than 50% of funds</p>	<p><b>Communications</b></p> <p>When the violation is detected, the Audit Committee, manager, chief auditor, the Human Resources Department or other appropriate supervisors shall be alerted</p>	<p><b>Promotion Channels</b></p> <ul style="list-style-type: none"> <li>Internal and external official website</li> <li>Regular management meetings</li> <li>New recruit onboard training</li> <li>Group publications</li> </ul>
<p><b>Training Programs</b></p> <p>124 people received anti-corruption training in 2018</p>	<p><b>Regular Reviews</b></p> <p>Each unit supervisor conducts self-evaluation. Routine business and projects are controlled through the internal system audits to ensure the implementation of relevant regulations, and minimize the risks for integrity management and corruption.</p>	

### Systematic and Non-Systematic Risk Management and Countermeasures

In terms of operating activities, the Company has established appropriate risk management mechanisms to ensure that the Company can lower the impact on consumers and the society while actively engaging business development. Through regular analysis and assessment of the risks of each business activity and task execution, the Company adopts measures to prevent risks and formulate measures to minimize the impact of risks, as well as preventing them from reoccurring.

Each type of risk is set up by the internal authority of the organization to formulate management rules for the first-line prevention and management. Through consistent compliance standards, all levels of the Company can identify, measure, monitor and control risks when engaging in businesses. The Company lays the most emphasis on prevention. Identified risks can be immediately reported to the Auditing Office and all units to reduce the frequency and impact of the risks. The Auditing Office should also regularly perform various audit operations and projects to ensure each unit's risk management system is functional. The annual audit plan and quarterly audit reports are also regularly submitted to the Board of Directors. For the key communications between Independent Directors and the internal audit supervisor in 2018, please refer to the Company's website: [https://www.feds.com.tw/shareholder/shareholder\\_tw.html](https://www.feds.com.tw/shareholder/shareholder_tw.html).

### Key Points for Internal Control and Risk Management



**Food Safety Risks**

- Inspection of the quality of products sold by the supermarket and food counters



**Retail Operational Risks**

- Ensure that the facilities and fire management operations are in compliance with the public safety regulations



**Human Resources Risks**

- Management of salespeople dispatch and so on



**Financial Risk Management**

- Timely reminder and recommendations for the responsible units to comply with the requirements of the competent authority
- Conduct audits of accounting operations, including loans, endorsements/guarantees, asset acquisition and disposal, etc. in accordance with the regulations



**Compliance risk**

- Timely reminder and recommendations for the responsible units to promote compliance and conduct training
- Implementation of internal audit reports and revision of the internal control system and by-laws according to the instructions in the official letter.



**Personal Information Management Risks**

- Verification of the legality and effectiveness of data protection for the issued membership cards to protect the information security of consumers
- Reviewing electronic invoices to strengthen the protection and control of personal information

The scope of the risk management is not limited to the internal management system, but also the impact of external changes on the business. Systemic risks are categorized to research the commonality. Non-systematic risks that may occur under specific conditions require comprehensive risk management and response measures. To manage and respond to food safety risks, business operations risks and human resources risks, please refer to the sections of "Innovative Benchmark Shopping Mall," "Safe Product Management" and "Healthy Happy Workplace" of this report. This section mainly focuses on the financial management risks, compliance risks and personal information management risks.

### Financial Risk Management Team Monitors the Capital and Currency Market Changes Weekly

The systemic risks in terms of financial management are mainly due to the political, economic or social factors, such as the cross-strait relations, volatility and inflation. The impact on the overall market is inevitable. The Company strives to reduce the impact of the financial risks by increasing the Company's revenue, profitability and cash flow. The cash flow adequacy ratio is adopted to measure the cash flow generated by operating activities. If the cash flow adequacy ratio exceeds 100%, it means the cash generated from operating activities is sufficient to cover the growth of operations and the distribution of dividends, which decreases the dependency on external financing. The company's cash flow adequacy ratio has increased every year in the past five years. In 2018, it has reached more than 150%, which improves the ability to withstand risks.

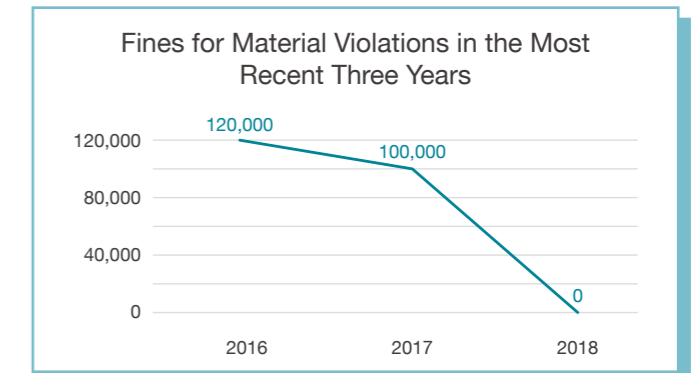
Non-systematic risks arising from financial management are mainly caused by operational negligence and accidents, resulting in the increase/loss from the assets or liabilities of the Company. The Company has formulated the management mechanism to avoid such non-systematic risks. The routine weekly management meetings review the value of assets and liabilities, so that the Company can adjust the exposure position. Any matters that involve loaning funds to others, making endorsements/guarantees or engaging in derivative trading shall be managed by the Operational Procedures passed by the Board and shareholders' meetings for risk management purposes. Through the management mechanism and the establishment of internal regulations, the Company can prevent non-systematic risks, avoid significant losses or any impact on shareholders' interests.



### Legal Risk Management Team Promotes and Implements Compliance Plan

The Company has long been paying attention to the amendments and changes to laws and regulations in order to reduce the impact of systemic laws risks. The implementation of corporate legal compliance is formulated based on the system, management and personnel to prevent systematic legal risks. The Company has formulated relevant regulations to strictly comply with the laws and regulations in every detail in operations, procedures, products and services in order to reduce the risks and liabilities of non-compliance, avoiding unnecessary financial and goodwill losses. In November 2018, the Company also completed the official document system. In the future, the document system could collect and manage documents related to non-monetary sanctions.

Regardless of corporate governance, environmental, social and product-oriented regulatory violations, the Company adopts a positive attitude to immediately address and make improvements, as well as striving to improve the effectiveness of internal corporate governance. The number of material violations of the Company in 2018 has been reduced to zero. We will strive to maintain the results.



Note: Material violations refer to incidents with more than NT\$100,000 of fine.

To strengthen the risk management awareness of the management personnel, enhancing the ability for risk prevention and management. In 2018, the Company organized four risk education training courses to introduce information regarding information security, network, property and procurement risks that could be involved in the operations. 120 people from the headquarters, branches and management department personnel took part in the training.

### Risk Education Training Course



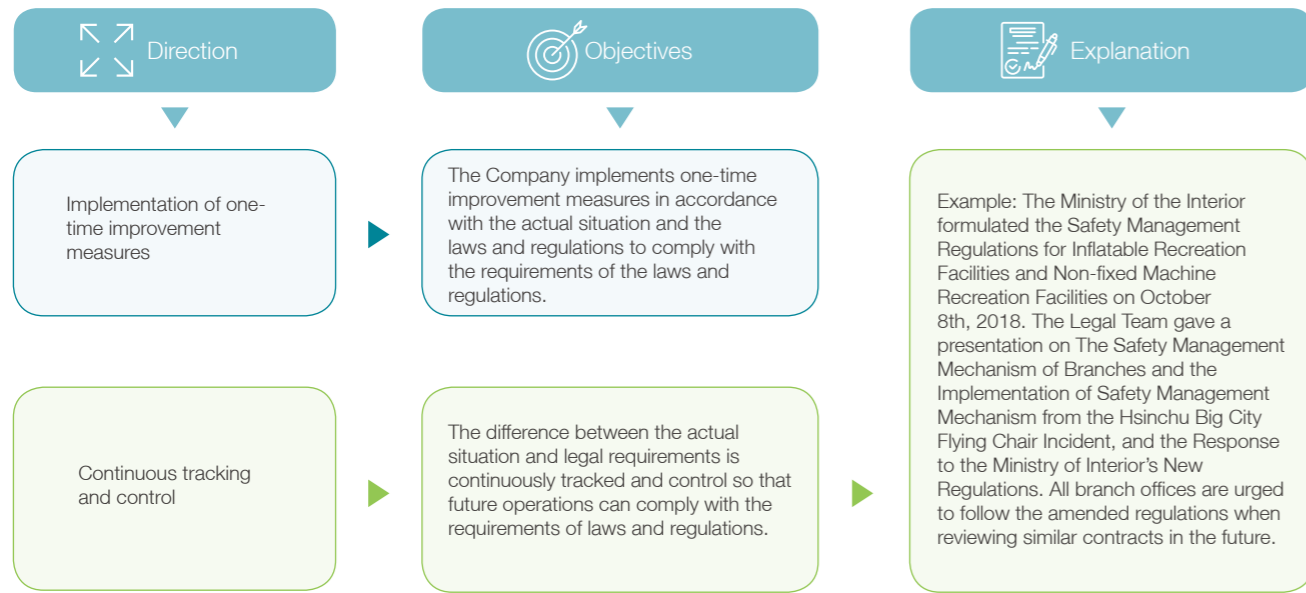
To improve compliance with the laws and regulations, the Company has established the legal affairs and compliance departments to implement various laws and regulations, compliance review and amendment management. Since May 2015, the laws announced by the President, passed by the Legislative Yuan, or included in the Executive Yuan's bulletin, especially the pending amendments to draft regulations, regulations or administrative rules related to the operations of the Company, are published weekly by e-mail. The "Regulatory News" is provided to the competent personnel at all levels to conduct compliance training and promotion with their units, so that all employees can stay updated with new regulations.

### Number of New Regulatory Updates for Employees

total: 648

January	February	March	April	May	June	July	August	September	October	November	December
83	10	30	39	85	83	32	26	40	47	57	116

### Specific Measures as Response to Changes in Laws and Regulations

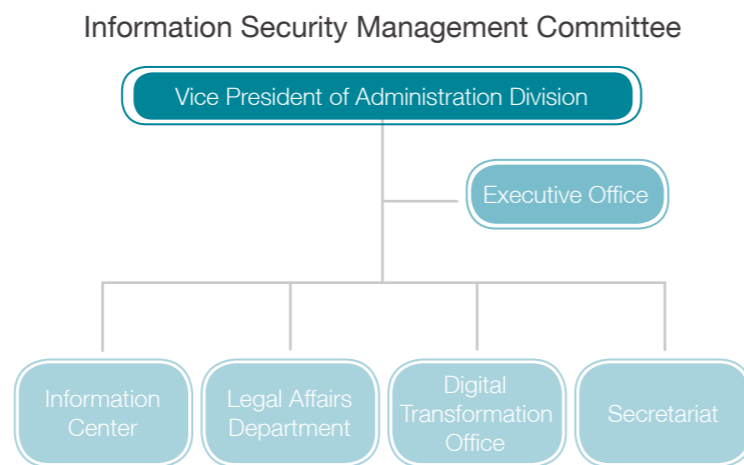


### Grievance Mechanism Management Statistics

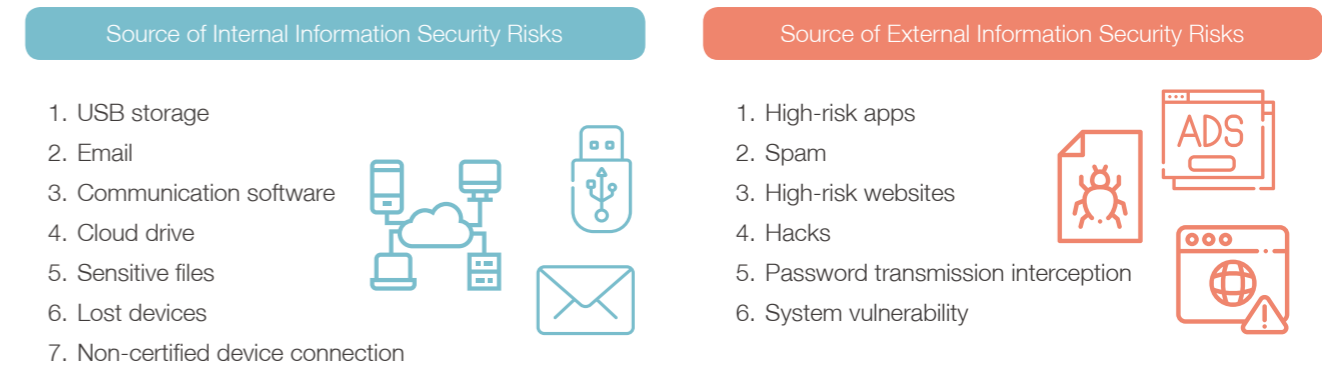
Type of Incident	Complaint	Results
Corporate Governance Compliance	0	The Company did not receive any cases regarding corruption, and the auditing office did not receive any major complaints in 2018
Environmental Protection Compliance	0	No environmental impact cases were filed, handled and resolved by formal grievance mechanisms
Social Regulations Compliance	0	No serious threat of freedom of association, collective bargaining or major employee complaints took place
Compliance with Product Regulations	0	The Company did not receive complaints regarding product regulations

### The Information Security Committee for Identifying the Source of Business Secrets Risks

The Company values the importance of information security management and has formulated stringent internal procedures and regulations to manage corporate information and personal data. In the face of the global data leakage and information security incidents, in order to protect information security, the Vice President of the Management Department led the legal affairs, information, and management units to establish the information security management committee. In addition to adopting the continuously improved PDCA (plan, do, check, action) cycle process management model set by the International Standards Organization, external information security measurement tools were introduced to verify and implement enterprise information security management. There was no breach of information security or leakage/loss of customer data in 2018.



The Information Security Management Committee identified six external information security risks and seven sources of internal information security risks in 2018. Appropriate control mechanisms and countermeasures will be adopted for identified risks in 2019.



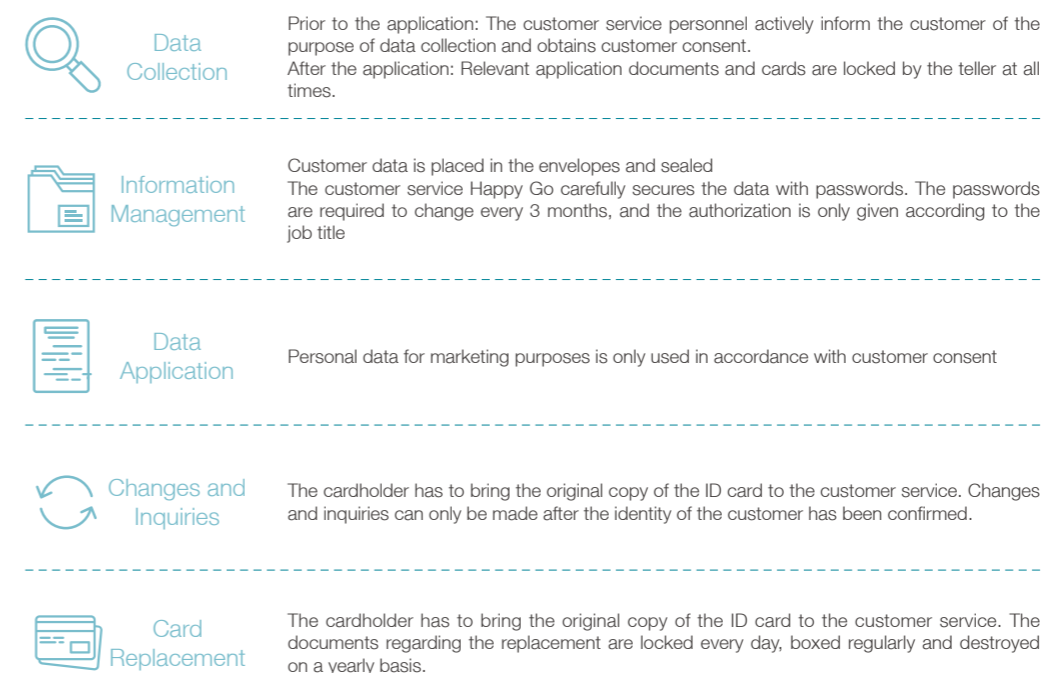
### Personal Information Management Committee Establishes and Maintains Personal Data

The Personal Information Management Committee reviews the use and storage of personal information in accordance with the relevant laws and regulations of the Personal Information Protection Act to ensure that all personal data is properly protected and managed.

The Company stores customer data on the Happy Go platform. Happy Go only retains a comparison file with corresponding information of the Happy Go platform. The Company cannot obtain member information or identify the members in any way. Happy Go has obtained ISO 27001 (ISMS) certification and the Data Privacy Protection Mark (DP Mark) in compliance with the Taiwan Personal Information Protection Management Specification (TPIPAS). All customer data is encrypted and carefully stored on the platform.

In addition, in order to comply with the Personal Information Protection Act, the Company formulated the "Happy Go Card Management Regulations" to clearly define relevant procedures for collecting, processing, using and maintaining file security in order to effectively control the protection of customer data during the application process.

### Happy Go Customer Personal Information Processing Flow Chart





# Chapter 2. Innovative Benchmark Shopping Mall

- 2.1 Digitalized FEDS
- 2.2 Professional Services
- 2.3 Quality Space



Link with SDGs

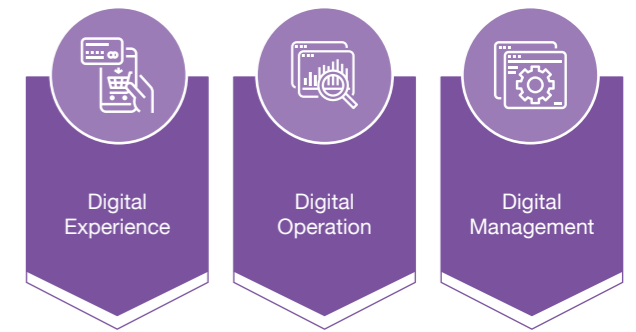


## 2.1 Digitalized FEDS

### Digitalized FEDS Rises Against the New Retail Challenges

The progress of digital technology and popularity of smartphones have resulted in a significant shift in consumer behaviors. In order to meet the demand of a new generation of consumers for tech life, the Company is actively promoting digital transformation towards "technologicalization of retail." From an operational point-of-view, the Company is developing smart retail by creating a smart shopping mall that offers a new shopping journey as well as exclusive and unique values and services. In terms of management, the Company has introduced a digital information system and a mobile office to digitalize management, making room for staff, procedure and idea transformations in the hopes of enhancing organizational efficiency and profitability as a whole.

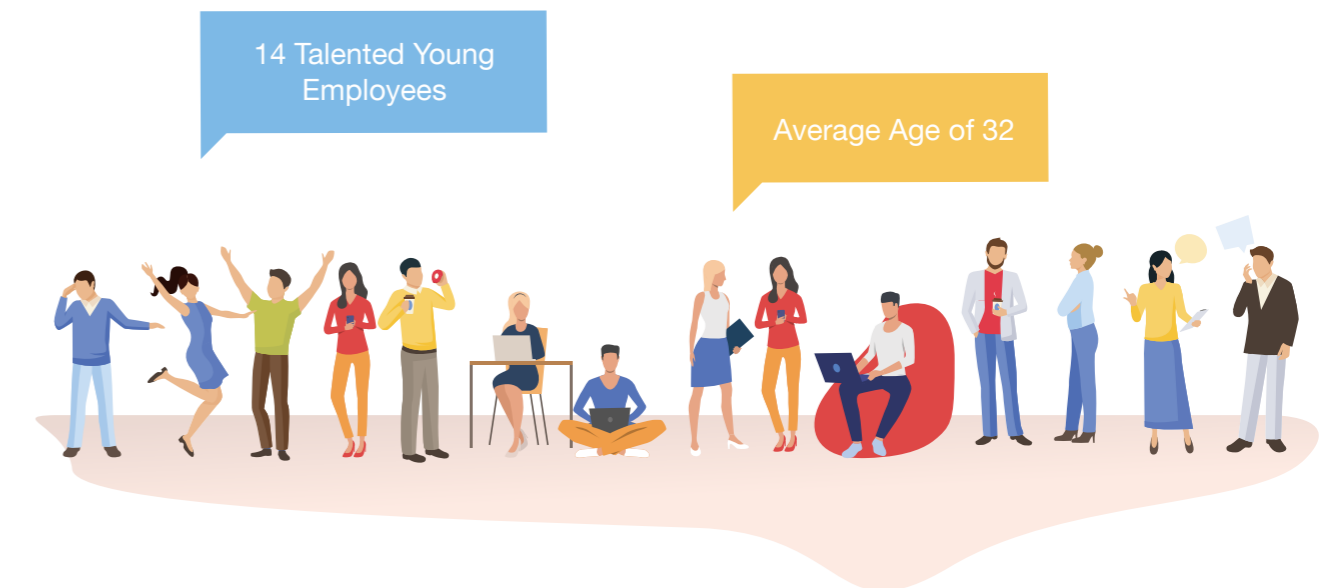
#### Digitalized FEDS



### Setting up a Digital Lab to Build the Smart Shopping Mall

The Company regularly participates in international exchanges such as IGDS (Intercontinental Group of Department Stores) every year to observe the innovative services and practices of the global department store industry. After witnessing the transformations and current development of European and American department store retail industry, the Digital Lab was launched in 2018. We hope to adopt a variety of new digital technologies to develop new shopping experiences that meet the specific characteristics of Taiwanese consumers, as well as to create new shopping journeys for consumers to satisfy their preferences and needs.

The Digital Lab was composed of 14 talented young employees from different departments such as operations, products and management at the average age of 32. Thousands of meetings were held in order to create a smart shopping mall.



## A First in Global Department Stores: the FEDS Smart Shopping Mall that Focuses on Personalized Marketing

### Getting to Know Consumers Through Technology

In the customer journey of the smart shopping mall, the Company can get to know the different needs of each customer as well as provide personalized marketing information and shopping experience through collecting consumption statistics and identifying consumer profiles.



### Three Core Business Systems of the Smart Shopping Mall

Through the establishment and improvement of three core system features, the Company is able to collect and analyze consumer data to better understand customers.

#### 1. Enhanced POS



Collecting more detailed consumption data to understand customer shopping habits (preferred brands, product types, etc.).

#### 2. Newly Designed APP



Collecting members' user experience feedback, preferred services and event information.

#### 3. Introduction of the CRM System to Link and Analyze Consumer Profiles



CRM integrates all consumer information and uses AI to predict customer preferences and habits.

Personalized Marketing = giving the right person the right information and service at the right time in the right way

After the AI computes analysis in the CRM system, the Company will better understand its consumers and send out automated push notifications to provide them with the information, services and discounts at the right moment through their preferred channels including Line, Facebook or the APP.



## FEDS Xinyi Store: Thirty Innovations in the Industry

As the longest-established and most popular department store chain in Taiwan, the Company has always stayed up to date with trends in fashion with good insight, as well as continuously increasing the values and features of the department store to offer consumers a one-stop shop for all their shopping needs. The Company is the best driving force that allows people to experience trends and exquisite tastes, offering happy shopping experience for all consumers. Following the grand opening of the fourth-generation stores in Top City Taichung Store and Mega City BanQiao Store, the Company has been successfully leading the consumption trends since 2011. After 8 years of preparation, the Company once again created the innovative benchmark shopping mall for the local retail industry. Breaking away from traditional retail, this brand-new Smart Shopping Mall is scheduled to be launched at the second half of 2019.

The fifth-generation Xinyi store is located in the Xinyi District of Taipei City, the top shopping district in Taipei. Since its conception, the new store is positioned as a Smart Shopping Mall that will bring consumers a digitalized consumption journey. From the moment the consumers step into the department store, they can experience the digitalized and exclusive shopping experience powered by technologies. There are more than 30 thoughtful, convenient and fun innovative services, all of them a first in the industry. It is guaranteed to be the talk of the town after the launch and become the new benchmark for department stores and shopping malls in Taiwan.

In the face of the new era of smart retail, the Company is committed to providing innovative shopping experiences. By closely linking products, services and customers, the Company is ready to demonstrate the beauty of smart shopping technology.

### Expanded Mobile Payment for Facilitating Mobile Consumption

Green consumption and technological intelligence are the Company's promises of a bright future. As a pioneer in third-party payment for domestic large-scale department stores, the Company continued to offer more diversified mobile payment tools to facilitate the payment process and create a new era of mobile consumption.

Currently, the Company has adopted mobile payment tools such as Apple Pay, Google Pay and Samsung Pay. In 2018, Line Pay and electronic vouchers were also introduced. In the meantime, to respond to the government's policy of combining mobile payment and cloud invoices, the Company has adopted electronic vouchers and e-invoices to save paper. The no-cash and no-paper shopping context not only enhances convenience but also reduces waste.

#### Mobile Payment Introduction Progress

2014	2015	2016
 Happy Cash	 O'Pay	 friDay Wallet
2017		
 Apple Pay	 Google Pay	 Samsung Pay, Alipay, Ticket Xpress
2018		
 LINE Pay		Line Pay, Electronic vouchers



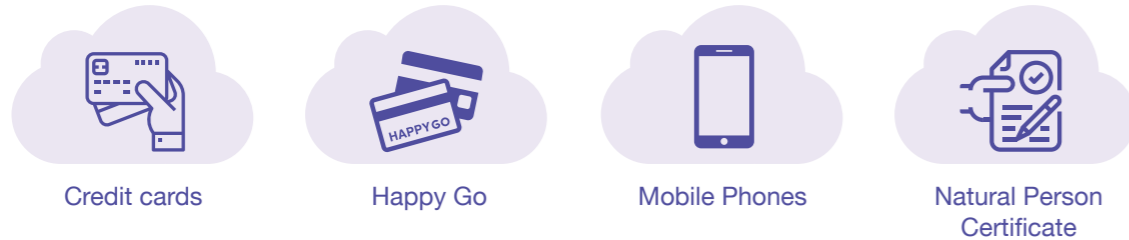


### Promoting Electronic Invoice for an Easier Checkout Process

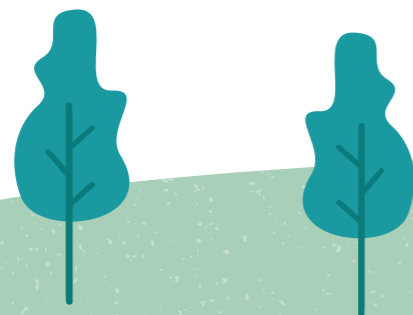
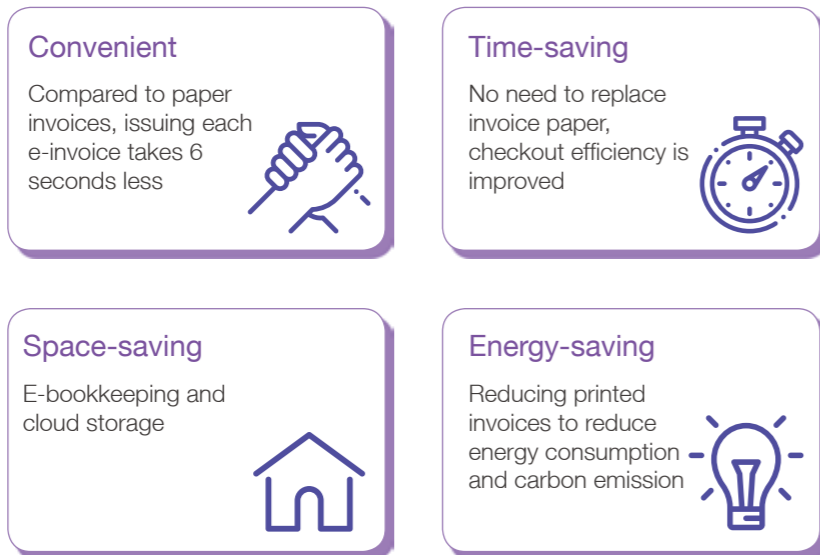
In response to the government's policy of combining mobile payment and cloud invoices, the Company has collaborated with the National Taxation Bureau of the Ministry of Finance to set up promotional service stations in 10 stores all over Taiwan. The stations promote the adoption of e-invoices while shopping to cultivate green consumption habits of saving energy and paper, as well as implementing an environmentally-friendly lifestyle.

Since October 2018, the 10 stores around Taiwan launched the e-invoice project. The cashiers encourage customers to use e-invoice by informing them that e-invoices increase the winning rate during checkout. The average growth rate of e-invoice issuance increased 15% in only a month. At the end of December, the 10 stores have issued 11% of e-invoices on average, with the highest of 18% in one single store. In 2019, we will continue to improve the e-invoice rate with the goal of reaching an average of 35% or above for all stores.

#### Four Major E-Invoice Vehicles



#### Four Major E-Invoices Successes



The Company's subsidiaries also stepped into technological retail by adopting big data and artificial intelligence. Innovative digital services will be gradually introduced through digital technology, which will strengthen the position of smart retail and move towards the future of digital retail.



### A.mart Boosts Performance Growth with Mobile Payment, Paving the Way for Future Services with AI Big Data

Mobile payment has become a trend. More and more people carry no cash in their everyday life. To respond to the trend, A.mart has actively collaborated with mobile payment companies since 2015. It was the pioneer in running mobile payment promotions with 17 banks and 13 financial institutions, allowing the channel to offer convenient shopping services. In the past 2 years, A.mart went further to collaborate with friDay Wallet, Apple Pay, Samsung Pay, Google Pay and so on to offer discounts. Take the Chinese New Year celebration in 2018 for example, A.mart collaborated with friDay Wallet to offer discounts for using mobile payment. The number of users successfully exceeded 2,000, the amount per customer transaction grew 40%, and each customer spent more than NT\$3,000 during the period. The promotion period has generated over NT\$10 million of revenue, which was quite impressive.

In addition, the application of AI also accelerated the realization of smart retail. In the future, A.mart stores will evaluate the adoption of AI technology to combine big data such as each customer's buying habits and products to develop diversified services such as Customized Online Replies and Online Purchase Reminder, enabling consumers to have access to the most direct, timely and accurate responses with the help of digital tools. From online shopping to AI applications, A.mart has gradually introduced innovative digital services to continuously create novel and convenient shopping experiences.

### City Super Welcomes Digital Transformation Challenges by Leveraging Technology to Provide Targeted Services

To take on the challenges of digital transformation, city'super introduced mobile payment tools such as friDay Wallet and Happy Cash from the Far Eastern Group to offer consumers more diverse payment options. In order to strengthen customer loyalty, city'super also has also introduced the world's leading salesforce CRM system to enhance data application and communicate with members effectively. city'super went further to employ the big data analysis of Happy Go members to understand customer needs, adjust product mix and find the best pricing strategy to provide targeted service and maximize value for customers.



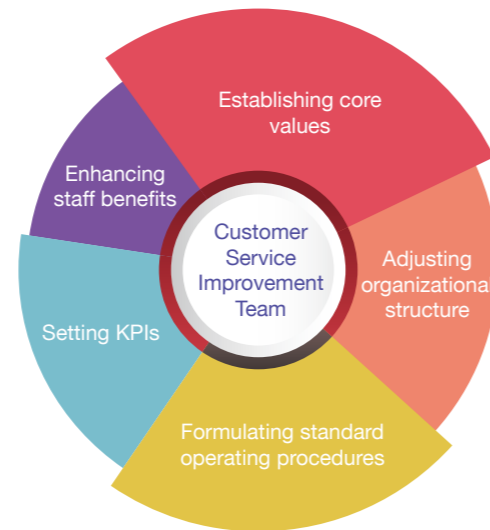


## 2.2 Professional Services

### Setting up Customer Service Improvement Team to Achieve Excellent Services

Service has been the core of the department store industry. As the benchmark of a listed department store chain, the Company upholds the concept of “customer first” by continuing to implement new changes and seizing every opportunity to serve. We provide services with sincerity, thoughtfulness and professionalism that meet consumers’ needs and expectations.

The Company has set up the Customer Service Improvement Team in 2018 with professional teams from the Human Resources Department, Information Center, Legal Affairs Department, Marketing Office and the Customer Service Department of each branch. Through regular and intensive meetings and practice sharing discussions, the team created the core values of customer service exclusively for the Company.



### Improving Software and Hardware Facilities, Formulating Standard Operating Procedures

The Customer Service Improvement Team introduced the new customer relations management system (CRM) to the existing standard operating procedures. Combined with the core values confirmed by the team members, this information is integrated to formulate standard operating procedures that respond to the trends and meet customer needs.

### Adjusting Customer Service Organizational Structure, Improving the Position and Benefits of Customer Service Representatives

The Customer Service Improvement Team makes recommendations for the organizational structure of the customer service unit. The adjustments not only complete the departments and positions, but also effectively allow for the internal environment and management protection required for the execution of customer service tasks, which further maximizes the efficiency of the unit. After adjusting the organizational structure, the benefits of the customer service team were also increased. Furthermore, a transparent promotion system was set in place to retain excellent staff, creating greater reputation for the Company and achieving a win-win situation.

### Setting KPIs to Listen to Real Customer Feedback

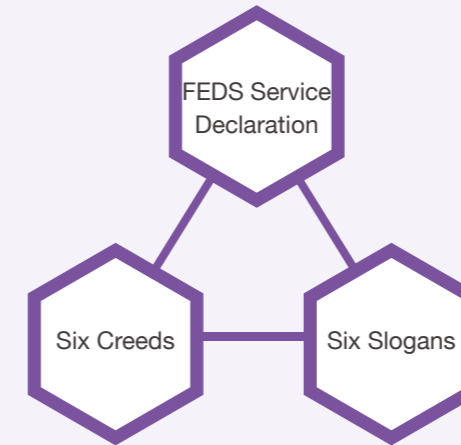
To continuously improve customer service satisfaction, the Team also formulated various aspects of KPIs to effectively quantify the quality of services and listen to customers’ real opinions, successfully achieving the goals of the customer service improvement project.

### Solid Professional Training Leading to Caring Service

Perfect services come from solid training. All employees and sales personnel must comply with six service guidelines as well as the basic criteria of timeliness, appropriate appearance and cleanliness.

The service personnel all receive one-on-one training to receive customers with a friendly, professional and proactive attitude. After onboarding, the new recruits are instructed by the supervisors and senior employees to allow them to quickly have a grasp of the tasks. To provide a thoughtful customer service, the beginning of the training will focus on basics such as getting to know the store and floors. Afterwards, the senior employees will help the new recruits get to know the brands, how to exchange for gifts and handle customer complaints, and learn practical tasks such as supervising and managing the floor as well. Each year, the Company also provides a three-day intensive training program for new floor supervisors and customer service personnel. The content includes a series of courses such as floor supervision responsibilities, operational management, heart touching service philosophy, how to handle customer complaints and customer service practices. The courses are taught by business and service unit supervisors with the goal of strengthening new recruits’ understanding of the Company’s service standards, in the hopes of maintaining consistent service quality.

### Basic Regulations of Customer Service

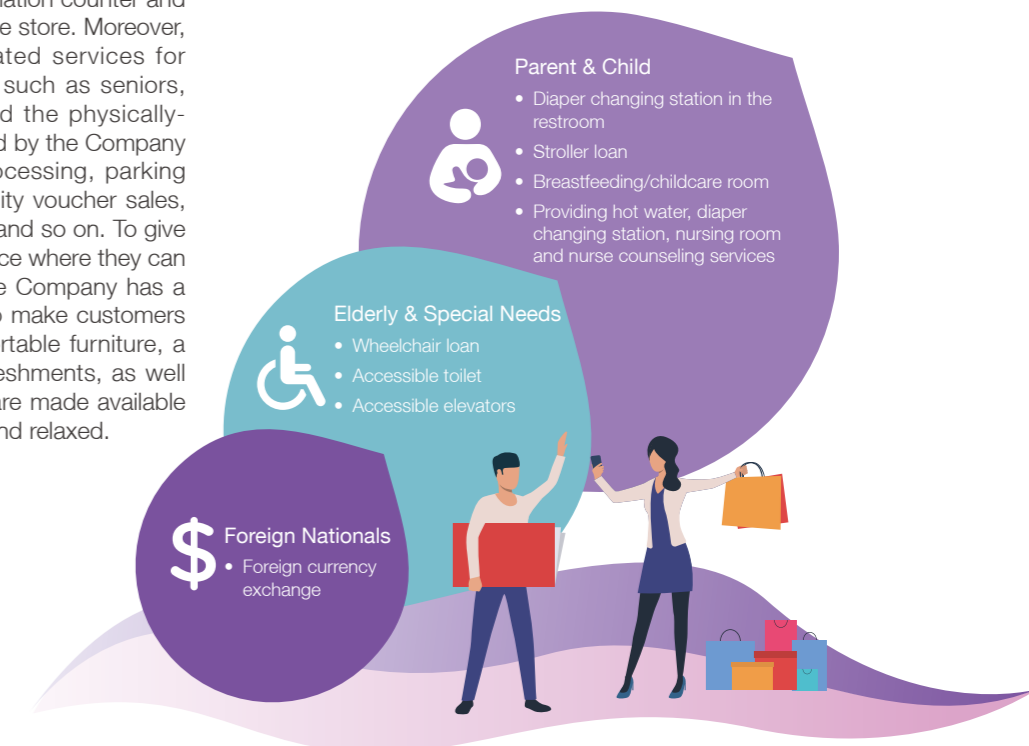


### Basic Training of Customer Service



The Company provides a one-stop shop of comprehensive services to customers. Facilities such as the service center, information counter and member center are available in the store. Moreover, the Company provides dedicated services for customers with special needs, such as seniors, infants, children, foreigners and the physically-challenged. The services provided by the Company include customer feedback processing, parking voucher exchange, gift/commodity voucher sales, lost and found, invoice issuance and so on. To give the customers a comfortable space where they can take a break while shopping, the Company has a VIP lounge and a WIP lounge to make customers feel at home. Aside from comfortable furniture, a massage chair, snacks and refreshments, as well as product counseling services are made available to make the customers at ease and relaxed.

### FEDS Services for All Customers



### Shopping Counseling Services



#### Pet-Friendly Shopping Mall: Tainan Store Offers Pet Stroller Rental Service

The Company has a pet-friendly policy. Pet owners can shop with their pets as long as the pets are kept in the carrier, cage or stroller. Any well-behaved pets are all welcome.

In March 2018, the Tainan Store launched more diverse and convenient service by providing pet stroller rentals. As long as the stroller does not leave the department store, each rental of unlimited time costs only NT\$10 to cover the cost for the pet diaper pad in the stroller. Due to the size restriction, only small and medium-sized dogs fit. The strollers have to be returned during the department store business hours. Upon returning, the customer service staff will immediately clean, disinfect and remove loose fur to make sure the stroller is hygienic and safe for the next pet.

#### Continuing to Pass ISO 9001 Certification to Build a Comprehensive Service System

Since 2007, the Company has been introducing the quality management system ISO 9001 certification from the PaoChing Store. The quality management system was established to maintain the product and service quality, in order to ensure customer satisfaction and maintain long-term trust. In 2018, the Company passed the ISO9001:2015 recertification by BellCERT International Inspection and Certification Group. The current certified stores include PaoChing Store, BanQiao Store, Hsinchu Store, Tainan Store and Kaohsiung Store.

#### Continuing to Pass the ISO 10002 Certification for Customer Complaint Management to Ensure Customer Satisfaction

In 2016, city'super passed the international certification of ISO10002 customer complaint management by SGS and became the first supermarket in Asia to obtain this certification.

city'super continued to improve the customer complaint mechanism and ensure customer satisfaction through systematic and consistent management.

In 2018, city'super passed the recertification of ISO10002 customer complaint management by actively finding out customers' needs through diversified complaint and feedback channels. Service is not an illusive concept or simply trying to sell something but rather gaining customer recognition through the process of sales at all times.



#### Receiving the Gold and Service Awards from the I-service Evaluation by Commercial Times

city'super takes the needs of consumers as the starting point to offer enriched experience by passing on the food culture and the taste, hoping to give the environment, goods and services procedures more warmth and depth. The team also constantly reflects on how to lead the employees and customers to establish a good engagement. The employees are encouraged to show the most enthusiastic side through service competitions or incentives so that the customers can experience good service that keeps getting better. With the combined effort, city'super won the Gold and Service Awards from the i-service evaluation by Commercial Times in 2018 for the 4th consecutive year. In the future, city'super will continue to uphold its core customer-centric value and strive to strengthen its unique brand positioning and create better value for customers.



### Communicating with Social Media to Be Closer to Our Customers

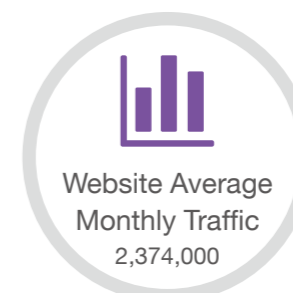
The rapid development of social media has become a trend that influences how message is spread and what people talk about. In the face of the increasingly growing community users, the Company has gradually strengthened the use of social platforms to attract consumer attention through online catalogues, advertising on social media, celebrity recommendations and so on.

The Company has targeted Line and Facebook, the most popular social media platforms in Taiwan, as well as the official APP as the main tools for connecting with the customers on a social level. The Company engages in daily interactions with consumers through interesting videos and posts as well as sending personalized product offers and event info. This creates high-intensity customer adhesion, drives up the number of customers in the store, and fully exerts the advantage of the fan economy.

The Marketing Department is responsible for setting annual KPIs to attract customers to add FEDS on social media. During important promotion periods, each store also organizes special events that connect the fan group, mainly carried out with the help of different industries or brand resources. With the goal of virtual resource integration, the online fans will be brought into the stores to strengthen the O2O shopping module.

In 2019, the Company plans to enhance the social community benefits from two aspects. On the one hand, the Company collaborates with online celebrities to increase brand awareness and exposure. Fun videos and imagines are also adopted to deepen the impression. On the one hand, accurate marketing strategies are employed to strengthen the collection and application of big data of the fan group by clearly understanding the consumption habits and preferences with personal service personalization. Product exposure frequency is increased according to their needs to deliver accurate consumption news.

#### FEDS Social Media Reach



## Winning the Fourth Next Magazine Service Award

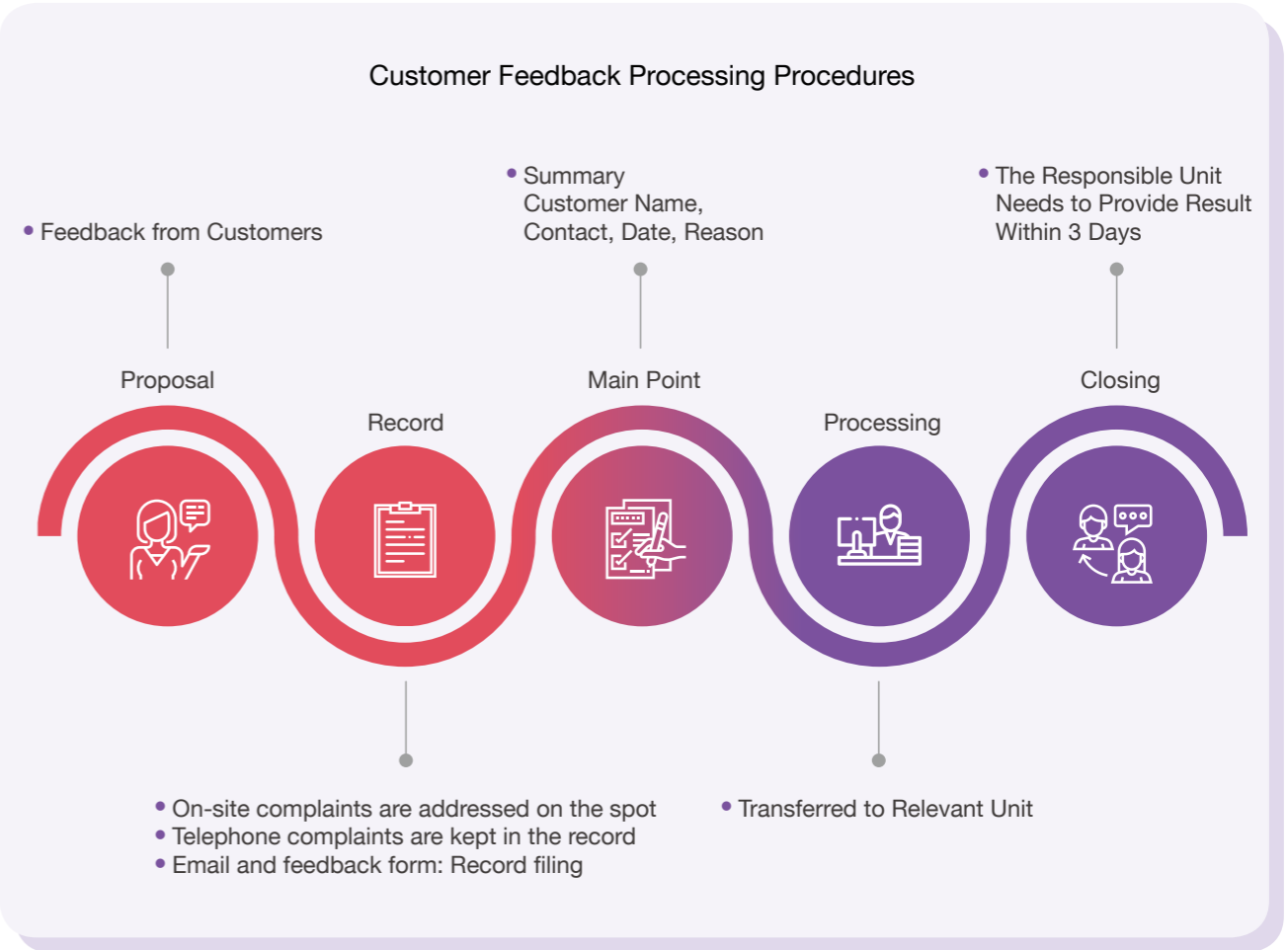
**The Company Wins the Fourth Next Magazine Service Award.**

Based on the philosophy of “operating based on consumer wishes,” the Company has continuously improved its performance in corporate governance, technological innovation and thoughtful services. The results have been well received by the outside world. In the 15th Next Magazine Service Award, the Company won the second place in the category of Department Stores & Shopping Centers. In the future, the Company will continue to improve the quality of customer service to make customers enjoy pleasant, surprising and heart-warming shopping experience.

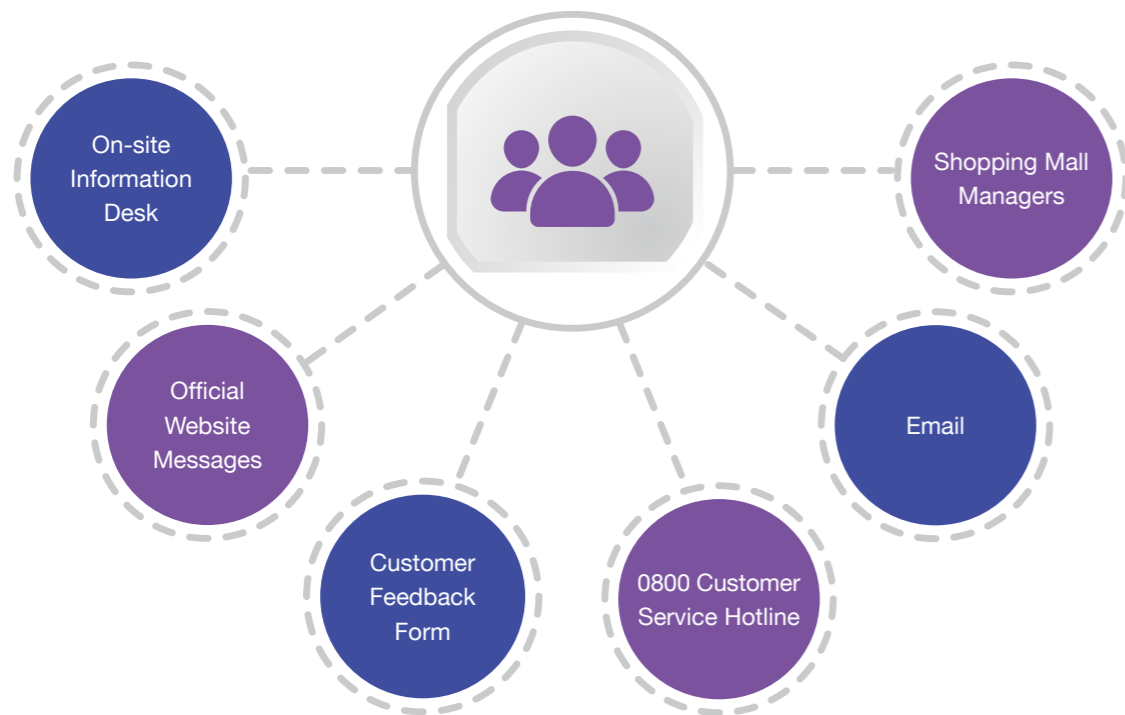


As the benchmark of department stores, the Company understands that customers are the best mentors, and customer feedback points out how we can best improve. The Company has formulated Customer Feedback Processing Procedures and On-site Customer Feedback Processing Procedures to allow customer problems to be quickly and effectively resolved, thus enhancing customer satisfaction. We are therefore dedicated to listening to the customers’ voice through a variety of channels, improving with customer feedback, and striving to provide the most satisfactory service.

Customer feedback is reviewed by the relevant personnel as well as the supervisors of each department and branch on a monthly basis to understand the source of the problem as well as tracking how it is addressed. In particular, in the intense competition in the industry, consumers have many options. Therefore, the Company has set high standards for services. In the customer feedback, the most common problem is the “commodity and service attitude” of the counter staff. Although counter personnel belong to each brand and the management is complex, the Company still attaches great importance to their training, and floor managers are required to provide timely advice and assistance.



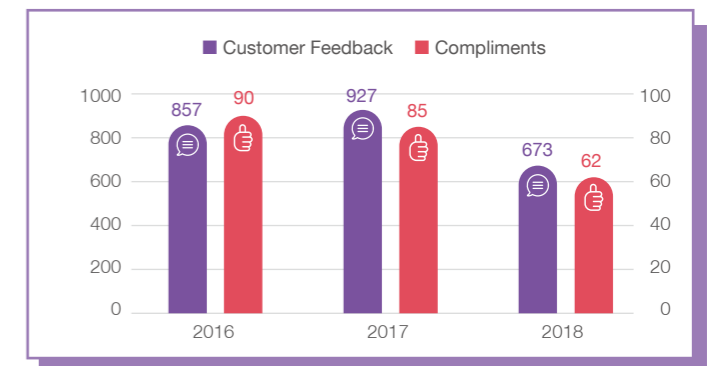
### FEDS Customer Feedback Channels



### Customer Feedback Category



In 2018, the Company received a total of 735 feedback emails from customers, among which 62 were compliments, taking up 8% of the total feedback. The further analysis shows that the customer feedback in 2018 was significantly reduced by 277 cases compared with the previous year, representing a decrease of 27%. The main reason is that the Company attaches great importance to the voice of each customer. All customer complaints are properly handled in accordance with the internal standard operating procedures. Afterwards, improvement is made regarding the source of the problem to avoid repeated incidents. For complaints in the context of service attitude, we will arrange staff training immediately. If any counter members are confirmed to be unqualified, brands will be required to make adjustment.





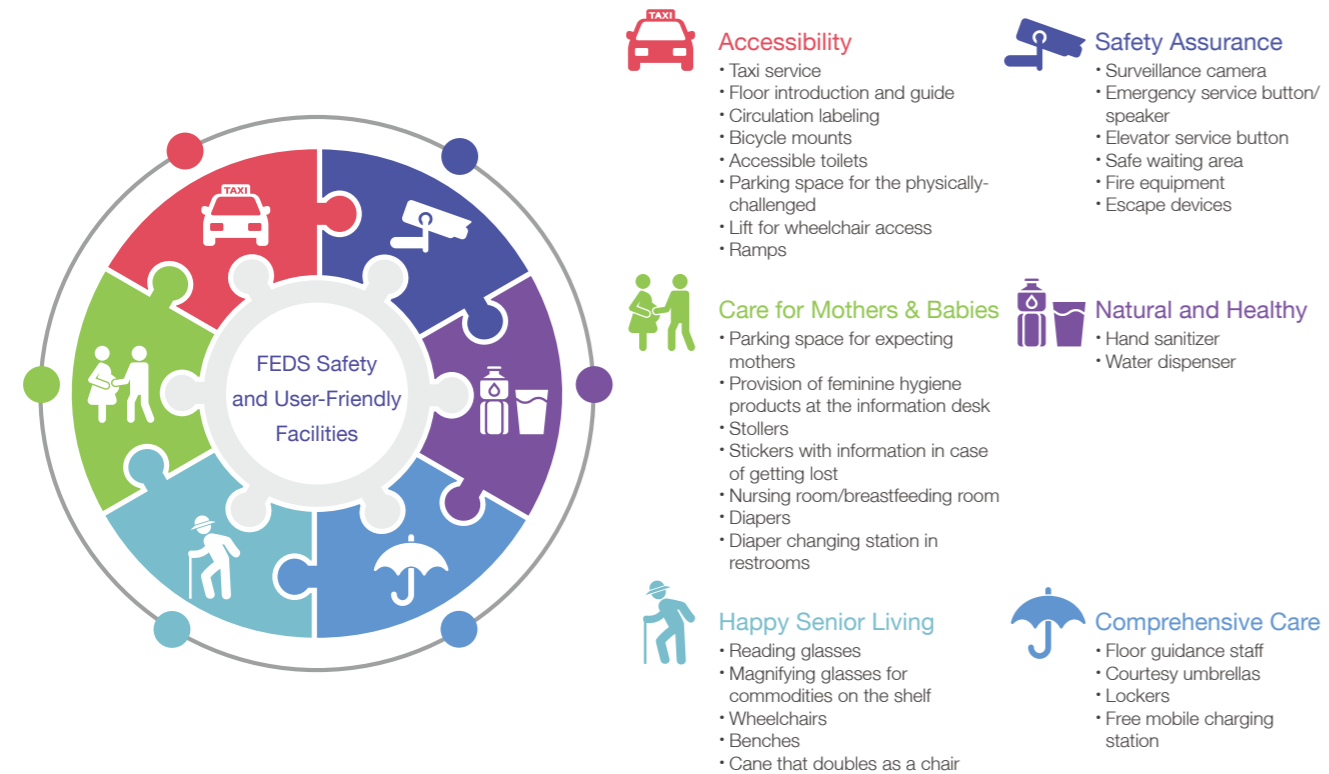
## 2.3 Quality Space

### Setting up the Smart Logistics App Team for Smart Store Management

The Company attracts many customers on a daily basis, especially on weekends and holidays. Therefore, the safety and health of customers are always our prime concerns. In recent years, we have been improving the shopping environment and safety facilities in order to build a comfortable and relaxing shopping space for each customer. With the increasingly popularity of smart technology, the Company established the Smart Logistics APP Team to introduce the concept of smart IOT to the asset and facility management of the department store, making the management smart and mobile in order to create a safe, comfortable and quality department store space. For more information about the smart logistics APP, please refer to the section of “Highly-Efficient Environmentally-Friendly Operations” on PXX-PXX.

### Providing a Shopping Environment for Families and All Age Groups with Convenient Facilities

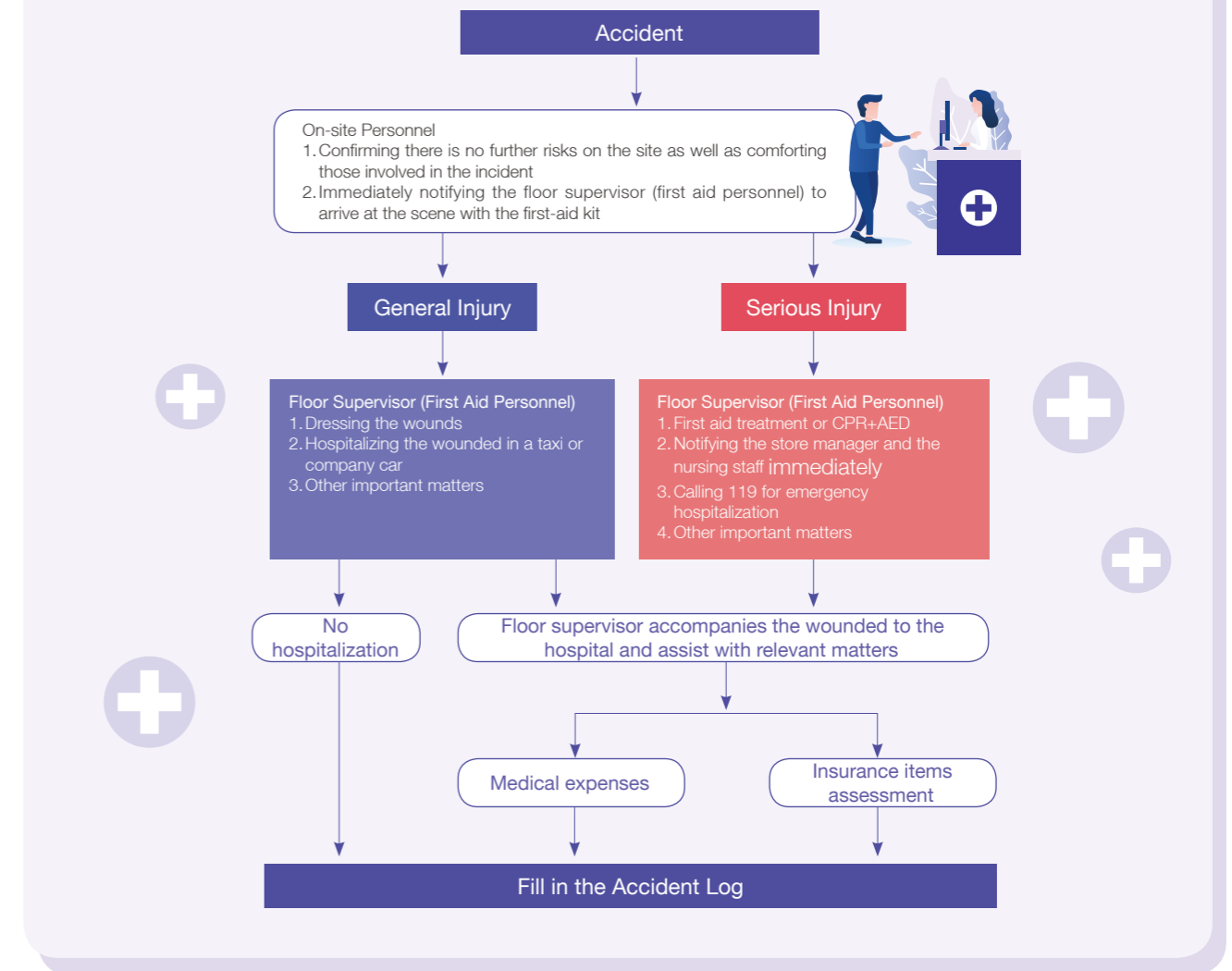
Considering that customers come from all different groups, the Company has made a careful planning in shopping mall facilities, circulation and services to provide a comfortable and convenient shopping environment for all customers by taking care of different needs. The information desks and service personnel in all department stores and malls can provide timely assistance and resolve customer problems. We also have accessible facilities to take care of women, babies, the elderly and bikers in order to provide a family-friendly environment for people of all ages.



In order to stay abreast and deal with the emergencies in the hopes of further resolving or reducing the risk of accidents, the Company has formulated an improvement system to avoid damage recurrence. The Company set up the Standard Operating Procedures for Addressing Accidents in Business Premises in March 2018 as the principles of handling such events. In addition to setting up the SOP, the Company also appoints staff to patrol the site to constantly improve the store environment. Public announcements are regularly made to remind the customers to watch out for their personal safety in order to avoid accidents.

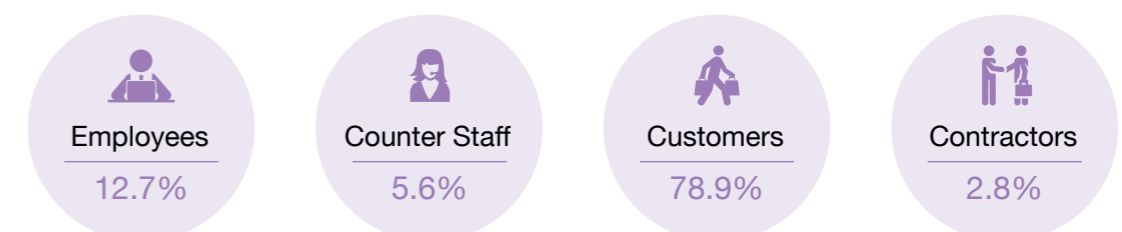
Despite having set up comprehensive procedures for handling accidents, the Company has always stayed on the toes in terms of maintaining customer safety. We are aware that “prevention is better than aid.” Store safety must start from daily operational details to truly provide customers with a safe and secure environment.

### Standard Operating Procedures for Addressing Accidents in Business Premises



Among all accidents in 2018, the highest proportion of accidents happened to the customers (78.9%), followed by self-employed employees (12.7%, excluding traffic accidents) and counter staff (5.6%). The location of the customer accidents mostly occurred on the escalators, stairs and while purchasing goods at the counters. For the aforementioned incidents and locations, the Company immediately formulated improvement measures and added warning slogans at the scene. Public announcements are also made to remind the customers to pay attention to safety, especially on the escalator and stairs.

### Statistics of Incidents in Business Premises



## Child-friendly Space: Breastfeeding Rooms Certified Through Evaluation

The Company is dedicated to building a child-friendly environment so that customers with breastfeeding needs can shop at ease, and employees with breastfeeding needs can be happy at work. All FEDS stores have been equipped with breastfeeding rooms. The environment and facilities are also certified by the breastfeeding room evaluation of various city governments.

**Mega City BanQiao Store, Certificate for Excellent Breastfeeding Room**

**Hsinchu Store, Certificate for Excellent Breastfeeding Room**

**PaoChing Store, Certificate for Outstanding Breastfeeding Room**

**Chiayi Store, Certificate for Outstanding Breastfeeding Room**

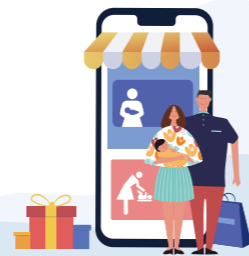
**The Mall, Certificate for Outstanding Breastfeeding Room**

**Notes on Certificate for Outstanding Breastfeeding Room:**

- City governments for the following stores did not organize an evaluation: Tainan Store
- The floors were renovated during the evaluation: Taoyuan Store
- Future evaluation candidates: Kaohsiung Store, Hualien Store, BanQiao Store, and Top City Taichung Store

## 147 Priority Parking Spaces for Mothers with Children to Create a Friendly Shopping Environment

In order to facilitate parking for expecting mothers and mothers with children, the Company has already set up priority parking spaces for women with children in all stores. In 2018, in response to the parking space regulations of the Ministry of Transportation and Communications, more maternity and child-friendly priority parking spaces in convenient and safe locations such as close to elevators, pedestrian entrance/exit or the management booth have been set up in all branches. Clear directions, signs and line markings have been put in place for a total of 147 parking spaces.



## Ten Stores with AED Certification

The Company has placed and regularly maintains automated external defibrillators (AED) in appropriate spots in accordance with the Ministry of Health and Welfare regulations. Mega City BanQiao Store was the first department store to be certified as an AED Safe Place by the New Taipei City government in 2014. In 2018, 10 FEDS stores received the AED Safe Place certification. All AED managers completed training courses according to regulations as well as attending AED and CPR courses on a regular basis. In 2018, the Company had 85 first aid staff members, which was much higher than the legally required 37 people. This shows how much we care about the customers' health and safety.

AED Facilities and First-aid Personnel

	2016	2017	2018
AED Facilities	17	17	17
First Aid Personnel	76	76	85



The Company continues to improve the safety and health facilities as well as strengthening the management, striving to create a zero-risk shopping environment for the customers. To maintain public safety, the Company has set up fire safety equipment approved by the central fire safety authority. The equipment meets the standards of fire safety regulations, and relevant management measures have been formulated. We also regularly conduct fire safety assessments and drills at various business locations to make sure all staff members are familiar with the emergency response and ensure the safety of the mall.

In addition to the daily inspections and floor inspections, a "voluntary inspection plan" has been formulated to maintain store safety. Each branch automatically checks all the equipment and facilities of the mall according to the plan, as well as regularly commissioning external manufacturers for testing and maintenance. In addition to complying with government regulations, all kinds of equipment and facilities in the mall are managed by counter personnel and floor supervisors in order to reduce the life and health risks of the customers in the shopping mall.

### Regular Inspection Items

Frequency	Main Inspection Items
Daily	<ul style="list-style-type: none"> <li>Fire Escape</li> <li>Electricity Safety</li> <li>Hazardous Materials Control</li> <li>Water Chiller Unit Inspection</li> <li>Gas and Power</li> </ul>
Monthly	<ul style="list-style-type: none"> <li>Generators</li> <li>Air-conditioning Filter</li> <li>Cooling Tower</li> <li>Reservoir</li> <li>Fire Equipment and Escape Routes</li> </ul>
Quarterly	<ul style="list-style-type: none"> <li>Air-conditioning Devices and Motors</li> <li>Drinking Water Quality</li> </ul>
Semi-annually	<ul style="list-style-type: none"> <li>Fire Safety and Evacuation Devices</li> <li>Indoor CO2 Level</li> </ul>
Annually	<ul style="list-style-type: none"> <li>Firefighting Lift/Ladder</li> <li>Mechanical Parking Equipment</li> <li>High (Low) Voltage Equipment</li> <li>Generators</li> <li>Air Purifier and Ventilation Devices</li> <li>Air-conditioning</li> <li>Water Chiller Unit</li> <li>Cooling Tower</li> </ul>

## Store Safety Inspections and Sound Improvement

During June to August in 2018, the General Affairs Department conducted inspections on 4 main items of all branches, including cleaning, security, parking management and warehouse management. The inspection included 9 indicators such as manpower, environmental maintenance, inventory, monitoring equipment, and fire safety. The main deficiency found in the audit was that the branch cleaning personnel did not dress according to the rules. The branches were urged to address the identified deficiency for re-inspections two weeks later. All branches completed the improvement and reached the goal of zero-deficiency.

## Regular Fire Safety Inspections and Drilling to Ensure Safety

All business locations have completed the annual fire safety equipment inspection, drilling and training in 2018 (for the first and second half of the year) as well as building public safety inspection. The re-inspection has been passed and approved. The BanQiao Store cooperated with the New Taipei City Government Fire Bureau to hold the Spring Festival Fire Rescue Exercises for Targeted Locations for the first half of the year. 7 scenarios were included in the exercise: Notification of Disasters and Initial Actions, Fire and Self-Defense Firefighting Formation Mechanism, Evacuation Guidance Exercise, Safety Protection Exercise, the Firefighting Exercise, Emergency Care Exercise and Rescue Deployment Exercise. In addition to improving the employees' initial response to disasters and disaster prevention skills, the exercise also strengthened fire prevention management and firefighters' disaster response capabilities to provide consumers with safe shopping locations during the new year's celebration.

## Regular Environmental Inspections to Ensure Environmental and Water Safety

In order to maintain the health of employees and customers, the Company regularly commissions external professional and qualified monitoring agencies to implement carbon dioxide concentration monitoring every 6 months in accordance with the Working Environment Monitoring Measures. In addition, the drinking water quality is tested every 3 months in accordance with the Measures for the Use and Management of Drinking Water from Water Dispensers. The inspection results were in compliance with the legal standards.

Time	2018 Q1	2018 Q2	2018 Q3	2018 Q4
Water Quality Inspection Points	105	106	105	109

## Chapter 3.

# Highly-Efficient Environmentally-Friendly Operations

### 3.1 Green Energy-Saving Intelligence

### 3.2 Real-Time Smart Property Management

### 3.3 Green Actions



Link with SDGs



## 3.1 Green Energy-Saving Intelligence

### Setting up the Energy Conservation Team to Promote Green Intelligence

Energy conservation, carbon reduction and green intelligence are the non-wavering environmental commitments the Company has made. With the engineering department as the core, the Company set up an energy conservation team with KPIs to launch various energy conservation programs. Through regular tracking, review and improvement, we are able to improve the efficiency of energy use and promote energy conservation to achieve our goals. In response to the rapid development of smart technology, the energy conservation team has also introduced the latest technology to enhance the energy management infrastructure and move towards smart management. The Company strives to create sustainable department stores and pitch in for the attempt of slowing down global warming and climate change.

### Manufacturing-Industry-Oriented Management for Energy Efficiency in Service Industry

The Company is a large-scale energy user in non-production industries. The long opening hours make lighting and air-conditioning the most energy-intensive facilities in the stores, as well as the main target for energy management. The Company keeps indoor temperature at 26°C as well as managing energy efficiency in a manufacturing industry-oriented manner, hoping to maximize the use of each energy source through software management and hardware maintenance. With the effort of the energy conservation team, the Company has achieved remarkable results of declining power consumption year to year. Over the past 3 years, the Company has saved a total of 13.36 Million kWh. The total electricity consumption in 2018 was 190.53 Million kWh, a decrease of 1.3% compared with 2017. In addition, the Company set up the solar power system in the Top City Taichung Store to render support to renewable energy.





FEDS Electricity Consumption Unit: 10,000 kWh

Year	2016	2017	2018
Electricity Consumption	19,812	19,299	19,053

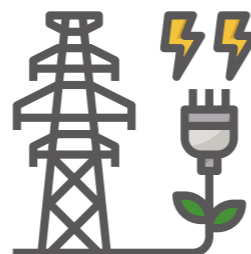
Note: The electricity consumption is calculated from the electricity meter reading. It does not include the output of the solar power system and the total electricity consumption of the headquarters.

FEDS Subsidiaries Electricity Consumption Unit: 10,000 kWh

Year	2016	2017	2018
city'super	735	822	808
A.mart	10,331	9,295	8,892
The Mall	634	632	630

Note: 1. The electricity consumption from A.mart comes from electricity meter reading. The electricity consumption of city'super and The Mall is distributed by the business area.

2. city'super and A. mart's electricity consumption statistics does not include that of the headquarters.



FEDS CO<sub>2</sub> Emission Unit: Tons

Year	2016	2017	2018
Carbon Emissions	105,004	106,916	105,554

FEDS Subsidiaries' CO<sub>2</sub> Emission Unit: Tons

Year	2016	2017	2018
city'super	407	455	448
A.mart	5,723	5,149	4,926
The Mall	351	350	349

Note: 1. The Company has not conducted relevant inspection of greenhouse gas emissions. The amount of carbon dioxide emissions is calculated based on electricity consumption.

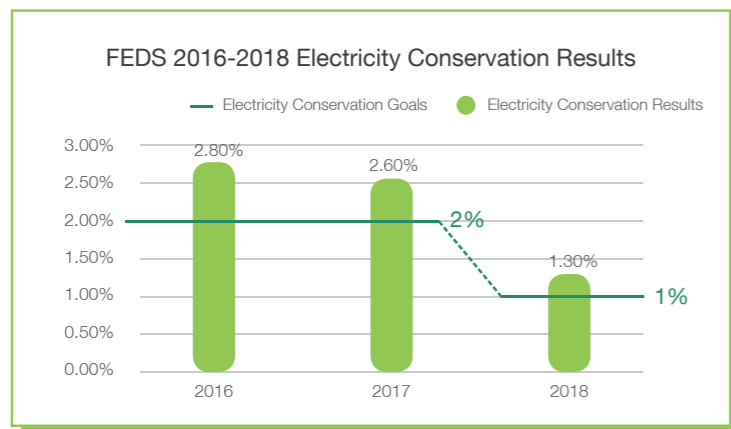
2. The increase in electricity emission factor in 2017 caused the carbon emission to stay at the same level despite the decrease in electricity consumption.

3. The reference of the electricity emission factor is the Energy Bureau announcement. The 2018 figure has not been published, so the number was calculated based on the previous year's figure of 0.554 kg CO<sub>2</sub>/e.



## Introducing ISO 50001 Energy Management System to Achieve High-Tech Energy Conservation

In 2017, the Company's headquarters building and the Mega City BanQiao Store first adopted the ISO 50001 energy management system and obtained third-party verification. The Company implements energy management in accordance with various provisions of the ISO management system, as well as promoting energy conservation measures in all branch offices. The results are in line with the 2018 annual energy saving target. In 2018, the ISO50001 energy management system continued to pass certification. The Company also implemented improvement measures with reference to the recommendations from the verification process. By establishing a good management system, the Company systematically monitors, improves and optimizes energy use, continuously enhances energy efficiency and reduces carbon emissions.



## FEDS Energy Efficiency Improvement Plan

Project Name	Execution period	Goal	Content	Annual Estimate Results		
				Energy Conservation	Expense Saving	Carbon Reduction
Renewal of car park lighting	●	Improving energy efficiency	658 existing T5-28W lamps in the car park were replaced by LED lights with sensors and T5 LED lights	56,321 kWh	NT\$168,400	29.79 tons
Adjustment of the water chiller operational mode	○	Improving energy management performance	According to the on-site measurement results, the low-efficiency units were turned into backups and replaced by more efficient water chiller units. The average efficiency of department stores was improved from 0.71 kW/RT to 0.67 kW/RT. The units in the cinema were switched to 0.77kW/RT models.	403,844 kWh	NT\$1,207,000	213.6 tons
Adjustment of the cooling tower operational mode	○	Improving energy efficiency	Power consumption is accurately measured by digital meters. The ultrasonic flowmeter allows understanding of actual flow, and an image control system can analyze the water tower energy efficiency in different speed and temperature settings. By changing the fan operating mode to a fixed frequency of 30 Hz and controlling the temperature with a wet bulb, energy efficiency can be effectively improved.	100,079 kWh	NT\$299,000	52.9 tons
Total				560,244 kWh	16744000	296.18 tons

● 2018.10 - 2018.12  
○ 2018.10 - 2019.06

### Main Energy Conservation Measures

- Indoor temperature is maintained at 26°C or above
- Replacing traditional energy-consuming light bulbs with the new energy-saving ones.
- Setting up power consumption indicators for each branch and tracking the performance on a monthly basis
- Regularly inspecting the efficiency of water chiller units
- Adjusting air conditioning settings based on temperature
- Adjusting illumination based on weather conditions

## First in the Industry: Setting up the Real-Time Energy Performance Indicator Platform

The Company continued to improve the energy management system in 2018. The Mega City BanQiao Store was selected as the pilot successfully setting up the Real-time Energy Performance Indicator Platform, becoming the first department store in Taiwan that adopts the system. On March 6th, 2019, the Bureau of Energy, Ministry of Economic Affairs introduced the 2019 Service Industry Energy Management System Demonstration and Promotion Project as well as selecting the Mega City BanQiao Store as the model in the service industry. A Service Industry Energy Management System Demonstration was hosted, and the case study attracted 62 elite energy management engineers in the service industry to attend. During the demonstration, the Mega City BanQiao Store shared the experience by introducing procedure and management applications of the Real-time Energy Performance Indicator Platform. An on-site visit was arranged so that visitors who were divided into group could see the lighting improvement project of the parking lot, energy-saving lighting in the public area, the operating efficiency improvement of water chiller units and the cooling towers, as well as finding out about the actual results. The event was successful and inspiring to all the participants.



## Excellent Energy Conservation Performance with Better EUI than the Industry Average

The Company adopts the electricity use intensity (EUI) as the KPI of energy management and aims at ensuring an EUI lower than the industry average. After setting up the goal, the energy conservation team tracks and controls EUI every week, making EUI drop from 354.7 in 2015 to 329 in 2018 with a 7.2% decrease, showing an excellent result. It can be observed from the actual EUI figures that the Company not only has lower electricity use intensity than the industry average, but is less dependent on energy while the revenue increases on a yearly basis, showing that the Company has been actively boosting energy efficiency and striving to save energy while achieving revenue growth.

FEDS Energy Intensity

Unit: Kwh/m2 · year

Year	2016	2017	2018
Energy Intensity	344	333	329
Difference from Previous Year (%)	-3%	-3.2%	-1.3%

Note: The average EUI of each store is calculated based on the area specified in the building use permit, excluding the parking lots.

Comparison Unit Between Energy Intensity and the Average Industry Value

Unit: Kwh/m2 · year

Year	2016	2017	2018
FEDS Energy Intensity	344	333	329
Industry Average	368.1	349	334.1
Difference from the Industry Average (%)	-6.5%	-4.6%	-1.5%

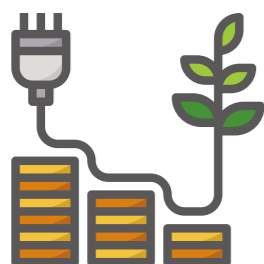
Note: The references of the industry average are statistics from the Ministry of Economic Affairs.

FEDS Subsidiaries' Energy Intensity

Unit: Kwh/m2 · year

Year	2016	2017	2018
City'super	585	570	546
A.mart	363	349	366.6
The Mall	340	346	328

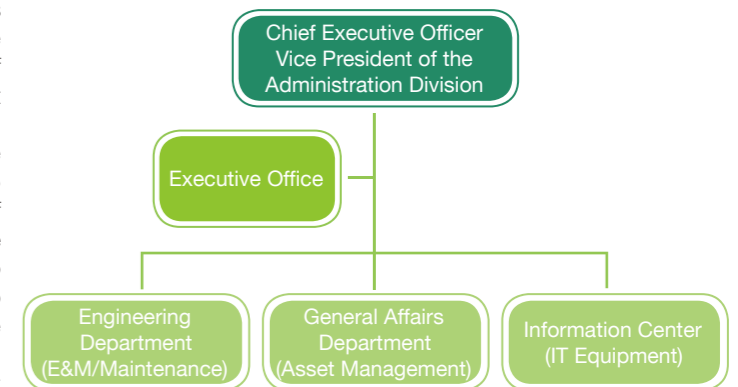
Note: The average EUI of each branch is calculated based on the area specified in the building use permit, excluding the parking lots.



## 3.2 Real-Time Smart Property Management

### Setting up the Smart Property Management APP Team to Conduct Smart Inspections

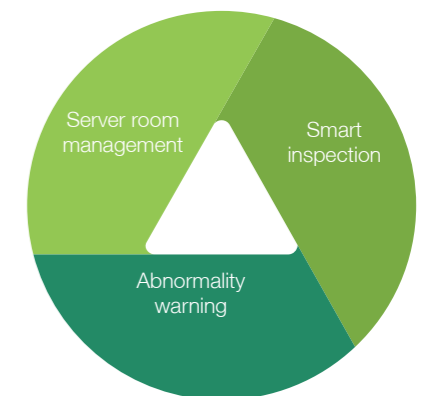
With the increasing popularity of technologies such as cloud, IoT and big data, the Company has set up the Smart Property Management APP Team composed of Engineering Department, General Affairs Department and Information Center, as well as seeking external professional teams experienced in mobile commerce and development technology for collaboration to introduce smart IoT applications to the management of assets and equipment. The Company hopes to provide more real-time smart digital management information to the management department with the digital smart app platform, as well as reducing the manpower and time spent on asset inventory and equipment inspections. The end goal is effectively improving the management efficiency of manpower and materials, bringing the management of department stores to a smart and mobile future.



### Mobile Maintenance to Increases Equipment Reliability

The Smart Property Management App includes two major categories, equipment maintenance and asset management. In terms of the former, the Team has finished reviewing the required features for inspections and moved on to the next stage of evaluating the necessary items for inspections. The Equipment Maintenance APP has three major features including server room management, smart inspection and abnormality warning. In terms of room management, procedures for construction applications, management and acceptance are accessible in the APP, and the progress can be seen at a glance to effectively improve the operating efficiency and management efficiency. The smart inspection feature can implement equipment inspections and mobile maintenance. The inspection personnel can record the situation with the iPad as well as passing the information to the responsible unit to reduce the management manpower and increase equipment reliability. If the equipment in operation experiences an abnormality, the APP gives a timely reminder to achieve the goal of optimizing equipment management. Through the big data management platform, the Equipment Maintenance APP plans to produce diversified reports, including trend analysis, inspection execution statistics, inspection criteria analysis, on-site inspection timetable and so on to provide management personnel for analysis and applications.

Main Features of the Equipment Maintenance APP



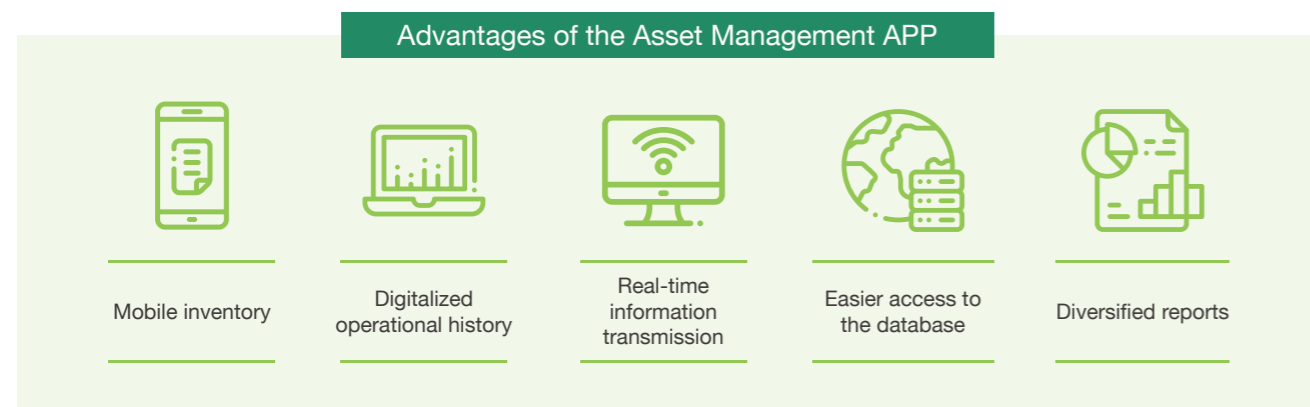
Reports on the Equipment Maintenance APP



## Mobile Inventory to Increase Asset Management Efficiency

The Company has locations all over Taiwan, and all major equipment are important assets. Currently, all management information is printed on paper, causing a great quantity of printed documents for inquiries and inventory, wasting both energy and time. Therefore, the Team incorporated the “asset management” feature while planning the “equipment maintenance” feature in the hopes of more environmentally-friendly and timely operational procedures for asset management by reducing paper usage and the costs for purchasing specific machines (such as scanners). Using mobile devices such as smartphones or iPads to perform tasks will improve the work flow and allow everyone to work smart.

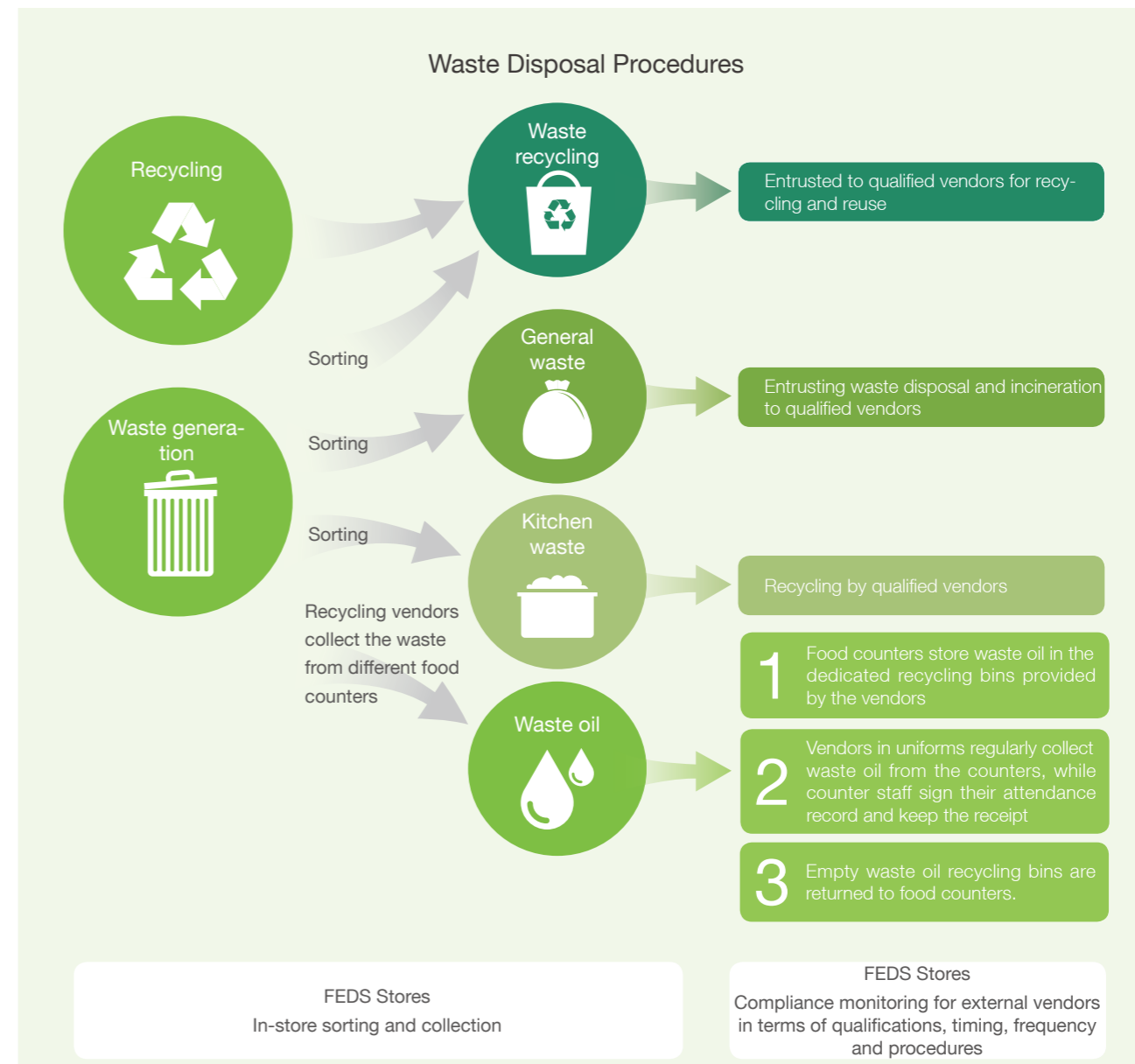
In the smart retail era, the Company will integrate new technologies to increase the efficiency of environmental management. In addition to improving the efficiency of asset and equipment management, the digital smart APP will also significantly increase the accuracy of the information for the management team, taking logistics management of department stores in the direction of smart mobile applications.



## Strengthening Waste Sorting to Reach Zero Waste Growth

The Company's goal of environmental management is to reduce resource consumption and pollution. Starting from the daily operations, we would like to exert our influence to the entire society. Waste from daily operations such as general waste, kitchen waste and waste oil is the main target for waste disposal. The Company has implemented the sorting system in offices and department stores. Waste clean-up, waste oil recycling, and kitchen waste disposal are all in compliance with relevant regulations of the Environmental Protection Administration. In the past 3 years, the total amount of incinerated waste remained at 5,916 tons even with the continuous growth in the number of visitors and revenue, achieving the goal of “zero waste growth.”

In recent years, the structural changes in department stores have attracted large-scale food vendors, contributing to the increase in waste. In order to effectively control the amount of waste growth, the Company refers to local governments' waste management procedures to increase the proportion of recycling through sorting, eventually achieving the goal of reducing the total amount of waste. In 2018, the total amount of recycled paper was 774 tons, representing an 11.5% recycling rate. The goal for 2019 is to increase the recycling rate to 16.8% with a 46% growth and the amount to 1,351 tons. The goal has been announced to all branches in December 2018, while the results will be reviewed on a monthly basis.



### General Waste Incineration

Unit: Tons

Year	2016	2017	2018
Total Waste	5,916	5,916	5,916

Note: The figures represent the volume in the contract signed with waste disposal vendors.

### Waste Recycled of FEDS

Store Type	Large-Scale Stores	Mid-Sized Stores	Small Stores
Waste Recycled in 2018	429.6	228	116.4
Waste to be Recycled in 2019	552	540	259
Target Growth Rate	28%	136%	122%

Note: The scale of stores is defined by revenue and area.





### 3.3 Green Actions

#### Setting UP Green Mobile Office to Enhance Green Value of Operations

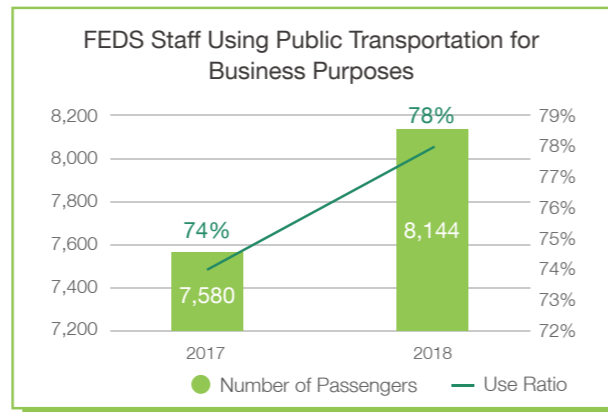
The Company is aware of the risks that climate change may cause for the environment, society and the Company itself and thus supports green consumption and the maintenance of urban green space. The Company actively provides the products and services that create green values for the society, as well as creating modern and environmentally friendly department stores. As the President Nancy Hsu often emphasizes "Retail is Detail" during internal management meetings, the Company has set up the Green Mobile Office responsible for introducing green elements to the details of store operations, implementing concepts of environmental sustainability, as well as promoting environmental protection to the general public.

#### Green Value Enhancement Initiative 1:

##### Speeding up Carbon Reduction by Encouraging the Employees to Use Public Transportation

#### Speeding up Carbon Reduction by Encouraging the Employees to Use Public Transportation

FEDS has locations all over Taiwan. In order to reduce traffic and carbon emissions, the Company promotes the use of public transportation for performing official duties to the employees, as well as carpooling with company cars for external meetings and activities. In 2018, 78% of the staff traveling for business took advantage of public transport, representing a 4% growth from the previous year, and the number has increased by 564 to a total of 8,144. Moreover, the Company reduced carbon emissions through video conferences. In 2018, 285 Management Department meetings and 36 employee interviews were held through video conference to reduce the carbon footprint caused by transportation.



#### Smart and Environmentally-Friendly: Upgraded Parking Management System

The Company promotes electronic voucher and payment, implementing measures such as magnetic parking cards and electronic ticket checkout to reduce waste. Since 2013, all branches in Taiwan have gradually introduced the magnetic card system in the car park, which significantly reduced the amount of paper needed for parking tickets. The replacement was completed in 2018 and thus contributing to a greener environment. In order to reduce the carbon footprint of vehicles, all FEDS branches (except for the PaoChing Store, Chiayi Store and Hualien Store ) further introduced the smart parking system to reduce waiting time and carbon emission through plate identification and improve traffic.

The Company has upgraded the car management system and those environmental benefits are expected: the reduction of 4.387 Million parking coupons per year, the height equivalent of 19 Taipei 101 buildings, will save 4,856 trees as well as 10,816 kilos of carbon emission caused by cars at idle speed while waiting.

#### Environmental Protection Benefits of Upgrading the Car Parking Management System



**4.387** Million parking coupons reduced



**4,856** Trees saved



**10,816** Kilos of carbon emission reduced

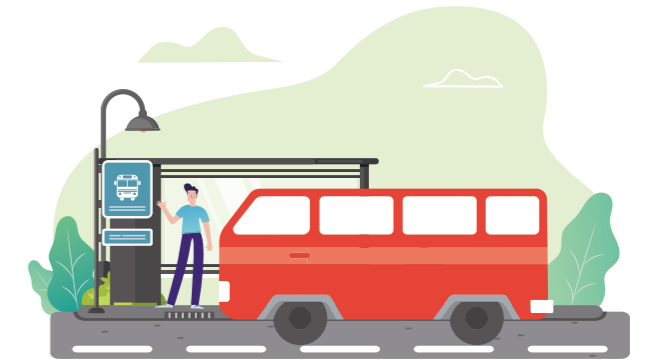
#### Progress for the Parking Management System Upgrade

2013	2014	2015	2016	2017	2018
Mega City BanQiao Store Top City Taichung Store Hualien Store	Tainan Store	Hsinchu Store	BanQiao Store	Kaohsiung Store	Taoyuan Store

Note: PaoCing store's parking lots cannot be upgraded due to the building restrictions, and the Chiayi store is excluded from the plan for not having parking lots.

#### Providing Energy-saving Shuttle Service

FEDS cares about customers and communities. Shuttle service is provided at the BanQiao store, the Mega City BanQiao Store, and the Hsinchu Store. 116 trips are provided during weekdays, and 174 trips are provided on weekends. The shuttle goes through main traffic hubs such as MRT and train stations. The total number of passengers in 2018 was approximately 1.17 Million, representing an increase of 130,000 people, or a 12.5% growth from the previous year. The Company has significantly reduced the environmental impact caused by transportation in the customers' shopping trips by providing shuttle service, as well as alleviating the traffic in the surrounding areas and providing communities with a more environmentally-friendly, convenient and comfortable environment.



#### Shuttle Bus Passenger Count

Unit: ten thousand people

	2017	2018	Growth by Passenger Count	Growth Rate
Mega City BanQiao Store	49.5	62.5	13	26%
BanQiao Store	8.4	7.1	-1.3	-15%
Hsinchu Store	46.1	47.4	1.3	2.8%
Total	104	117	13	12.5%

#### Actively Pre-Plan Traffic Management for the Sales Period to Disperse the Crowd

All FEDS branches attract huge crowds during the anniversary sale, causing traffic congestion. To mitigate traffic congestion, the Company communicates and coordinates with the police and the Department of Transportation to formulate a valid and effective transportation plan with the goal of minimizing the impact of the sales period on traffic. For example, besides increasing the number of appointed parking lots and offering shuttle service from the parking lots to the store, the Top City Taichung Store also increased the in-store parking time to 6 hours during the anniversary sale. Moreover, traffic auxiliary police were appointed to help the Department of Transportation and the police to disperse the crowd, reducing the impact of traffic in the surrounding areas.



## Green Value Enhancement Initiative 2: Creating a Green Landmark to Contribute to a Sustainable City

### An Environmentally-Friendly Department Store Chain with a Green Headquarters Building

FEDS strives to construct green buildings and stores as part of our commitment to the environment, aiming at becoming the benchmark of green department stores in Taiwan. The FEDS Headquarters Building, Mega City BanQiao Store, and the Top City Taichung Store were planned with four major concepts including ecology, energy saving, waste reduction and Health. These green buildings integrate the principle of environmental protection into every detail of the space. The corporate headquarters building has been awarded a silver rating in Green Building by the Construction and Planning Agency.

### Trendy and Green Shopping Mall with Low-Carbon Operations

The new generation FEDS stores are new-style environmentally-friendly and energy-saving department stores. Take the Top City Taichung Store for example: the air-conditioning system is the FEDS' first ice storage air-conditioning system. The ice storage system runs during the off-peak hours through the night to avoid load during peak hours and effectively reduce carbon emission. The solar power and rainwater recovery systems are set up as part of the attempt of achieving low-carbon operations and reducing the impact of shopping mall operations on the environment.

#### Solar Power Generation

Unit: 10,000 kWh



Year	2016	2017	2018
Power Generation	3.50	3.68	4.27

Note: Solar power generation statistics comes from Top City Taichung Store.

#### The New Generation Stores are Equipped with Rainwater Recovery Systems

Top City Taichung store

Mega City BanQiao Store



The FEDS Zhubei shopping center under construction since 2017 and the Xinyi store to be opened at the second half of the year are both designed with the concepts of green buildings, equipped with open and comfortable space including sky gardens and terraces. After the grand opening, they will become parts of the FEDS green building lineup.



### Adoption of Green Space to Maintain a Green Urban Landscape

In order to pay back to the local communities, create quality urban landscape and improve the maintenance efficiency of public facilities, the Company invests funds in adopting a total of 769 pings of roadside trees and green space in the surrounding areas every year. Top City Taichung Store and Kaohsiung Stores have adopted roadside trees and vegetation areas, and Tainan Store has adopted the Guang Er Square Park. The adopted roadside trees and green areas are cleaned and maintained by personnel appointed by the Company. The trees are trimmed when necessary to provide a more comfortable environment for the local communities as well as contributing to the urban landscape greening.

#### Green Areas Adopted by FEDS

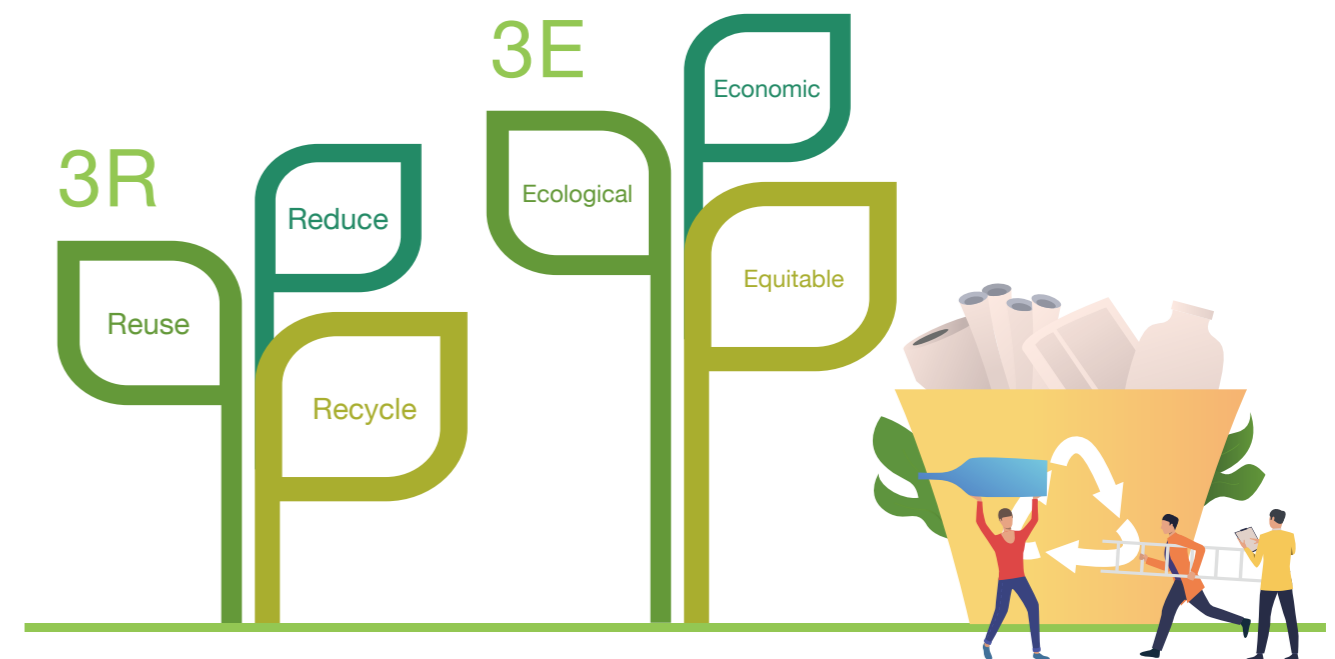
Operational Locations	Adopted Area	Area	Maintenance Fee
Top City Taichung Store	Sidewalks along taiwan boulevard and shizheng north 7th road	348 Ping	Approximately NT\$400,000
Tainan Store	Guang er plaza	401 Ping	Approximately NT\$60,000
Kaohsiung Store	L-shape public sidewalk between lane 24, xinguang road to xinguang road	20 ping	Approximately NT\$120,000

Note: Maintenance fee is estimated by the maintenance hours needed by the cleaning personnel.

Operational Locations	Adopted Area	Area	Maintenance Fee
The Mall	The green zone on dunhua south road jointly adopted with affiliated companies	1,663 Ping	NT\$723,340

## Green Value Enhancement Initiative 3: Promoting Green Consumption through Products and Services

The Company hopes to promote green consumption through its products and services, and create green value for the society. We strive to implement the "3R, 3E" principles in the shopping process including Reduce, Reuse, Recycle, Economic, Ecological and Equitable. We hope to work with our consumers to reduce the impact of consumption on the environment and ecology, enhance the sustainable use of resources, and change the world with the power of consumption.



### Paper Bags Are Certified by FSC and Causing No Pollution

Paper bags are the most consumed paper product in the department stores. In order to respond to the international trend of environmental protection and protect trees from deforestation, the pulp used to make FEDS shopping bags has passed FSC certification to meet the EU environmental protection directives. Environmentally friendly ink at a higher cost has also been adopted.



### For the Mother's Day Promotion, 10,000 Reusable Shopping Bags Were Given Out to Further Enhance Environmental Protection.

The proliferation of plastic waste has become a global environmental problem. The damage is considered just as severe as climate change. Since January 1st, 2018, the government has extended the policy restricting the use of plastic. In the meantime, the Environmental Protection Administration announced that disposable plastic products including straws, cups, shopping bags and tableware will be banned by 2030. Therefore, with the theme of green consumption in mind, FEDS designed a foldable shopping bag with trendy aesthetics for the Mother's Day promotion. 10,000 bags were given away, reducing 10,000 disposable plastic bags.



### Reducing 9.5% of Printed Promotional Materials to Lower Paper Consumption

FEDS fully utilizes digital media platforms to share information regarding promotions and product discounts, including social media, FEDS app and e-catalogues on the official website to gradually reduce the printing volume of traditional catalogues, extending the concept of environmental sustainability from the stores to online channels. In 2018, the printing volume of paper catalogues was decreased by 9.5% compared to 2017. The Company plans to continue reducing the volume of printed advertising and increasing the percentage of digital advertising to achieve targeted marketing.



### Environmentally-Friendly and Eco-Certificated Staff Uniforms at Self-Owned Counters

Since 2016, staff uniforms at self-owned counters have gradually adopted fabric with Oeko-Tex Standard 100 certification to make sure that they do not contain an excessive amount of harmful substances. The fabric must not pollute the environment as well as protecting human health during production, actual wearing and after disposal. As of 2018, more than 2,400 environmentally-friendly uniforms have been produced and issued.



### Reducing 10.8% of Packaging Materials to Minimize Waste

Wrapped products are eye-catching, but the discarded packaging might lead to heavy burden on the environment. The Company starts from the concept of green packaging to reduce the consumption of packaging materials, adopting ones that can be recycled and reused to reduce environmental impact. The original policy was extended in 2018. The imported goods at self-owned counters were put on the shelf without second packaging. The holiday gift boxes made with carton were adopted to reduce over-packaging. Paper bags of the right size were selected in accordance with the product size to reduce excessive waste. The packaging fees for each transaction in 2018 decreased by 10.8% compared to 2017. Packaging materials have been reduced for two consecutive years, demonstrating our commitment of environmental protection and resource conservation.



### Setting up Recycling Bins for Reusable Shopping Bags and Paper Bags to Encourage Reuse

Since 2016, the Tainan Store has continued to respond to the Passing on the Bags Project launched by Environmental Protection Bureau of Tainan. Recycling bins for reusable shopping bags and paper bags have been set up, and they are well-received by the consumers. Aside from reducing the stash of paper bags in the households and allowing the paper bags to be reused, this measure lowers the number of new bags that are needed.



### Setting up Recycling Bins for Old Books to Encourage Reading and Sharing

Since 2015, Mega City BanQiao Store and PaoCing Store have respectively collaborated with the New Taipei City Library and the Yanhui Library set up by the Environmental Protection Bureau of Taipei City to place Book Donation Boxes that are fun, creative and thoughtful, encouraging people to donate books that they no longer read while they shop. It encourages book circulation and promotes reading and sharing, so that good books can be appreciated by other people. By allowing books to be circulated, reading resources can be maximized.





## Chapter 4.

# Reassuring Product Management

### 4.1 Selected High-Quality Products

### 4.2 Healthy and Delicious Food

### 4.3 Comprehensive Supply Chain Management



Link with SDGs



## 4.1 Selected High-Quality Products

### Product Safety Committee Ensures Safe Products

The products sold by FEDS are divided into thirteen categories. Each category of products is tested in accordance with the standards of the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs prior to being launched to ensure that the products meet the requirements for safety standards, as well as protecting customer rights. In particular, the Company has actively strengthened product management for the 30% of products with higher risks, such as food and beverages sold by the restaurants, supermarkets and cosmetics that have a shelf life as well as the direct impact on the consumers' health. The Product Department, Operations Department and Management Department stay updated with product safety of different branches through monthly operational meetings. The Product Safety Committee also supervises and keeps abreast of the latest product information. Any questionable products are handled in a timely manner to lower any potential harm and impact on customers, so that they can shop while feeling reassured.

13 Product Categories



### World Gourmet: The Only Self-Operated Food Counter at the Department Store

FEDS pays attention to every detail of product management, and strives to create a stylish, exquisite and secure experience for customers. In 1995, FEDS launched the self-operated food counter, "World Gourmet", to become the pioneer department store chain with a self-operated food counter.

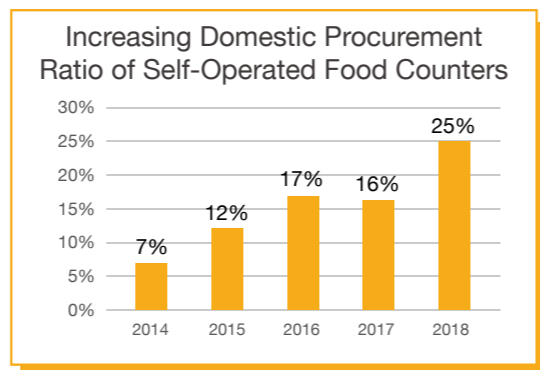
For more than twenty years, "World Gourmet" sells top-notch specialty products sourced by dedicated product developers from all over the world. From olive oil, coffee, tea, biscuits to cereals, each item is produced by a top-notch professional brand with a long history from foreign countries, allowing consumers to enjoy exotic foods from all over the world without going abroad. All imported goods sold by the "World Gourmet" are inspected according to the "Act Governing Food Safety and Sanitation" formulated by the Ministry of Health and Welfare. They are only put on the shelves after receiving such certification. The goods are not packaged or processed for the second time to ensure quality consistency from the place of origin to the place of sale, in order to lower the risks of deterioration and live up to the consumers' trust.

### Importing Fair Trade Coffee to Implement Responsible Retail

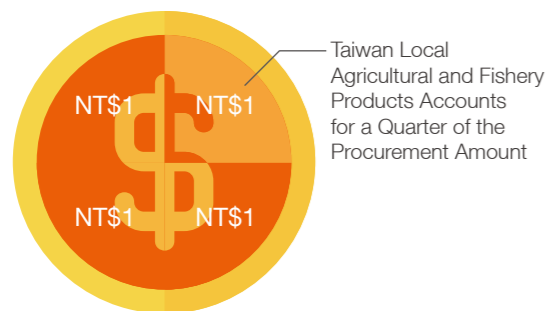
In addition to quality-assured top food products from abroad, FEDS has promoted the concept of "Responsible Retail" since 2016 by introducing coffee with the "FAIRTRADE" and "ECOCERT" logos. From the soil, coffee trees, roasting to shipping, each step of the process must meet the standards in order to pass the strict review process of product certification. This way, consumers can enjoy peace of mind as well as high quality coffee, while protecting the profit of small-scale coffee farmers in developing countries. The "guaranteed minimum price" improves living conditions of the farmers and protects them from being exploited by multinational coffee companies and middlemen, as well as encouraging environmental protection. In 2018, World Gourmet featured self-imported products such as fair trade organic coffee from MOKAFLO and CORSINI, as well as IRIS pasta with ICEA certification. FEDS has taken advantage of the power of channels to realize corporate social responsibility, as well as inviting the consumers to change the world with the power of consumption.

## Increasing the Percentage of Local Procurement to Explore Quality Food Ingredients

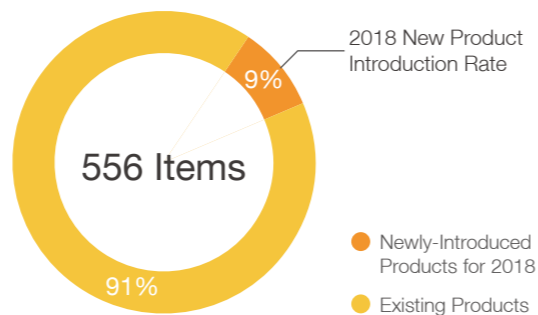
While providing top imported products for the customers, FEDS continues to explore Taiwan's local food ingredients, support quality local agricultural and fishery specialties, and promote the concept of food with lower miles. The proportion of local procurement for the self-operated food counter has risen year by year, from only 7% in 2014 to 25% in 2018. In other words, every NT\$1 out of NT\$4 of procurement amount is spent on local products. In 2018, the FEDS' "World Gourmet" sold a total of 566 items, of which 48 items were newly introduced for the year at the rate of 9%. Among the new products, 21 items were imported from abroad, taking up 44%. 27 items were local, taking up 56%, including Taiwanese tea, specialty noodles, XO sauce, top Taiwan black sesame oil and other high-quality local ingredients. FEDS continues to explore the local specialty products in Taiwan to demonstrate the support and attention to local development.



Procurement Amount



World Gourmet

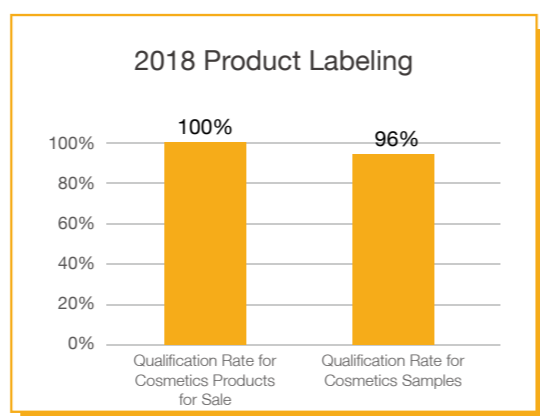


## Promoting Correct Product Labeling and Reaching 100% Qualification

FEDS actively promotes correct labeling for all the products to give consumers real and reliable product information, in order to avoid consumer disputes due to unclear labeling. This protects consumer rights and maintains good business reputation, as well as establishing good business practices.

FEDS has established various internal specifications based on the characteristics of different products for management. All products and services sold at FEDS stores are labeled according to the applicable rules and regulations announced by competent authorities. Suppliers must comply with relevant product labeling regulations when supplying products to FEDS. We also audit product labeling regularly and conduct sampling check from time to time to ensure products comply with corresponding labeling requirements.

The Auditing Office of FEDS has conducted an audit on the self-operated cosmetics management operations in 2018. The purpose of the audit is to confirm whether the self-operated cosmetics management of each branch is sound, and thus avoid damaging consumer rights and maintaining the Company's inventory assets and goodwill. The sampling check for self-operated cosmetics counters from 9 branches all over Taiwan was conducted on 900 products for sale. No labeling abnormalities were detected at the time of the audit. 900 samples from self-operated cosmetics counters were also checked. There was a 4% labeling abnormality rate including production lot number, date of manufacture and expiration date not being indicated. The auditing unit conducted random on-site inspections for product labeling at the branches. When abnormality was detected, the responsible units were asked to address the issue. Responsible units were also asked to supervise and improve products with unclear labeling, almost expired and expired products, as well as keeping track of the improvement until it has been completed.

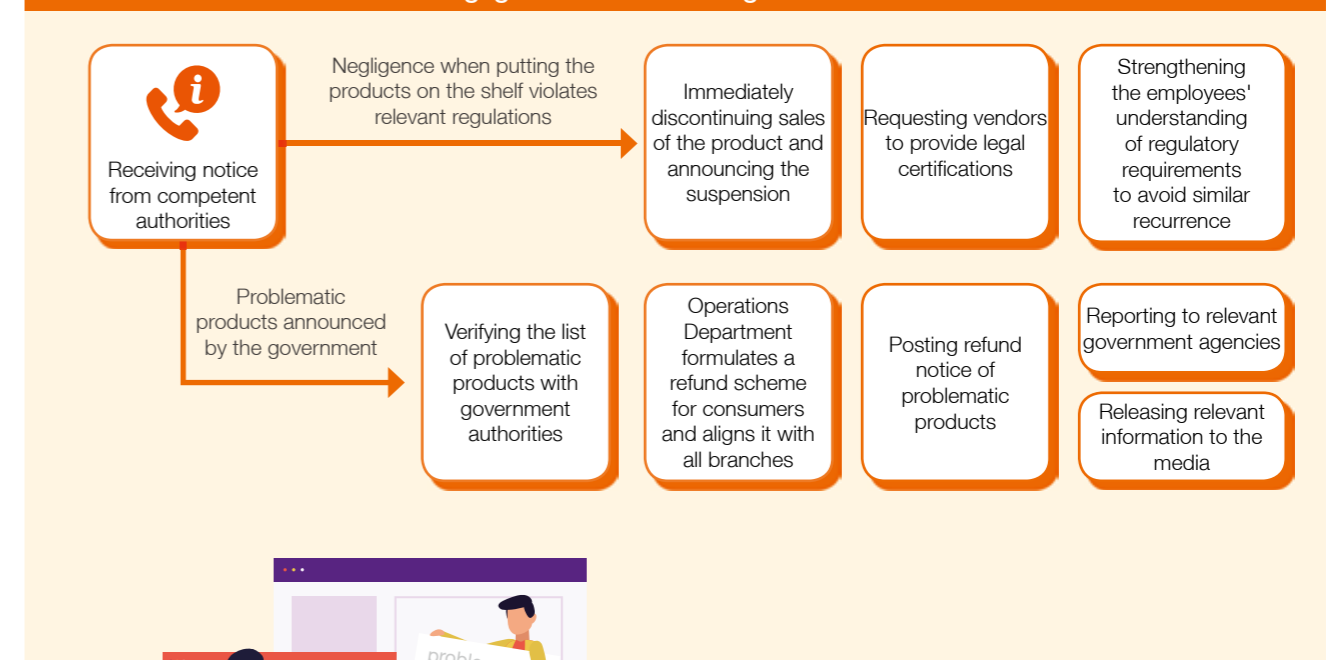


For product labeling management, FEDS continues to start from the manufacturing source. The production lot number, date of manufacture and the expiry date for cosmetics products and samples are all communicated and coordinated with the manufacturers to effectively manage from the source. This reduces unnecessary consumer disputes on the sales side and achieves a triple-win situation for the manufacturers, consumers and companies. In addition, the auditing unit will also require floor supervisors to conduct daily inspections regarding the defects, as well as working with counter manufacturers to achieve the goal of improvement. In 2019, FEDS will continue to conduct inspections on product labeling with the goal of achieving "zero defects".

### Procedures for Handling Controversial Products at the Malls



### Procedures for Handling Problematic Products Announced by the Government or Caused by Negligence When Putting on the Shelf



## 4.2 Healthy and Delicious Food

### Food Safety Management Committee: Mechanism for Ensuring Food Safety

In recent years, the food and beverage segment has been all the rage in the department store industry. Each department store has increased the proportion of food and beverage counters, and food catering has been seen as the effective method for increasing inbound marketing. With the numerous food safety incidents, food safety has become a concern for many people. FEDS has taken the responsibility for ensuring food safety for consumers by providing healthy and tasty food and beverage that the consumers can enjoy with peace of mind. With the efforts of the Food Safety Management Committee, the Company's performance in catering services has increased year by year, demonstrating the consumers' trust in our food safety.



According to the draft of the "Implementation method and date for restricted use of plastic straws" announced by the Environmental Protection Administration on June 8th, 2018, the public sector, public and private schools, chain fast food restaurants, department stores and shopping malls are prohibited to offer disposable plastic straws for consumers from July 1st, 2019. A total of 8,000 companies in these 4 categories will see the impact. The Food Safety Management Committee has notified vendors of formulating necessary countermeasures by finding reusable and environmentally friendly straws.

### FEDS Holiday Gifts: Quality and Food Safety First

Department store food courts have always been the perfect place for consumers to enjoy food and quality time with and family and friends. FEDS has long been dedicated to the business of food and beverage counters. Through introducing specialty foods, exotic dishes and theme restaurants, the Company has managed to establish popularity indicators for the department store catering market, and leading the new trend of food. With an increasing number of consumers visiting the department stores for food and shopping, we have gradually adjusted the floor area of the food and beverage outlets. By increasing the area of snack counters on the store floor, the consumers can quickly find a place to sit down on the same floor or adjacent floor for a break when they get tired of shopping.

In order to provide consumers with good catering quality, FEDS requires the catering counters to ensure that the food ingredients and product quality are 100% safe. The ingredients have also obtained approval from the Food and Drug Administration of the Ministry of Health and Welfare to be in line with the national standards regarding food safety and hygiene. FEDS works together with catering counters to provide safe and delicious food.



#### FEDS Holiday Gifts: Quality and Food Safety First

For the Chinese New Year's gifts of 2018, President Nancy Hsu not only participated in the selection process but also laid great emphasis on food safety, so that the consumers can try high-quality food as well as giving the best gifts. For the Chinese New Year's gifts of 2018, FEDS adopted the theme of "Enjoying the Best Food for the New Year" by collecting good that is perfect for family and friends' gatherings and preparing an excellent variety of dishes and gifts. This allows the consumers to have a variety of high-quality goods to choose for the happy Lunar New Year family reunions.



#### Introducing Exclusive Catering Counters to Offer the Tastiest Food

In 2018, FEDS branches have introduced the exclusive food and beverage counters or new counters to the stores. This provides consumers with diverse dining options and the opportunity to enjoy the best food. The PaoChing Store introduced the first "Formosa Ambrosia" that offers a vegetarian buffet. The buffet features 50 vegetarian dishes every day to promote a healthy and environmentally friendly vegetarian diet that is organic, non-toxic and healthy. The BanQiao Store also introduced the first Elitfun tea salon in Taiwan, with experienced tea makers and roasters choosing local tea trees from all over the world to create tea drinks with the best aroma and taste. Consumers can experience the trend and classics of the beverage industry, enjoy the fine drinks and enrich the taste of food in life. Mega City BanQiao Store introduced Aires Bistro. Living in Argentina for 30 years, the Chinese owner leads a team of excellent chefs to carefully select the ingredients and present Latin American cuisine. Latin American cuisine has also become the unique feature of this area in New Taipei City.

### Three-Step Management Mechanism to Ensure Food Safety and Health

In recent years, the growth in the revenue from the catering segment has demonstrated the consumers' trust in our food safety. To make sure the consumers can enjoy food with peace of mind, FEDS puts great emphasis on food and catering safety. A three-step mechanism of "clear regulations → voluntary monitoring → regular inspections" has been adopted to safeguard consumer health and build a safe network of food services.



#### Management Mechanism 1:

##### Establishing Clear Regulations to Ensure Compliance and Implementation

FEDS adheres to the philosophy of "safety comes from discipline and discipline comes from management". Management regulations are clearly defined in the catering counter contract, requiring vendors to comply with food safety aspects such as the "dining environment", "food safety" and "kitchen management". The relevant regulations include cleaning the dishes before the store closes every day, daily testing of frying oil, food should be covered and stored with the expiry date marked, kitchen waste should be properly cleaned, etc. According to the food safety and health procedure in each operation, a complete management mechanism is established, and the vendors are required to proactively manage for FEDS to conduct regular inspections in order to create a healthy and safe dining and consumption space for customers.



#### Melamine Tableware Is Forbidden for Hot Food and Beverages

Melamine tableware releases toxic substances when heated. In order to provide consumers with safe food, FEDS was one step ahead of the government regulations. As early as 2015, all hot food and beverages sold at the food courts and theme restaurants were not allowed to be placed in Melamine tableware. Instead, it was replaced by safe tableware made with porcelain or stainless steel. A total of 198 restaurants collaborated and replaced Melamine tableware.





### Requirements and Specifications for FEDS's Catering Companies

Dining Environment	Ingredient Management	Kitchen Safety and Sanitation
<ul style="list-style-type: none"> <li>Banned Melamine tableware.</li> <li>Food ingredients and tableware are not allowed to touch the floor.</li> <li>Tableware must be thoroughly cleaned every day before the store closes.</li> <li>Chipped tableware is replaced immediately.</li> <li>Damaged tables and chairs shall be addressed immediately.</li> <li>Thorough disinfection is conducted every month.</li> <li>Ventilator filter is cleaned every month.</li> </ul>	<ul style="list-style-type: none"> <li>All food ingredients are in line with food safety and health regulations.</li> <li>Properly store food products, semi-finished products and ingredients.</li> <li>Seasoning and food are covered when stored.</li> <li>Fridge (freezer) has to be clean with raw and cooked food effectively separated.</li> <li>Daily testing of frying oil.</li> <li>Ensure clear and compliant labeling of expiry dates for food and additives.</li> <li>Water and ice cubes must meet the drinking water quality.</li> </ul>	<ul style="list-style-type: none"> <li>Kitchen staff must receive necessary professional training.</li> <li>Ensure the safety and regular inspections of all equipment.</li> <li>Staff are in good physical health with no risk of contaminating foods.</li> <li>Kitchen utensils are required to stay clean with no disease vector breeding.</li> <li>Meal-serving staff wear clean uniforms and keep hands clean.</li> <li>No behavior that could contaminate food is allowed.</li> <li>Regular cleaning of ventilators.</li> </ul>

### Management Mechanism 2: Implement Voluntary Management to Maintain Food Safety

The Operations Department of the headquarters has established the "Regulations Governing Product Management", which require the supermarkets, food counter vendors and floor supervisors of all ten branches in Taiwan to perform food safety inspections following certain points every day and every month. Moreover, the Labor Safety Department conducts preventive inspections on catering and kitchen safety and sanitation in accordance with the relevant standards of the government. The auditing unit also conducts regular inspections. If any suspicious ingredients, oil, or operational defects are found, they will immediately be banned and improved.

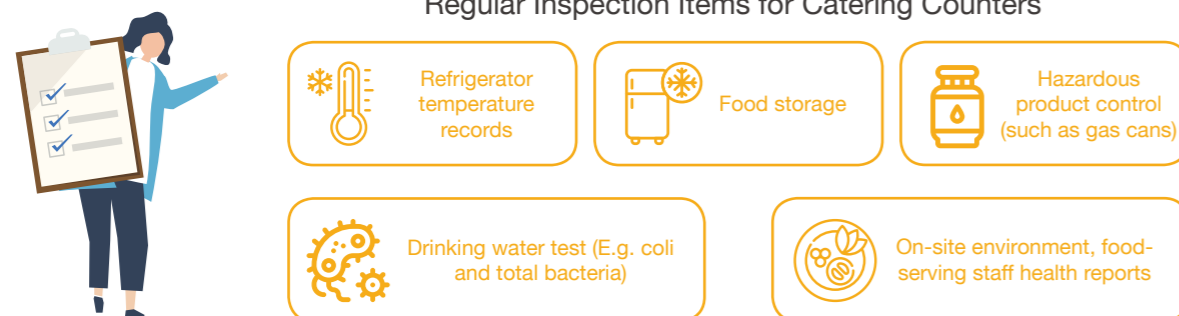
#### Vendor Voluntary Management

- Kitchen should be kept clean.
- The ventilation / stove / gutter / oil trap should be thoroughly cleaned before the store closes.
- Disinfection is conducted every day with kitchen and general waste properly disposed of.
- Kitchen waste bins should be covered.
- After the store closes, waste containers should be sealed and disposed of.
- Cleaning and disinfecting supplies should be clearly marked, stored in a fixed place and kept by dedicated staff.
- Product liability insurance is mandatory.

### Management Mechanism 3: Regularly Performing Audits and Making Improvements

The Company is committed to providing excellent hygiene. Regular inspections of the catering counters are conducted in accordance with the Regulations Governing the Quality of Food and Sanitation, the Standards for Drinking Water and the Maintenance of Drinking Water Dispensers in terms of food storage, on-site environment, health reports for food-serving staff, drinking water test (E. coli and total bacterial count), refrigerator temperature record and hazardous product control (such as gas cans) to verify whether all standards have been met, serve as an improvement record and reminder for the relevant personnel, with the goal of achieving high quality food safety.

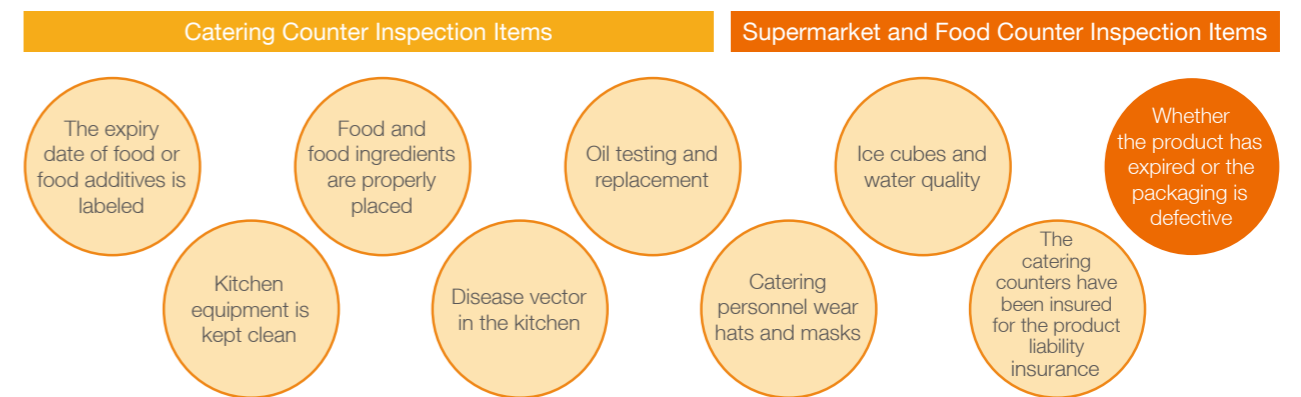
#### Regular Inspection Items for Catering Counters



### Audit Results of Food Safety Inspections

Audit Object	Number of Audited Counters	Audit Results	Improvement Measures
Catering Counters	288	<ul style="list-style-type: none"> <li>The main defect for the first half of the year was "non-existing or unidentifiable labeling of expiry dates for food and food additives (seasoning)"</li> <li>The main defect for the first half of the year was the "frying oil not being tested or replaced when necessary"</li> <li>In the second half of the year, the product liability insurance non-compliance rate is 2%</li> </ul>	<ul style="list-style-type: none"> <li>The catering counters were required to improve on the deficiencies</li> </ul>
Supermarkets and Food Counters	171	<ul style="list-style-type: none"> <li>Check whether the product has expired, with the vacuum broken or problematic packaging</li> <li>The number of non-compliance declined by 2% compared to the previous year</li> </ul>	<ul style="list-style-type: none"> <li>The supermarkets and food counters were required to improve on the deficiencies</li> </ul>

### Auditing Office Food Safety Inspection Items



### A.mart Implements Comprehensive Food Safety Management to Ensure Food Safety for Consumers

With changes in consumption trends and eating habits, consumers have increasing expectations in terms of food safety. In order to comprehensively manage food safety, provide consumers with peace of mind for purchasing ingredients, implement source management, and strengthen self-management systems, A.Mart has implemented grade one voluntary quality control, food safety monitoring programs, retrospective tracking, and introduction of third-party impartial review. At the same time, A.Mart has promoted the maintenance of quality, safety and responsibility of supervisors at all levels to supervise food safety at all levels in order to offer the freshest and safest products to the consumers.



# 4.3 Comprehensive Supply Chain Management

## Supplier Management Committee Selects Quality Suppliers

FEDS's procurement department began to formulate the supplier selection system in 2018. The plan was first selecting the supplier selection committee, and then the selected members are randomly selected to form the "Supplier Project Selection Committee". The committee selects the manufacturers selected by the procurement department for evaluation. Quality suppliers are selected for the vendor database in a fair, impartial and open manner.

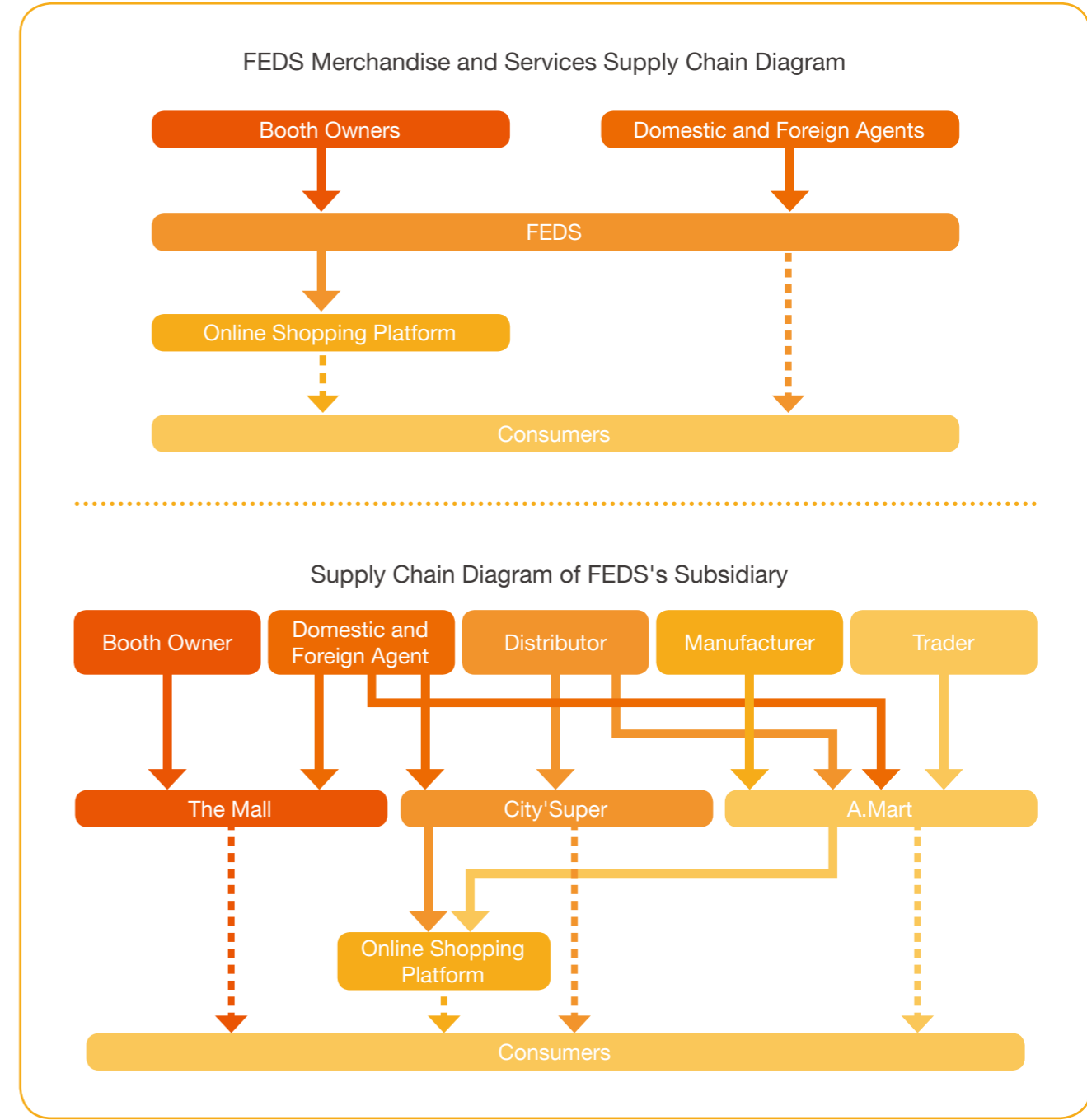
**The Supplier Evaluation Process is Divided into Three Phases**

**Phase 1: Select the Supplier Selection Committee**  
 50% of the members belong to the headquarters, and the other 50 belongs to the branches. 50% of the members are "professional members" with experience and expertise in procurement, and the other 50% (regular members) do not.

**Phase 2: Planning the Vendors to be Selected**  
 The Procurement Department separately plans and selects vendors in the engineering and general services categories, as well as conducting a compliance review based on the basic information of the vendors before putting them on the list.

**Phase 3: Selecting Quality Vendors in a Fair, Impartial and Open Manner**  
 10% of the Procurement Evaluation Committee was randomly selected as members of the "Supplier Project Selection Committee" by a computer program. For the second stage of the evaluation, the committee selected quality suppliers in a fair, impartial and open manner based on the "Suppliers' Five Selection Indicators".

Last but not least, the Procurement Department provides relevant units with the list of quality vendors as reference for procurement, with the hopes of reaching the Company's three procurement targets: good price, good product and timeliness.

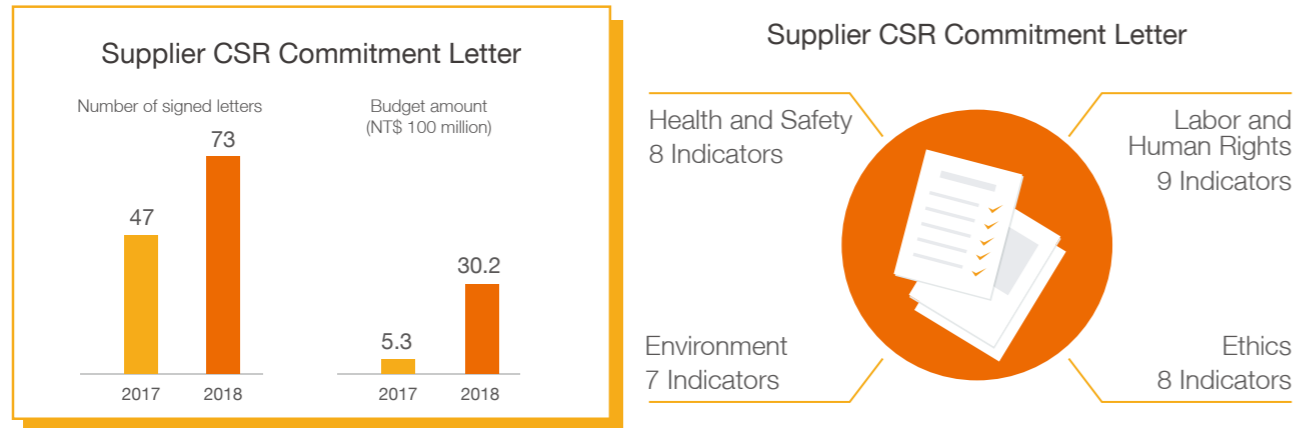


## Obtaining the CSR Commitment Letter from 73 Suppliers

In September 2016, FEDS established the Procurement Department to ensure that the suppliers implement FEDS's requirements and regulations, in order for the supply chain to reach sustainable development. In 2017, the "Supplier CSR Commitment Letter" came into effect. It was stipulated that all suppliers who contracted the Company's business and procurement for over NT\$1 million should sign the "Supplier CSR Commitment Letter" at the time of signing the contract, promising to work with FEDS in 32 fields of sustainability including labor and human rights, health and safety, environment and ethics.

The CSR Commitment Letter is one of the selection criteria for suppliers. The four procurement phases of "requisition, purchasing, quality control and payment" is completed through an information management system to achieve timely, collaborative and effective procurement management. Suppliers who failed to fulfill their commitment will be handled according to the contracts (for example suspension or termination). In 2019, we will continue to require supplier signatures on the "Supplier CSR Commitment Letter" and plan to expand the procedure to suppliers with procurement amount below NT\$ 1 million, in order to build a sustainable supply chain.

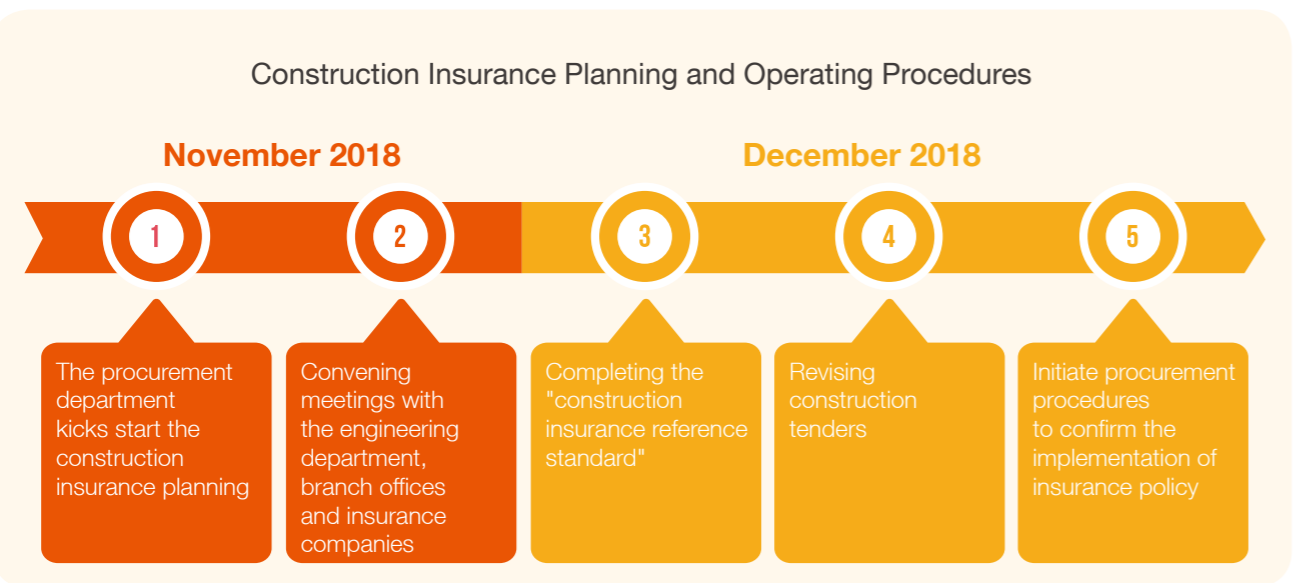
In 2018, the Company effectively obtained signatures on the Supplier CSR Commitment Letter" from 73 vendors. These were mostly engineering vendors with the budget amount of NT\$3.02 billion. 11 suppliers were added in 2018 with 8 signing the letter, accounting for 72.7%. To ensure our suppliers comply with FEDS requirements and regulations, the Procurement Department conducts annual sampling check and visits key contractors/suppliers and construction sites/manufacturing factories each year. Once violations against our regulations are identified, solutions will be found along with our suppliers to address the deficiencies according to the contract. In 2018, the Procurement Department and the auditing unit visited the Chiayi Store to review the results of the vendors who contracted maintenance work for the store, ensuring the supplier's performance and service quality were in compliance with the specifications.



### Promotion of Construction Work Insurance: Reducing Work Safety Incidents

In order to protect the safety of suppliers' labor, FEDS has clear requirements in the purchase order that higher-risk work types, including cleaning the water tower, cleaning building windows, cleaning oil traps, electromechanical work and elevated work that the vendors shall have relevant insurance and licenses. The vendors shall provide the documents on site before starting to work.

In order to further reduce the accident risk of construction, the Procurement Department formulated the "Construction Insurance Reference Standard" in December 2018, requiring construction contractors of the four major categories including electromechanical, air-conditioning, fire-fighting and decoration to acquire construction insurance as stipulated in the "Construction Insurance Reference Standard" after the requisition and purchase order have been approved. The insured entities include FEDS, contractor and its primary and secondary contractors. The insurance period is one year from the date of commencement. The insurance covers construction (installation) loss, third-party liability insurance, employer accident liability insurance, etc. In response to contingency, the Procurement Department also established an emergency construction insurance plan. The Company has compiled a list of qualified suppliers as backup based on existing contingency work.



### Revising Contractor Regulations to Improve On-Site Safety Management

Department stores often engage in floor or booth remodeling. Noise and dust could be generated during renovation at daytime or material transportation and waste disposal at nighttime, affecting nearby residents. Therefore, FEDS has formulated the "Contractor Management Regulations", "Safety and Health Inspections for Removal/Renovation," and "Self-Management Implementation Plan for the Remodeling Work Site" in order to minimize impacts on the environment, safety and health for the nearby area. In 2018, the Labor Safety Department of the Company further revised the relevant content to strengthen management measures for the environment, safety and health of contracting operations. These measures include requiring the contractors to submit the staff roster and application forms for using fire and engaging in overtime work prior to commencement. Co-working contractors have to participate in the organizational coordination meetings to discuss safety and health management matters. When starting to work, the hazardous factor notification form must be verified for approval. Applications must be submitted for special operations (such as hanging or anoxic operation). The guards have to receive the applications prior to allowing personnel on site. FEDS has formulated comprehensive management regulations to require every vendor to abide by the laws and the contract terms to ensure the safety details.

#### Strengthening Management for the Environment, Safety and Health for Contractors' Operations

- The contractor is required to submit the list of employees and application for the use of fire and overtime, etc.
- Co-working contractors have to participate in the organizational coordination meetings to discuss safety and health management matters
- Hazardous factor notification forms must be checked on a daily basis prior to commencement
- Applications must be submitted for special operations. The guards have to receive the applications prior to allowing personnel on site

Self-Management Implementation Plan for Remodeling Work Site: Checklist Category	
Pre-operating management	Hazardous substance management
On site	Food court management
Cutting and welding	Material storage
Elevated	Warehousing management
Painting	Server room management
Fire	Public facilities
Electrical	Health management
Dust	Contractor manageme

#### The Innovative FEDS Moves towards a Brighter Future along with Vendors

On 19 October 2018, FEDS held the "Vendor Mixer" with the theme of "Moving to a Brighter Future with the Innovative FEDS". 500 manufacturers were invited. Chairman Douglas Hsu gave a speech at the gathering, referring to the how retailers should adjust in order to face changes in the competitive environment, consumer behavior and consumer expectations, in the hopes of catering to the market and creating a brighter future. He also analyzed the transformation of Macy's, the leader of traditional American retail industry and Amazon, the global leader in e-commerce to illustrate the key reasons for seeking changes as well as the impact of Sino-US trade war on the global economy. In the future, FEDS will treat Edited, Elevated and Exclusive as target to create new retail shopping malls that consumers enjoy.

One of the highlights of the Vendor Mixer was awarding outstanding vendors with record-breaking annual turnover. Chairman Douglas Hsu and President Nancy Hsu personally presented the trophy to 110 outstanding vendors to thank them for taking on the journey with the Company, as well as expressing the wish for closer further cooperation in order to create a win-win situation for the consumers, brands and channels.

The event ended on a high when COO Chang-Fend Lin, CMO Chris Liu and CFO James Tang cried out the slogan of "Innovative FEDS, continuous improvement, excellent performance, moving towards a brighter future" along with 11 branch managers. In the future, FEDS will continue to maintain its energy in response to changes in the industry and lifestyle, writing a new page for the sustainable operation.



# Chapter 5. A Healthy and Happy Workplace

5.1 Superior Compensation and Benefits in the Industry

5.2 Integrated Talent Cultivation

5.3 Thoughtful and Friendly Workplace



Link with SDGs



## 5.1 Superior Compensation and Benefits in the Industry

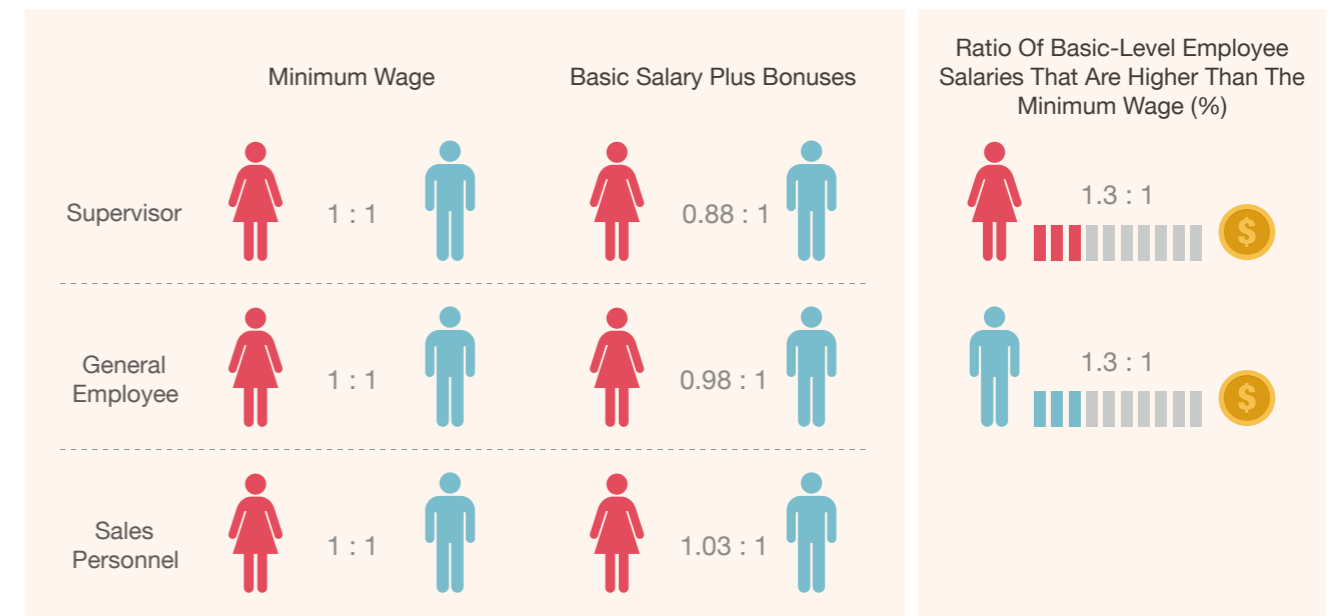
### The Human Resources Department Regularly Surveys Remuneration on the Market

The FEDS' Human Resources Department regularly surveys the level of remuneration on the market to formulate a fair and competitive remuneration that functions like an incentive as a key tool for talent retention. The remuneration system of FEDS includes numerical elements such as fixed salaries, floating bonuses and employee benefits, as well as non-numerical elements such as the working environment, job rotation and training plans. The comprehensive remuneration package is designed to attract and retain outstanding and key talents in the organization, boost the employees' morale to build the corporate core competitiveness, as well as laying a solid foundation for the future development of FEDS.

### Break Away from Equality to offer Competitive Packages

Excellent manpower is a foundation for enterprise success. FEDS adjusts employees' salaries annually to providing employees with stable and competitive remuneration. This grants the employees a sense of security as well as attracting outstanding talents to join the FEDS family. The remuneration standards of FEDS do not take gender, race and age into consideration. Instead, they are based on the education, experience, performance, position and expertise. We are committed to rewarding employees with outstanding performance, breaking away from equality and creating a working environment where people are put in the right positions. The employees' compensation standard is 1.3 times above the minimum wage as stipulated by the Ministry of Labor. This policy demonstrates how much we care about retaining talent, as well as breaking the stereotype of the low minimum wage of the service industry.

FEDS Salary Structure

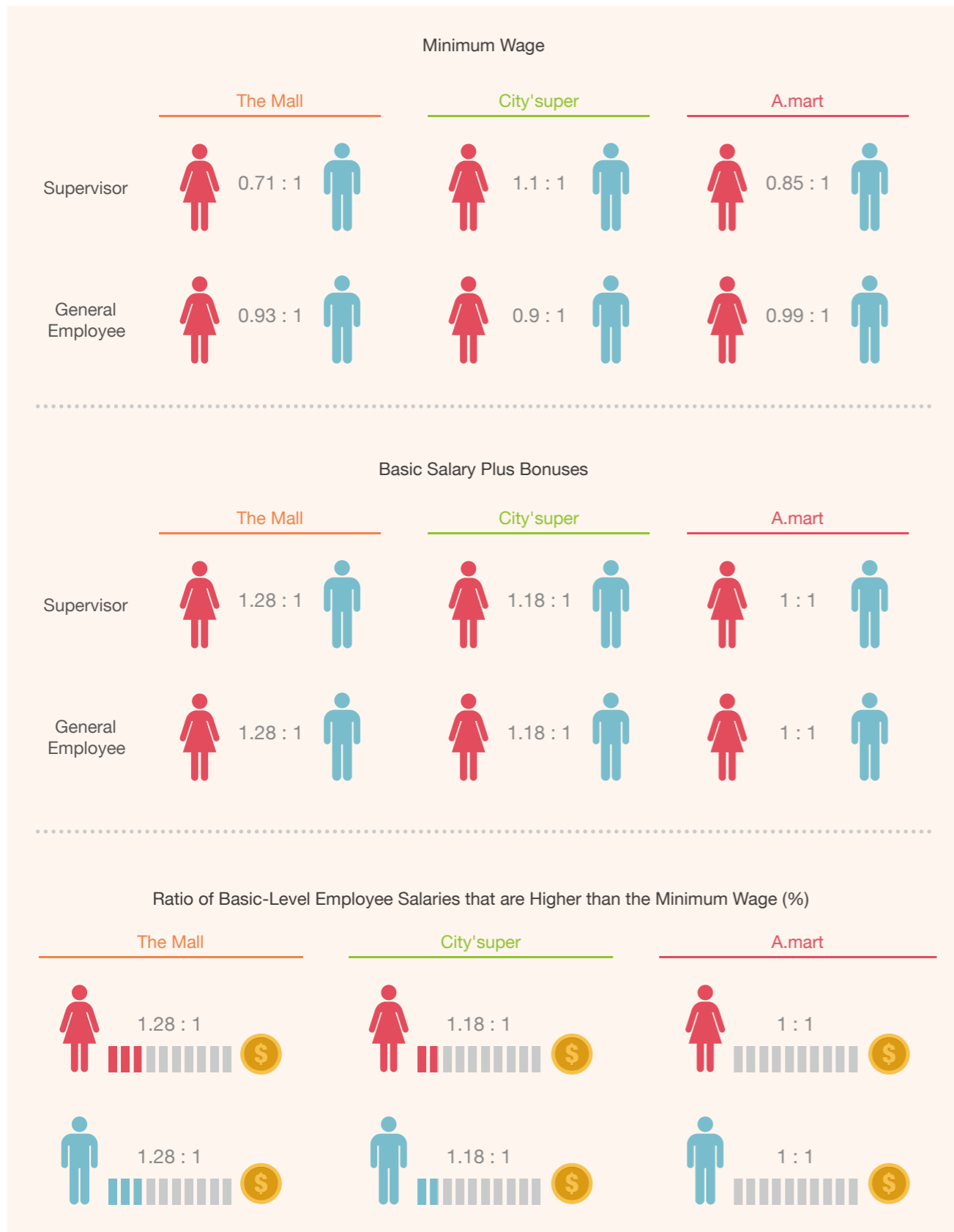


Average Number of Non-Supervisory Full-Time Employees and Salaries

	2017	2018
Number of Non-Supervisory Full-Time Employees	1,308	1,253
Average Salary (thousand dollars/person)	718	693
Median Salary (thousand dollars/person)	672	647



### Remuneration Structures of FEDS Subsidiaries



Notes: 1. Supervisors are employees with management duties or employees of equivalent grades. Salespersons include sales personnel, customer service representatives and cashiers. Other employees are general employees.  
 2. The ratio of basic-level employee salaries that are higher than the minimum wage is calculated with the following formula: (average basic level employee salaries - minimum wage) / minimum wage. The minimum wage for 2018 was NT\$22,000 as published by the Directorate General of Budget, Accounting and Statistics and the Ministry of Labor.

### Various Benefits Allowing Employees to Work Happy

FEDS provides the most thoughtful care for our employees and has many benefits that are superior to the laws and regulations. This allows the Company to offer the best support for its employees as well as providing an environment that cares for the employees' mental and physical health as well as work-life balance. As the Company's performance and profitability grow year by year, FEDS rewards employees who have worked hard for the Company with actual actions. The annual employee welfare fund in 2018 increased by 22% compared with the year before. The anniversary sale incentive has also been added to reward the employees' hard work during the sales period.

#### Benefits

<b>Work Benefits</b> <ul style="list-style-type: none"> <li>Labor Insurance</li> <li>National Health Insurance, Group Insurance</li> <li>Periodic Health Checkup</li> <li>Work Injury Relief</li> <li>Major Disease Relief</li> <li>Lucky money for Spring Festival</li> <li>Cash gift for Dragon Boat Festival</li> <li>Cash gift for Mid-Autumn Festival</li> <li>Cash gift for the year-end party</li> <li>Birthday Cash Gift</li> <li>Anniversary Sales Incentive Bonus</li> <li>Meal Subsidy</li> <li>Employee Uniforms</li> </ul>	<b>Retirement Benefits</b> <ul style="list-style-type: none"> <li>Allocation for Employee Pension Fund</li> </ul>	<b>Shopping Discount</b> <ul style="list-style-type: none"> <li>Employee Shopping Discount</li> <li>Affiliate Product Discount</li> </ul>
<b>Family Care</b> <ul style="list-style-type: none"> <li>Wedding Cash Gift</li> <li>Funeral/Burial Subsidy</li> <li>Employee Nursing Assistance</li> <li>Education Allowances for Children</li> <li>Childbirth Allowance</li> </ul>	<b>Leisure and Personal Development</b> <ul style="list-style-type: none"> <li>Company Trips</li> <li>Club Activities</li> <li>Subsidies for English and Japanese language proficiency tests</li> </ul>	

#### Valuing Employee Health by Offering Regular Health Checkups

FEDS cares about its employees. In addition to the mandatory Labor Insurance and National Health Insurance, the Company provides group insurance for employees with full organizational funding for employees to enjoy more protection. The Company offers annual health checkups that are superior to that required by the laws and regulations so that the employees can have good health and physical conditions. The employees can effectively manage their health through regular checkups so that they can achieve as much as possible at work. FEDS also provides employees with comprehensive health insurance coverage, including hospitalization and cancer medical policies in order to reduce the medical expenses for employees who need hospitalization or medical services.



#### The Retirement Fund Supervisory Committee Formulates Clear and Transparent Retirement Plans

Starting from the employees' entry into the Company, FEDS accompanies, supports and assists them all the way to the peaks of their careers and retirement. FEDS has formulated the "Employee Retirement Regulations" to ensure that all employees' retirement is protected. For employees who qualify for the old pension system (defined benefit plans), we contribute 2%-6% of their base salary as their retirement reserve funds, which is managed by the Retirement Reserve Fund Supervisory Committee. We also deposit the sum to the bank account of the committee. Pensions are disbursed according to the seniority and the average wage of employees six months before retirement. For employees who are eligible for the new system (defined contribution plans), the Company will make monthly contributions of 6% of the insured amount to the Labor Pension Account of the Labor Insurance Bureau. The Company also appoints a consulting firm to carry out the old-system retirement reserve actuarial calculation to ensure the retirement rights of all employees, so that the organization's manpower life cycle and the employees' career planning are more flexible. In the event of retirement or termination of employment, FEDS will conduct a discussion on the employees' concerns through meetings and to create a win-win environment for management and labor. For more information on the pension benefit plan, please refer to the "post-employment benefit plan" in the 2018 Annual Report. (<http://www.feds.com.tw/shareholder.aspx>)

### Annual Employee Trips Boost Team Solidarity

To help employees relieve their daily life stress and improve their work morale, FEDS organizes employee travels every year to help the employees create a positive atmosphere at work. Moreover, leisure activities and birthday celebrations are also held to relieve work stress. Not only do they prove to be relaxing, they create team solidarity and a happier working environment.



#### Employee Trips Relax the Employees While Fostering Team Cohesion

Employee trips help employees relieve work stress and promote interactions among employees, as well as creating a more warm and harmonious working environment and team spirit. In 2018, FEDS employees visited Moon Lake and the Formosan Aboriginal Culture Village. Nearly 100 employees participated in the event with their families to boost fun interactions at work.



#### Anniversary Sale Incentive Assembly Increases Employee Consensus

Anniversary sale is the busiest time of the year for the department store industry. Apart from monetary incentives, we have planned an incentive assembly to encourage employees to showcase their best performance at the anniversary sale. The new anniversary sale incentive rewarded the employees' performance during the anniversary sale of 2018



#### Kaohsiung Store Warmed Up for the Anniversary Sale Through Promoting Health and Social Welfare

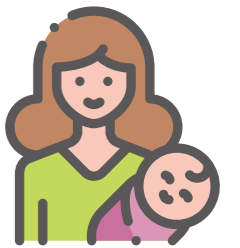
The Kaohsiung Store was involved in the "2018 Kaohsiung Harbor Walk" organized by the Labor Affairs Bureau of Kaohsiung City Government on September 29th, 2018. In addition to promoting outdoor activities and employee health, the Company also used this opportunity to warm up for the anniversary sale, hoping that the employees could take on the challenge of the busy anniversary sale period at peak physical condition. On October 18th, the Kaohsiung Store organized the one-day volunteer group to help the Andrew Charity Association go through donated materials, sort out the food and check various materials to complete the packaging of the "food package", distribute them to the families in need, engage in public welfare activities and help out disadvantaged families and children.



### Daycare Services Allow Employees to Concentrate on Work

We understand that aside from the nursery expenses, employees who are parents often worry if their children are well-cared for. For employees to be able to concentrate on work, FEDS collaborates with safe and reliable educational enterprises for employees to have their children go to day care while enjoying a discount for registration fees. Furthermore, we also created a quality and parent-friendly environment. We set up a nursing room for our employees and customers to enjoy the thoughtfulness and comfort of FEDS.

As many first-line service employees are females due to the characteristics of the department store retailing industry, we actively encourage female employees to continue their career after marriage and childbirth. In 2018, the number of employees applying for parental leave was 42. The applicants were all female employees. The reinstatement rate was approximately 71%. The retention rate was approximately 66%, showing that the Company's effort for employee care as well as the results of encouraging the employees to raise children.



#### Parental leave Status for FEDS and Its Subsidiaries

	Gender	Number of Qualified Employees	Actual Number of Applicants	Application Rate	Number of Employees Subject to Reinstatement	Actual Number of Reinstated Employees	Reinstatement Rate	Number of Reinstated Employees Last Year	Number of Employees Who Had Been Reinstated for One Year Last Year	Retention Rate
Far Eastern Department Store	♂	57	0	0	0	0	0	0	0	0
	♀	180	42	23%	24	17	71%	32	21	66%
	Total	237	42	18%	24	17	71%	32	21	66%
The Mall	♂	0	0	0	0	0	0	0	0	0
	♀	1	1	100%	1	0	0	0	0	0
	Total	1	1	100%	1	0	0	0	0	0
city'super	♂	6	0	0	0	0	0	0	0	0
	♀	12	7	58%	6	4	67%	5	3	60%
	Total	18	7	39%	6	4	67%	5	3	60%
a.mart	♂	14	2	14%	5	0	0	4	2	50%
	♀	15	10	67%	12	8	67%	5	5	100%
	Total	29	12	41%	17	8	47%	9	7	78%

Note: The number of qualified employees: the HR system generates a list of employees with newborns after January 1st 2015. The source of the data comes from the employees' applications for maternity leave, paternity leave, employee/national health insurance and subsidies.

### A Healthy Labor Structure Allows the Company to Take on Challenges of the Retail Industry

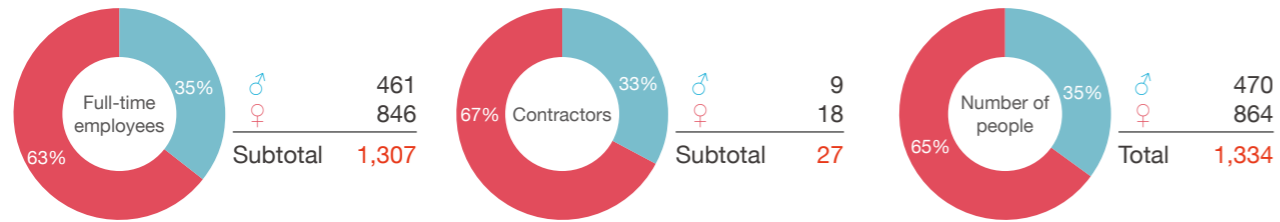
As of the end of 2018, FEDS had 1,334 employees, including 1,307 full-time employees and 27 contractors. The contractors are entitled to the same training, welfare and labor rights as the full-time employees. For the important operating locations, FEDS employs 100% of Taiwanese high-level management. The superior salaries and benefits to that of the peers as well as a comprehensive talent training system allows FEDS to have a healthy manpower structure. The turnover rate in 2018 was 23% lower than that of 2017. It shows that the stability of the personnel and recognition for the Company have improved.





### Manpower Structure of FEDS and its Subsidiaries

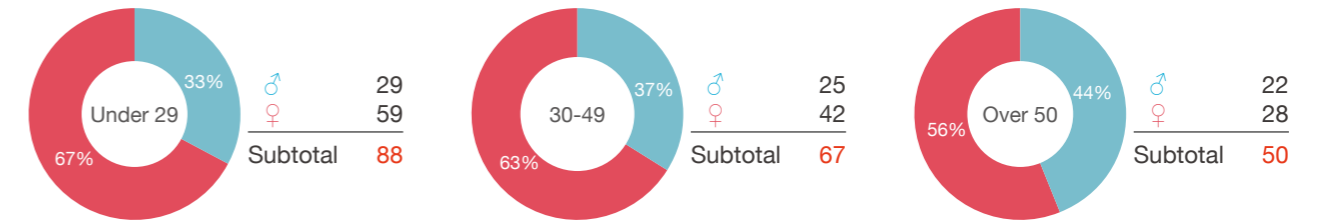
#### Employment Contract



Subsidiary	Full-time employees			Contractors			Number of people		
	Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Total
The Mall	9	25	34	0	2	2	9	27	36
city'super	113	310	423	15	37	52	128	347	475
a.mart	821	728	1,549	352	387	739	1,173	1,115	2,288

Note: 1: Employee contract information is calculated according to the number of current employees as of December 31st, 2018.  
 2: Full-time employees include employees with non-fixed term contracts and contracts that have to be renewed annually.  
 3: Contractors include temporary, seasonal short-term personnel, industry-academic cooperation, interns and other personnel with short-term contracts.

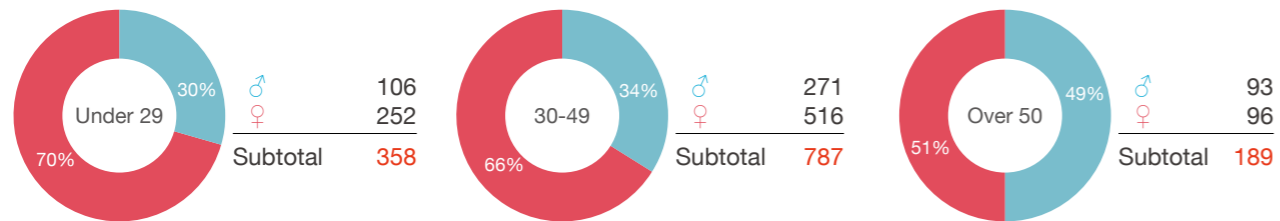
#### Gender and Age Distribution for Employee Turnover



Subsidiary	Under 29			30-49			Over 50			Total
	Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal	
The Mall	0	3	3	2	3	5	0	0	0	8
city'super	19	70	89	30	75	105	3	12	15	209
a.mart	92	34	126	91	54	145	9	5	14	285

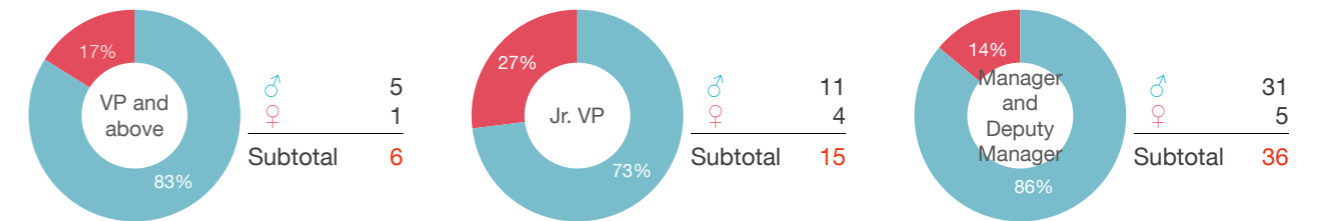
Note: Employees turnover in 2018 includes employees who resigned in 2018 and new hires who had worked for under a year in 2018.

#### Employee Age Structure



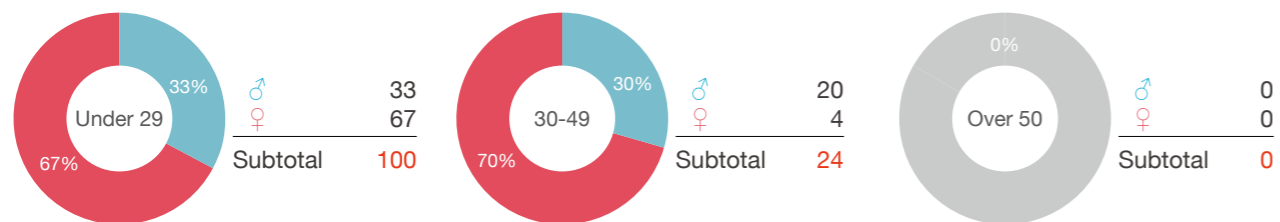
Subsidiary	Under 29		30-49		Over 50	
	Male	Female	Male	Female	Male	Female
The Mall	2	8	6	11	1	6
city'super	28	109	75	183	25	55
a.mart	461	297	558	564	154	254

#### Gender Distribution of FEDS's Senior Executives



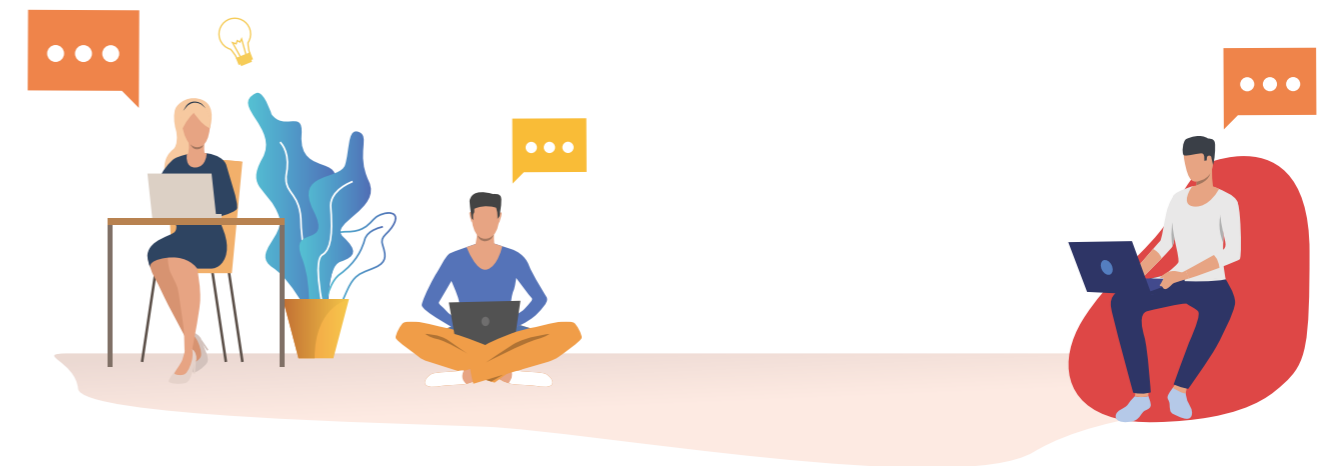
Subsidiary	VP and above			Jr. VP			Manager and Deputy Manager		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
The Mall	1	0	1	0	0	0	1	0	1
city'super	0	0	0	1	1	2	16	11	27
a.mart	1	0	1	10	0	10	124	46	170

#### Gender and Age Distribution for New Hires



Subsidiary	Under 29			30-49			Over 50		
	Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Total
The Mall	0	4	4	0	2	2	0	0	0
city'super	9	35	44	8	33	41	1	5	6
a.mart	109	52	161	85	53	138	11	7	18

Note: New hires are defined as current employees as of December 31st of 2018 who started in the same year.



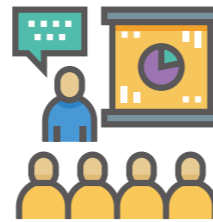
## 5.2 Integrated Talent Cultivation

### Management Trainee Program Trains Talents Systematically

The FEDS provides a comprehensive training system and develops different types of core area courses, including basic training, professional core training, development training and other feature training courses. Employees can apply for external training courses according to job needs. Furthermore, as the counter owners are the partners of department stores, their staff quality is also the key basis for enhancing the department store's competitive advantages. Therefore, we also assist counter owners in training their service personnel to provide support and adequate development opportunities for the employees both outside and inside the organization, as well as offering quality services to our employees.

#### Management Trainee Program

To cultivate the talent required for the development of the Company, FEDS has planned the management trainee program to fully develop the operations management capabilities and skills of the management trainee and to create a competitive team through a comprehensive system of training, job rotation and performance assessment.



#### Motivation

##### 1. Establishing Standardized Department Store Operations Management Courses

In order to respond to consumption trends and changes in department store marketing models, the Company has re-examined the personnel learning map and defined courses into 9 categories to include over 50 courses in accordance with job titles and ranks to create the new generation of department store operations management courses.

##### 2. Continuing to Cultivate Specialists in Department Stores Retail Management

Department store management knowledge is taught through a standardized curriculum to implement what is learnt to store management practices and continuously improve. This expands the Company's reserve cadet with the goal of developing specialists in department store operations management.

##### 3. Offering Long-Term Career Growth Paths

Outstanding candidates are chosen through personnel selection, training courses and result review. This is then combined with the practical experience of store and project management so that outstanding employees can have good opportunities for career development with prioritized important positions and promotion opportunities.

##### 4. Establishing a Good Corporate Brand Image

The Company also provides standardized professional department store courses to establish a promotion channel that allows employees to play to their strength in order to attract excellent employees to achieve excellent growth and to create positive corporate brand image.

#### Directions

##### 1. Selection of Personnel

Candidates will be selected by each unit based on their ranks and potential. They are then listed as reserve cadet trainees based on their target achievement, performance growth, language capacity and so on.

##### 2. Training Course

Training courses are divided into topics such as finance, accounting, information, property management, ethics, compliance, and labor management, as well as professional courses such as shopping mall operations, brand management and marketing with more than 50 courses in total.

##### 3. Training Completion and Assignment

Once the trainees have completed a designated training course and passed the test, practical assignment or project, they will be prioritized to receive important tasks and promotional opportunities.

#### Benefits

##### 1. Enhance the Knowledge of Department Store Operations Management for Employees at all Ranks.

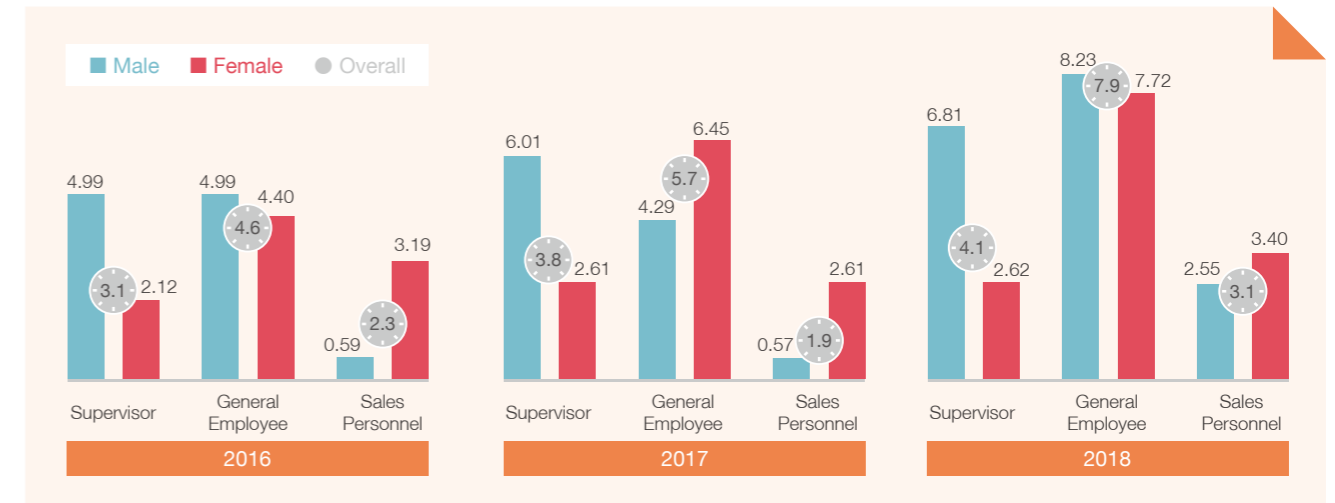
##### 2. Excellent Employees can Continue to Enhance their Operational and Management skills.

##### 3. Continue to Cultivate Talents and Provide open and Equitable Channels for Promotion.

##### 4. Provide a Good Environment for talent Development and Attract more Outstanding Personnel to join the team.



### Employee Training Hours



### FEDS Training System



#### Promoting E-Learning

FEDS integrates standardized workflows, such as cashier operations, company regulations and sales service etiquette. Workflows are integrated through multimedia audio-visual materials in written forms, pictures, videos, sounds, etc., and placed on the digital learning network of Company for learning and viewing by colleagues in all branches of Taiwan. It can reduce the travel time needed for training as well as allowing the employees to review what they learnt anytime and anywhere. In 2019, we will continue to increase various types of digital learning materials and utilize actual and digital courses to increase the employees' occupational skills and enhance their competitiveness.



### Enhancing International Vision and Promoting Career Development

To cultivate the competency of the supervisors, create an international vision and learn from the operational experiences of department stores all over the world, the Company sent 51 people to Shanghai, Suzhou and Hangzhou in China between November and December 2018 to learn about the planning of large shopping malls, the operations of department stores and the trend of business districts changes. This is also used as reference for future expansion.



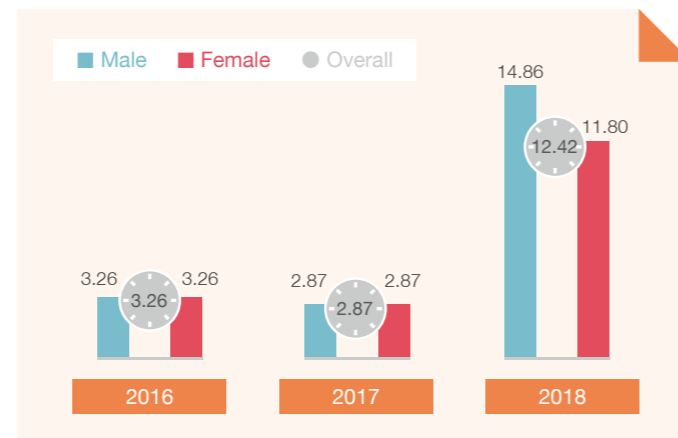
### Financial Accounting Knowledge Sharing Session

The Group has organized 15 sessions since 2017 with a total of 766 participants. Personnel in the areas of finance, accounting and legal affairs increase knowledge in their fields through one-hour group reports and brainstorming sessions, including the depth and breadth of knowledge in laws and regulations, finance and accounting to improve work judgment and enhance logic and expression.

### Counter Personnel Training

Except for a small percentage of self-imported products, most products and services at FEDS are provided by counter owners. As the quality of their products and services will affect customer satisfaction with FEDS, the selection and management of counter owners are our key missions. Counter personnel are the first line of important personnel in department stores. Not only should they meet the brand image of the counter, they must meet the requirements in service quality. Therefore, newly-hired counter personnel of FEDS receive basic training, core competency training, and basic service etiquette training just like full-time employees. By doing so, we want to optimize service quality and thereby enhancing customer satisfaction.

Counter Personnel Training Hours



In 2018, the number of courses given by the FEDS for the counter staff, the frequency of classes and the number of participants in education and training increased compared with the previous years. In addition to routine training courses such as labor safety education and training, personnel attendance and dress code etc, diverse mobile payment tools have been introduced to boost convenience. Large-scale cash register operation training (one cash register per counter, training at the counter, how to address a mistake with the cash register and so on), various gift certificate instructions, Line Pay, e-invoices, gift system, Ticket Xpress and FEDS App training courses have increased the average number of training hours per person to 12.4 hours in 2018, an increase of 9.5 hours compared with the previous year, and a substantial increase of about 3.3 times.



### Personnel Outsourced Training

	FEDS Personnel Outsourced Training			Employee Training of Mall Booth		
	2016	2017	2018	2016	2017	2018
Total Training Hours	32,215	26,594	143,304	720.5	206	143
Number of Counter Personnel	9,873	9,276	11,542	272	370	373
Average Training Hours per Person	3.26	2.87	12.4	2.65	0.7	0.38

### Comprehensive performance Appraisal System Promotes Excellent Employees

FEDS has established a performance evaluation and promotion system to conduct the comprehensive annual evaluation and offer reward measures for new hires and above, as well as to assigning the employees with adequate tasks and clear performance targets. FEDS offers employees open and transparent promotion or transfer channels. During the employee's years of service, supervisors will evaluate them according to their educational attainments, conduct, work competency and performance. Moreover, professional training and job rotation are organized on the basis of job duties, company development, and employees' job orientation surveys in order to expand employees' experience and put them in an adequate position. Employee transfer shall meet the requirements of the principle number 5 for transfer in the legal decree announced by the competent authorities to protect the rights and interests of the employees. Apart from arranging training for new employees when they start working, the regulations have been specified in the Employee Work Rules as well as being disclosed on the intranet for inquiry.



### Execution Time of the Performance Evaluation System

		Far Eastern Department Store	The Mall	City'super	A.mart
Evaluation of New Employees	After three months	V	V	V	V
	1 year	V	V		
Performance Assessment	Monthly	V	V		
	Quarterly	V			
	Annual	V	V	V	V





### Percentage of Employees' Performance Assessment for FEDS and its Subsidiaries

Employee Category	Far Eastern Department Store		
	Male	Female	Overall
Supervisor	100%	100%	100%
General Employee	100%	100%	100%
Sales Personnel	100%	100%	100%



Employee Category	The Mall			City'super			A.mart		
	Male	Female	Overall	Male	Female	Overall	Male	Female	Overall
Supervisor	100%	100%	100%	89%	83%	87%	100%	100%	100%
General Employee	100%	100%	100%	83%	76%	78%	20.6%	22%	21.4%
Sales Personnel	100%	100%	100%	n.a.	n.a.	n.a.	n.a	n.a	n.a

Note: The performance appraisal numbers of a.mart are derived from percentage after employee appraisal and salary increase.

### Industry-Academic Cooperation Program Jointly Develops Talent

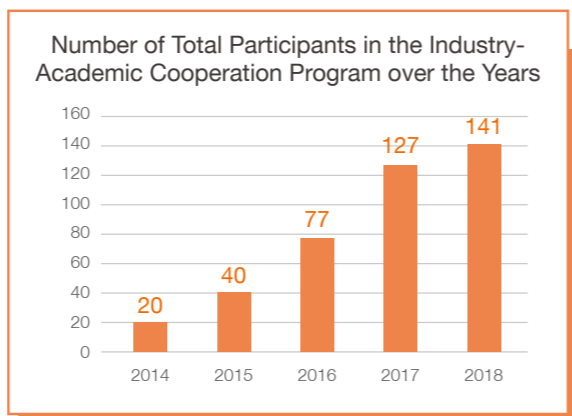


"Taking advantage of the department store resources to nurture talents of service and design for enterprise and industry needs" is one of the social responsibility strategies of FEDS. Therefore, FEDS started the industry-academic cooperation program in 2014, hoping to create a win-win situation for the "students, schools and enterprises".

Through the Industry-Academic Reserve Talent Training Program of the Group, FEDS is also engaged in the industry-academic cooperation program with Yuan Ze University and the Oriental Institute of Technology to assist the students in getting practical experience during the summer/winter vacations, as well as cultivating talents FEDS needs in the future. The resource integration of the schools and affiliated companies will be able to create synergy. The Company's 24-hour functional series program includes floor duties, operations management and customer service. The students are given on the job training. The supervisors give instructions on site for the students to practice. They can also discuss and learn work processes through interactions.

FEDS also cooperated with Yu Chang Technical & Commercial Vocational Senior High School to start a "Job-Oriented Special Class Program" to teach practical skills and work capacity. This assists students in understanding the workplace and department store industry, increases their willingness to work as well as employment ratio, and plan for future career development. The Company assists in the school internship for high school graduating classes to give them practical working experience in department stores.

Since 2014, the Company has already taken part in the industry-academic cooperation program to have a total of 141 students participated in industry-academic internships. In 2018, FEDS hired 14 students for internships. The positions included business units and customer service. Through internship opportunities, FEDS assists students in understanding the practical side of the job and increasing future job-seeking advantages. This helps meet the increasing demand for talent cultivation in the department store industry by cultivating the new generation of department stores talents. After a series of internship, training and evaluation, some students are already full-time employees of FEDS after graduation. In the future, FEDS will continue to promote the industry-academic cooperation to meet the needs of the talent cultivation in the department store industry.



## 5.3 Thoughtful and Friendly Workplace

### Promoting a Healthy Workplace Plan Towards a Happy Enterprise

Employees spend one-third of their time in the company. Therefore, building a healthy workplace, helping employees create happiness, and enabling the employees to work with peace of mind is the goal that FEDS is committed to. FEDS has established the Occupational Safety and Health Committee, which is collectively working with units such as the Employee Welfare Committee, Human Resources Department and Labor Safety Department to promote the health promotion program. We hope to strengthen our employees' self-care and management capabilities and to enhance our employees' ability to improve their health and fitness. This will in turn boost cohesion, work morale and performance.

### An Equal and Respectful Working Environment for the Protection Of the Employees' Rights

FEDS is dedicated to creating an equal, supportive, and respectful environment. Management policies have been formulated and implemented according to relevant regulations including the Labor Standards Act, Act of Gender Equality in Employment and Occupational Safety and Health Act. The Company lays great emphasis on employee feedback and opinions, ensures smooth internal communications and provides decent working conditions and environment so that the employees can maximize their efficiency and productivity in an ambiance that is healthy, productive and pleasant. This contributes to the goal of achieving a win-win situation between the employees and the Company with stable and harmonious labor-management relations.



### Labor-Management Meetings Promote Harmonious Labor Relations

FEDS values labor rights and all employees' labor conditions comply with the government regulations. Employees are entitled to legal benefits, and some of the welfare policy, such as maternal leave, is even better than the labor laws regulations. FEDS actively supports national labor policies. Each branch and major sales locations organize quarterly labor-management meetings or hold communication meetings on specific topics from time to time to exchange ideas and opinions in order to promote labor-management relations and harmony. If there are major operational changes that could have an impact on the employees, FEDS will notify employees of the relevant information in the prescribed period of the Labor Standards Act, which is at least 10 days in advance in order to protect employees' rights.

FEDS has established the "Employee Club Management Regulations" to encourage employees to set up leisure, healthy and networking service communities. In 2015, the Employee Welfare Committee announced the implementation of the Employee Welfare Committee, so that all employees' freedom of association and collective bargaining will be protected.

### Allowing the Employees to Work with Peace of Mind by Eliminating Discrimination

FEDS actively forbids and prevents any discrimination, bullying, and sexual harassment so that each employee can work with peace of mind. "Sexual Harassment Prevention Measures, Grievances and Disciplinary Measures" have also been formulated in accordance with the law which respect and treat all employees in a fair manner. If a sexual harassment case is reported, a dedicated unit will accept the grievance and investigate the case. The Company discloses sexual harassment prevention measures, grievances and disciplinary measures in the internal website and the HR Portal. Notices are also posted in public spaces such as the coffee room. Detailed information is also given during the onboard training to raise the awareness of gender equality among all employees. No sexual harassment prevention course was given in 2018, but it will be planned in the future.



### Moderate Working Hours with no Forced Labor

To provide customers with convenient and quality service, the stores are open all year round except for special circumstances. However, we never sacrifice the employment rights and benefits of employees. FEDS adopts the flextime policy according to the labor laws and regulations. Employees work shifts and have holidays in turns. Each department works in cooperation with one another. When there is a major event, management will make arrangements ahead and re-organize shifts to appropriately adjust workforce. More importantly, there is no compulsory or forced labor, and extortion, harassment, or inhumane treatment to force employees to work is strictly prohibited. However, as workload inevitably increases during festivals and promotions, we offer overtime pay or paid leaves to employees for their overtime work. We also make appropriate adjustments when organizing monthly shifts for employees to have adequate rests.

FEDS puts employee safety first when they go to work. Therefore, we comply with the "Operational Procedures for the Suspension of School and Work due to Natural Disasters" promulgated by the government. Branches will determine the need to open the stores based on the noticed published by the Directorate-General of Personnel Administration, Executive Yuan, as well as the weather condition. When employees come to work on typhoon days, we will consider this as overtime work.

### Joint Maintenance of Counter Personnel Rights

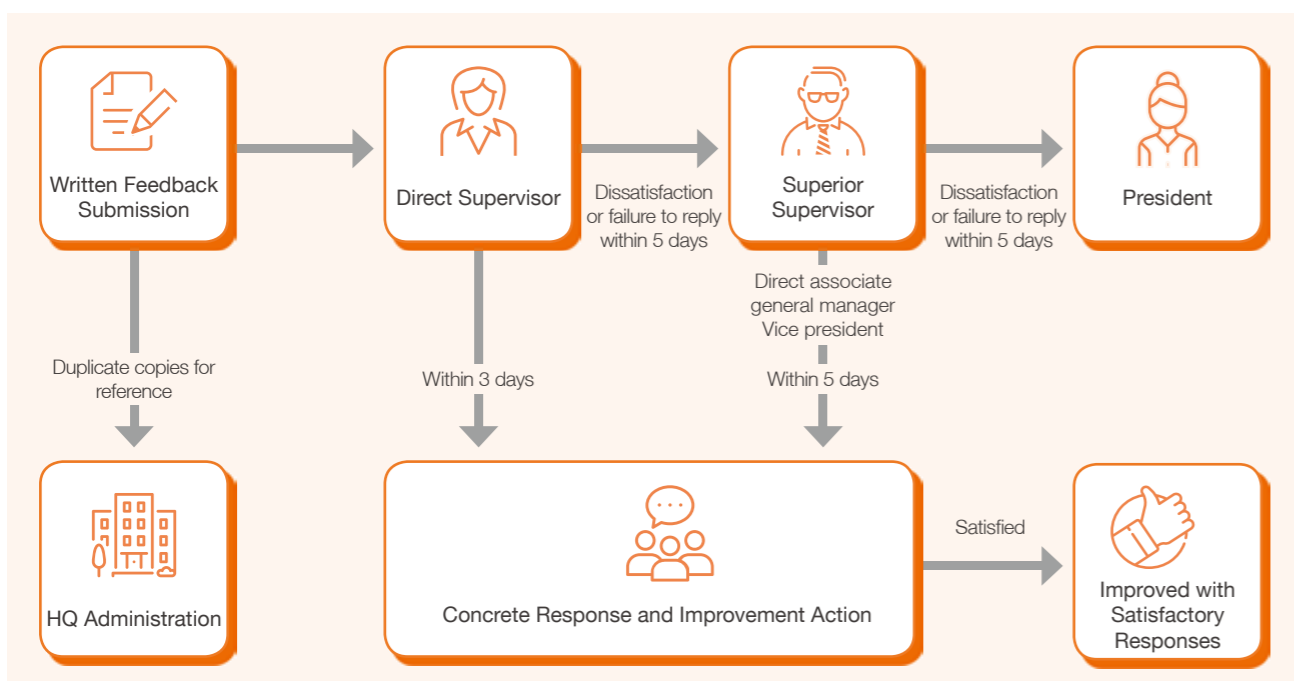
Employees at department stores are directly employed by the counters of the designated brands. Although the employees do not work for FEDS, but they work alongside us for extended periods of time to provide customers with high quality products and services. Therefore, they are a part of the FEDS family. When signing contracts with counter owners, we request them to perform their obligations to protect the labor rights and human rights of the employees. We also understand their needs through communication channels. After detecting any noncompliance with labor rights, the branch will report to the counter owner and request it to maintain the labor rights and dignity of the employees.



### Diversified Channels Allow for Smooth Communications and Feedback From the Employees

FEDS actively communicates with employees. In addition to communicating with employees from the management system and internal meetings, we also collect and reward employees' feedback through the establishment of employee complaints mechanism. In 1990, the Company formulated the "Employee Feedback Processing Measures". The grievance mechanism is explained in detail when new employees are trained. The highest level of employee complaints is the President. Internal grievance mechanisms are not the only channel for employees to feed back to FEDS. We always actively address and resolve grievances filed from external channels.

Flowchart for Addressing Employee Feedback



### Receiving the Healthy Workplace Certification for Promoting Employee Health

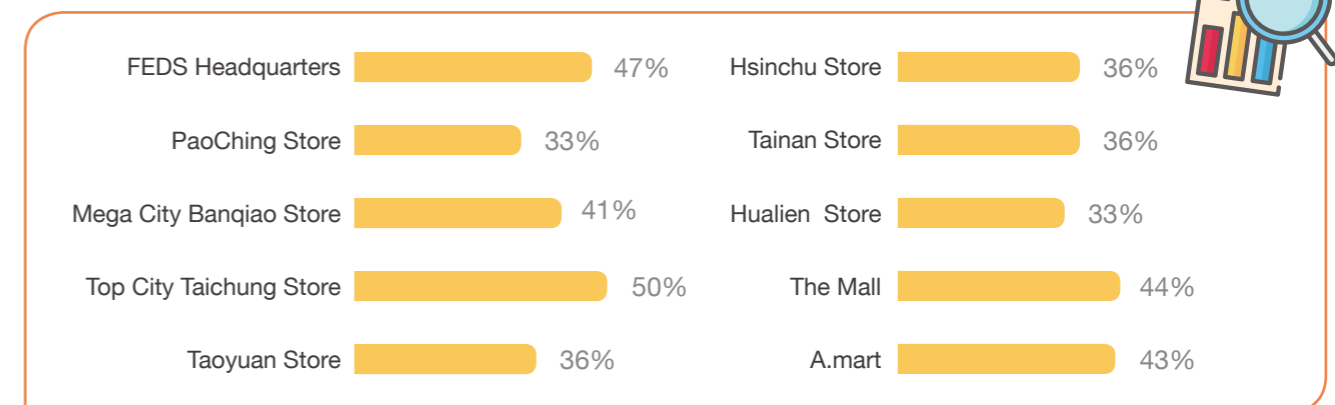
In order to ensure the safety and health of employees, FEDS has an Occupational Safety and Health Policy. In accordance with Article 23 of the Occupational Safety and Health Act, the "Occupational Safety and Health Committee" is set as the highest decision-making and management unit. The Occupational Safety and Health Committee Charter has been formulated to define the organization and responsibilities of the committee. The Chairman of the "Occupational Safety and Health Committee" is the President. The members of the Committee include: department heads, occupational safety and health management personnel (also serving as executive secretary), medical (first aid) personnel, and labor representatives, etc., for a term of two years. Meetings are convened quarterly for reviewing, coordinating and recommending occupational safety and health related matters. In July 2018, the Labor Safety Department completed the re-election of the "6th Occupational Safety and Health Committee". Five labor representatives were elected by the labor, taking up 47% of the "Occupational Safety and Health Committee" and exceeding the statutory requirement of one-third.



#### FEDS Occupational Safety and Health Policy



#### Labor Representatives in OSH Committee



Note: 1. \*As stores have over 300 employees (including counter workers), we have established an OSH committee in accordance with the law.

### Employee Health and Safety Indicators

	Gender	Far Eastern Department Store
Injury Rate (IR)	♂	2.745
	♀	0.736
	Total	1.438
Absence Rate (AR)	♂	0.5344%
	♀	0.5282%
	Total	0.5304%
Lost Day Rate (LDR)	♂	35.23
	♀	12.76
	Total	20.61



### Employee Health and Safety Indicators for FEDS Subsidiaries

	Gender	The Mall	A.mart	City'super
Injury Rate (IR)	♂	0	4.51	333.16
	♀	0	3.72	125.22
	Total	0	4.15	252.88
Absence Rate (AR)	♂	0.087%	0.378%	0.469%
	♀	0.154%	0.310%	0.442%
	Total	0.137%	0.347%	0.449%
Lost Day Rate (LDR)	♂	0	80.95	41.64
	♀	0	26.91	15.65
	Total	0	56.06	31.61

Note: 1: The GRI work hours resulted from the lost hours (IR) = (total occupational accident / total hours of work) x 200,000. 200,000 refers to the ratio of 100 employees, 40 working hours per week and 50 weeks a year. Work injury categories include injuries and accidents on the way to or from work injuries in the workplace by falling, or cuts and bruises caused by wrong operations.  
 2: GRI absence rate (AR) = (absence days/total number of days of work) x 100%. The number of absence days includes sick leave and work-related injury leave.  
 3: GRI lost day rate (LDR) = (number of lost days/total work hours) x 200,000\* (\*refers to the ratio of 100 employees, 40 working hours per week and 50 weeks a year) Lost days refer to days when employees are unable to work due to work-related injuries or occupational diseases.  
 4: There was no occupational disease or work-related fatalities in 2018. Therefore, the GRI occupational disease rate (ODR) and the number of employee fatalities were 0.

### Receiving Certification for Healthy Workplace

The headquarters of FEDS and the 10 branches in Taiwan have received the "Healthy Workplace Certification - Health Initiation Mark" from the municipal governments.



### Receiving Certification for Promoting Health in the Workplace

Seven branches of FEDS received the "Healthy Workplace Certification - Health Promotion Mark" from the local governments. The branches that have not yet been awarded will gradually start their applications.



### Disaster Prevention and Injury Free Working Hours Certification

The headquarters of FEDS and nine branches were awarded the "Disaster-Free Working Hour Record Award" with an accumulated total of 28.46 million hours.



### Protecting Health and Safety of the Workplace

#### On-site Doctors

From July 1st, 2018, specialized doctors and nursing staff from the Far Eastern Memorial Hospital are invited on site to offer services for 2 hours each time, 4 times a year.



#### Health and Safety Promotion

Health information and promotion emails including information on diet, diseases and lifestyle are sent to all employees to help them perform self-care and health management. The Company provided 17 health promotion sessions in 2018.



#### Environmental Safety Inspection

According to the "Measures for the Implementation of Labor Operational Environmental Monitoring" and the "Measures for the Use and Management of Continuous Drinking Water Stationary Equipment", relevant tests are carried out every six months and every three months. The results were in compliance with the laws and regulations.



#### Occupational Disease Prevention

The assessment plan for occupational hazards is implemented and the analysis is performed on the departments of high-risk employees. The supervisors and HR units recommend the adjustment and allocation of work to reduce occupational accidents.





# Chapter 6.

## Heart-Warming Social Care

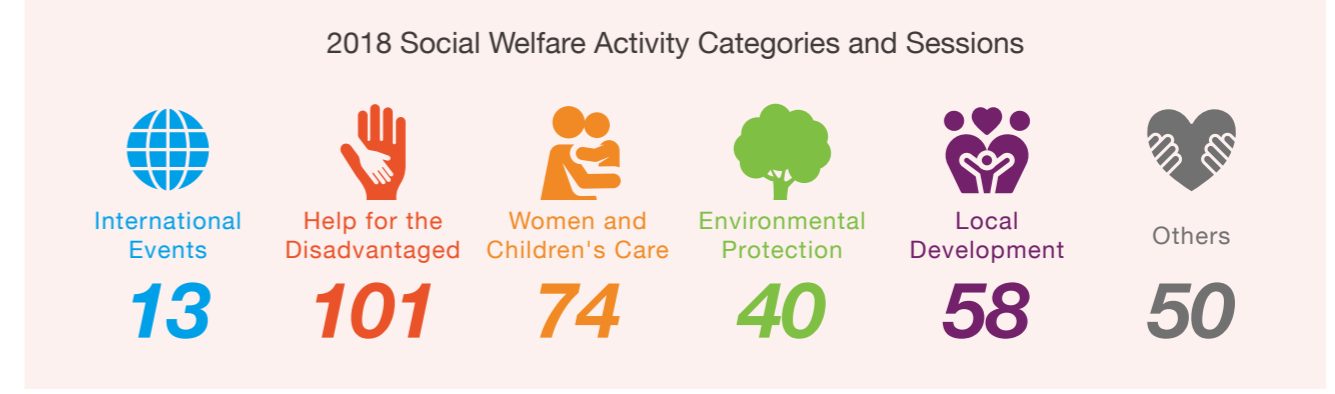
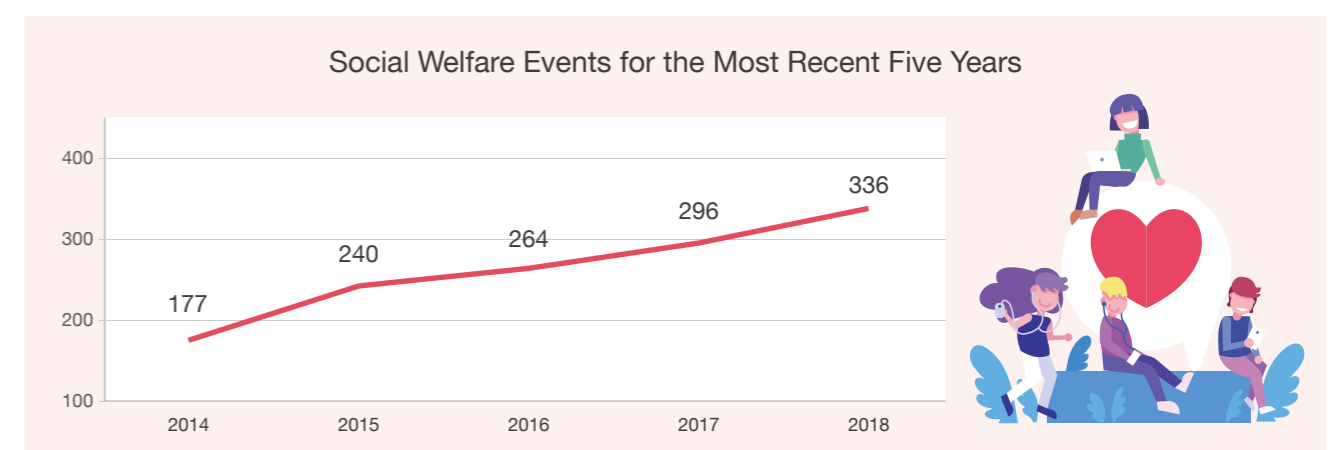
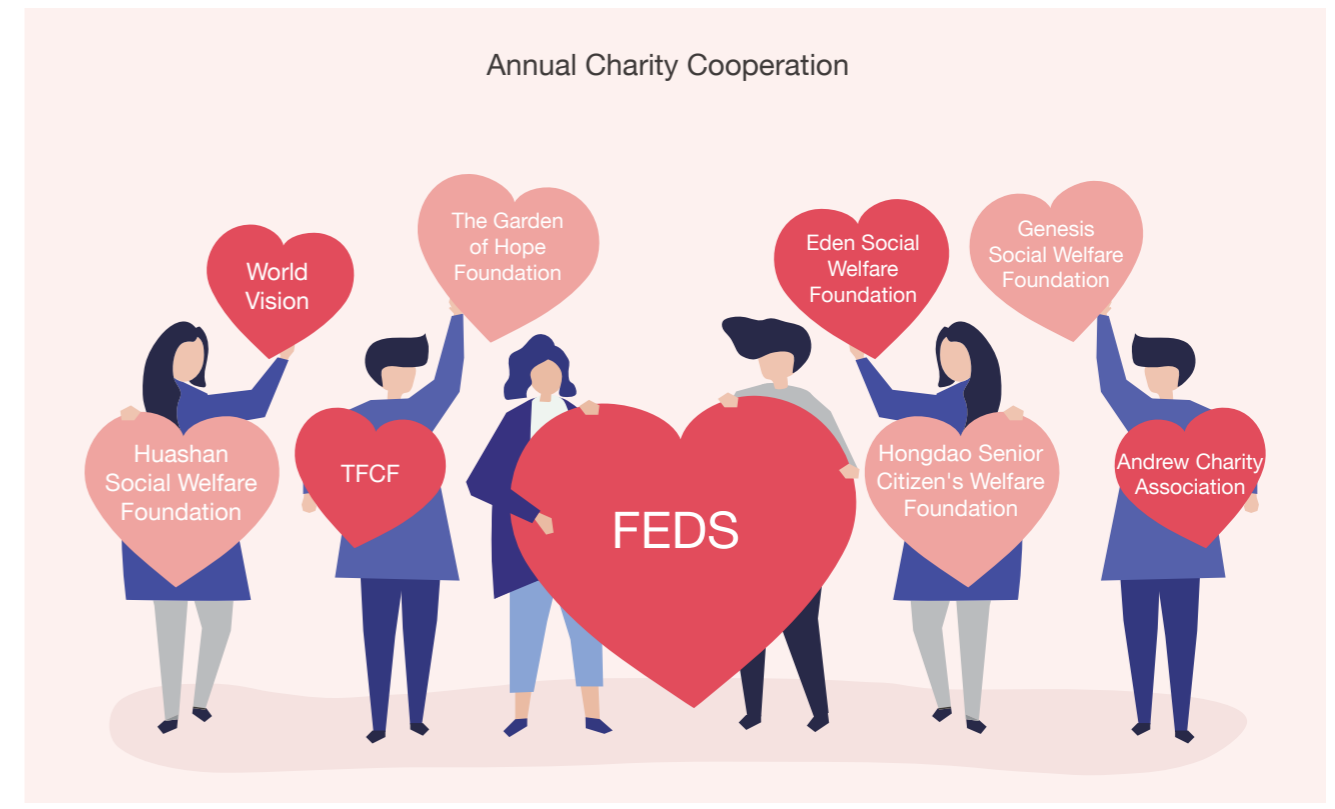
- 6.1 Support for Global Initiatives
- 6.2 Cross-Border Cultural Windows
- 6.3 Local Social Welfare



Link with SDGs



FEDS has been operated locally for 52 years with giving back as the basic value of its business. While pursuing steady growth, the Company also invests in social welfare activities to make the city a better place and bring love to the society. In 2018, FEDS organized a total of 336 charitable events, including: international activities, women and children's care, disadvantaged support, environmental protection, local development and others. With six major categories, there was an event almost every day to connect resources from different sectors to serve with love and build a better life.

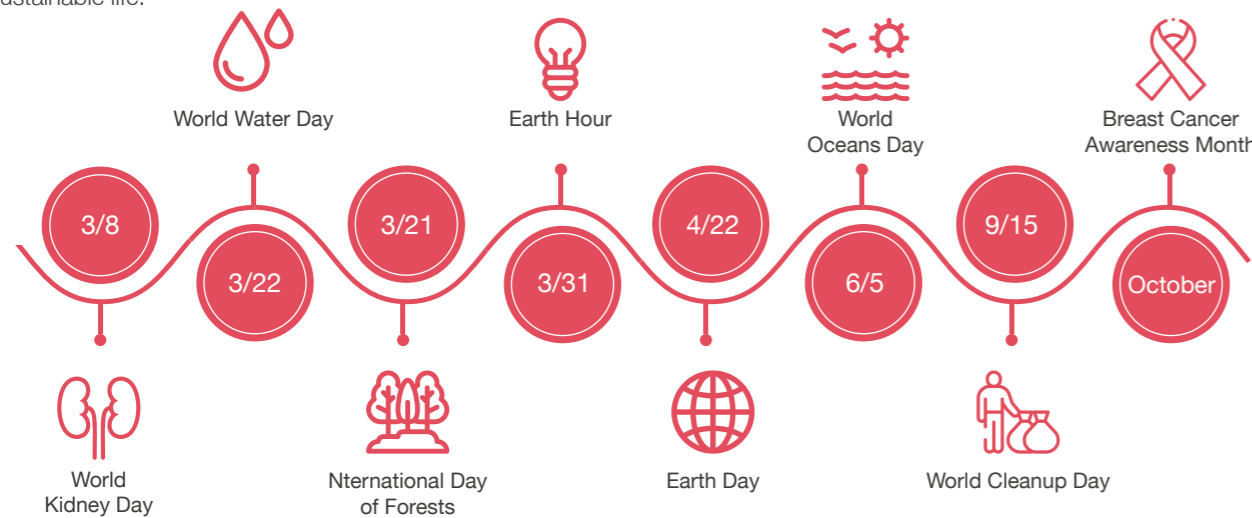


# 6.1 Support for Global Initiatives

In 2015, the UN Sustainable Development Council (Rio+20) passed the "2030 Sustainable Development Agenda" to lead the global community towards achieving 17 sustainable development goals and further implement the Agenda 21 program. Through international cooperation, the environment and the society will become better. As a citizen of the global village, FECS is also actively responding with the power of the corporate citizen and striving to achieve sustainable goals with the global community.



In 2018, all branches responded to the eight international initiatives by promoting the concepts of cherishing water resources, environmental protection, carbon reduction and health management to achieve sustainability. The Company also organized events to ask the general public to participate in issues such as environmental protection, health and well-being, and social welfare to build a sustainable life.



**World Kidney Day Charity Walk**

The second Thursday of March is World Kidney Day. Kidney disease has the 11th highest fatality in the world. The Tainan Store series of World Kidney Disease Day events organized by the Tainan City Government on March 17th, 2018 in hopes of raising the awareness for the general public. People were encouraged to have a healthy lifestyle to protect their kidneys through self-care and regular fitness activities.

**World Water Day Cherishing Water Resources**

The United Nations has made March 22nd World Water Day. The theme for 2018 is Nature for Water, which reminds people to reduce human and protect water resources with natural ecosystem in order to reduce the impact of climate change, improve human health and livelihood and eventually overcome the water crisis. In response to the UN water initiative, the Hsinchu Store organized an event along with World Vision Taiwan on March 17th, shortly before the World Water Day. The scavenger hunt promoted water conservation and water resource protection. People are also invited to support water resources programs and fund children's programs to care for poor children and communities with severe droughts and lack of clean water.



**International Day of Forests Growing Trees for Forest Protection**

To remind people of the importance of forests and trees for all life forms on earth, the United Nations General Assembly has announced in 2013 that March 21st is the International Day of Forests. The Hualien Forest District Office promoted growing honey plants in March 2018 by giving out free seedlings of osmanthus and camellia. The Hualien Store further responded to the Hualien Forest District Office's International Day of Forests initiative. Besides offering space for receiving seedlings for free in order to encourage people to care for the environment, the Company also organized story-telling and battery recycling events to promote an environmentally-friendly lifestyle.

**Earth Hour Turning Light off for an Hour**

To raise public awareness for climate change, ten stores responded to Earth Hour between 8:30 to 9:30 p.m. on March 24th, 2018, by turning off lights on the signs outside of the stores and the ones that were not essential for the business. By turning off the lights for an hour, we help to save energy, reduce carbon and protect the beautiful land of Taiwan. According to Taipower statistics, Earth Hour reduced the total electricity consumption by 100,000 kWh, the equivalent to a reduction of 52,700 kilograms of carbon emissions.

**Earth Day Environmental Protection**

In response to Earth Day, the PaoChing Store has made April the "environmentally-friendly month." In addition to hosting the old book collection and environmental protection activities, Green Peace was invited to give a photography exhibition with the theme of "Plastic Reduction, Zero Plastic Ocean" in the store for 21 days. The exhibition helped the public understand the harm of plastic waste to marine ecology and biology. Interactive activities were also organized on the Facebook community platform. A green shopping bag could be redeemed on the first floor service desk by uploading a photo of the exhibition and leaving a message about how to protect the ocean.

**World Oceans Day Plastic Free Ocean**

The Kaohsiung Store participated in the 2018 World Oceans Day organized by the Kaohsiung City Government. Staff were encouraged to do voluntary work for one day by cleaning up the beach at the Qijin District on June 9th, striving to protect the ocean with actual actions. The theme of the World Oceans Day for the year was "plastic pollution prevention". After attending the summer coastal cleanup activities last year, staff from the Kaohsiung Store have been encouraged to continuously participate in beach cleanup activities this year in order to make continuous efforts to conserve marine ecology.

**World Cleanup Day No Littering**

Clean up the World Weekend is one of the world's most important environmental protection activities. Over 125 countries and 40 million people participate in this event each year. The Hsinchu Store participated in the Clean up the Weekend activity organized by the Hsinchu City Government at the Nanliohuanbao Park on September 5th, 2018. The Company sent out the mascot to attract attention as well as cleaning up the beach with 1,500 people from 19 groups. A total of 5 tons of waste and 0.8 ton of recyclable resources were cleared up. To call for the public participation, the Hsinchu Store gave each participant 200 dollars of store coupon.

**Breast Cancer Awareness Month Caring for Women's Health**

The pink ribbon is the symbol for international breast cancer awareness. In order to help the public know more about breast cancer prevention, Mega City BanQiao Store and BanQiao Store worked together with Wacoal and SKECHERS to offer free breast cancer checkups, as well as encouraging the public to participate in charity walks. The National Health Administration also hosted the press conference for promoting breast cancer prevention at the BanQiao Store with the theme of "Be in Charge of Your Own Health." Female citizens were encouraged to receive mammography and respond to the breast cancer prevention month with practical actions.

## 6.2 Cross-Border Cultural Windows

FEDS has long promoted the fashion taste and cultural depth of the goods and services, and hopes to become a bridge that introduce cultures from all over the world to Taiwan. The Company is committed to promoting exchanges between the local and international cultures by connecting countries, cities and people to create the most beautiful encounters. In 1973, FEDS launched the first US goods promotion exhibition jointly with the United States Department of Commerce, making it the first department store in Taiwan to host an international exhibition. Since then, FEDS has hosted international exhibitions every year with partners across five continents. The exhibitions expand the public's horizon and serve as the window that allows the local people to experience world cultures. In 2018, FEDS held four major international product exhibitions with countries such as Japan, Korea, the United States and Canada. They were all deeply appreciated by the consumers. People can experience exotic food and culture with zero distance and zero time difference without going abroad.



**Experiencing the Korean Charm at Feds Synchronized Charity Donation**



In August 2018, in order to allow consumers to experience the charm of Korea without going abroad, all 11 FEDS stores around Taiwan took turns launching the Korean goods exhibitions. Authentic Korean products, popular goods, snacks, instant noodles and delicious cooked foods were all in place to satisfy people's taste of Korean cuisine. At the opening ceremonies at Mega City BanQiao Store, Hsinchu Store and Top City Taichung Store, donations were also launched for cross-border social welfare. The Korean Agriculture, Fisheries and Food Distribution Corporation donated a batch of Korean snacks and other materials to the Taiwan Fund for Children and Families, giving children a chance to taste the food and culture of Korea. FEDS also donated a batch of stationery to make the children happy.

**Hirosaki Goods Exhibition Welcoming Customers with Sweet Apples**



In November 2018, the annual Hirosaki Culture and Goods Festival from the Aomori Prefecture was hosted at different FEDS branches. Apple is the focus this year. Hirosaki is known as the "City of Apples" with the highest apple production and quality in Japan. It is also a representative of Japan's tourism industry because of its unique environment and rich cultural landscape. At the opening of Top City Taichung Store, the Aomori Nebuta Matsuriwars and traditional dance were performed to present the authentic Hirosaki style to the consumers. In line with the Company's social welfare philosophy of giving back to the society, Top City Taichung Store also donated a batch of delicious Hirosaki apples to the children of Warm Breeze Caring Society in Taichung City.

**American Goods Exhibition a Convergence of All the Best-selling Products**



To satisfy the public's curiosity about American culture and bring both sides closer, FEDS and the American Institute in Taiwan jointly launched the "Fantastic USA Weeks 2018" at Mega City BanQiao Store, and Top City Taichung Store before city'super followed suit. The American exhibition at Mega City BanQiao Store brought together American-style best-selling products, including meat products, dairy products, snacks, drinks, skincare and apparel. Items in the food segment increased by 30% compared to the previous years, hoping to satisfy the consumers' preferences for American products. For the peak travel period during the summer holiday, FEDS also organized the "US return plane ticket" sweepstakes to welcome the Marvel's blockbuster. To cater for the World Cup fever, the Company had live broadcast of matches to attract people to the department store for food, air conditioning and football matches to enjoy their summer.

**Canadian Gourmet Festival Exclusive Launch of Classic Foods**



Canada's vast land, climate coastal geography allows the specialties to include ingredients from both sea and land. Coupled with influences from local aborigines, Britain and France, the tradition of a diverse and rich diet was created. On October 19th, 2018, city'super at Mega City BanQiao Store launched the 2018 Canadian Gourmet Festival with more than 200 Canadian classic ingredients, out of which more than 50% were exclusive. The Super Food culture has long existed in Canada, so products such as buckwheat, flaxseed, Chia seeds and other cereals, nuts, and Canadian wild rice were all main focuses of this year, creating a completely different Canadian food feast for customers.

## 6.3 Local Social Welfare

### Caring for Women and Children to Create a Happy Life

Through the channel advantages, FEDS actively participates in social welfare by combining the marketing resources of the department store retail industry, using department store space to organize art and public welfare activities, caring for vulnerable women and children who are deeply troubled by adversity, and inviting people to face issues such as violence against children. In response to charity sales activities, we support charitable organizations that help disadvantaged women and children. We actively exert our social influence through various activities to connect with the public and join hands with disadvantaged women and children to overcome difficulties and move towards happiness.



#### Children's Care

##### Painting Exhibition of "Terminating Violence against Children to Paint a Happy Future"

From May 15th to 24th, 2018, Mega City BanQiao Store invited Taiwan World Vision and three illustrators including Mark, Duncan and Second to engage in EVAC children's painting activities. Children are invited to voice their opinions for abused children all over the world through painting. Through their sincere response, the public was urged to face the issue of violence against children and help them find a happy childhood and a dream for the future.



**FEDS Contributions**

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

##### Enjoying Noodles with Children from the Baby Development Center

On January 23rd, 2018, the Taoyuan Store invited children from the Baby Development Center to make dough and enjoy handmade noodles by Q Gin Noodle Restaurant. The restaurant also donated the NT\$45,763 it collected to the Baby Development Center.



**FEDS Contributions**

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

##### Helping Children Who Survived Burns with Facial Disfigurement to Organize Charity Painting Sales

If any wish could come true, children who survived burns with facial disfigurement would hope for the pain to go away. The children from Sunshine Social Welfare Foundation painted their happiest moments to show the world how beautiful a painless life could be. The PaoChing Store collaborated with the Sunshine Social Welfare Foundation to host a charity sale of calendars, postcards and cups on the 8th floor between November 5th and December 3rd of 2018. The customers were invited to help children who are burn victims with facial disfigurement. All customers who donated won an extra 10 HAPPY GO points.



**FEDS Contributions**

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

#### Care for Women

##### Yoga Class for Mothers with Iron-c-girl

On Mother's Day 2018 (May 13th), Mega City BanQiao Store collaborated with the Garden of Hope Foundation to host a charity fitness session with Iron-C-Girl. A donation of NT\$300 would grant access to the class. Everyone was encouraged to relax in a stretch yoga class at Mega City BanQiao Store along with their mothers. After all, health is the best Mother's Day present.



**FEDS Contributions**

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation



## Care for Women

### Helping Single Mothers Sell Handmade Products with Gashapon

From April 30th to May 13th, 2018, the Taoyuan Store cooperated with the Social Welfare Bureau of the Taoyuan City Government to install 6 Gashapon vending machines in the resting area on the 3rd floor. Handicrafts made by single or disadvantaged mothers were available from the machines. People could purchase these products to help them make ends meet. A total of NT\$6,500 were raised.



#### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

### Charity Market for "Less Violence, More Happiness"

On May 6th 2018, the Hualien Store and the Garden of Hope Foundation jointly hosted the "Less Violence, More Happiness" charity market to care for victims of domestic violence and children who witnessed the violence. This helped abused women raise funds to rebuild their lives and psychological state before leaving the environment with violence, allowing them to move towards a brighter future through regaining a sense of security and confidence.



#### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

## The 11<sup>th</sup> Consecutive Charity Christmas Tree Lighting Ceremony Allowed Children from Rural Areas to Enjoy the Holiday Season

Since 2008, the Tainan Store has held Christmas tree lighting ceremonies and invited children from rural areas to enjoy the holiday season. So far, over 1,600 children have participated to light up hope in 1,600 lights. In 2018, 150 children from 8 villages in Dongshan and Baihe Districts of Tainan City were invited to participate in the event. A wonderful day was arranged for the children. In the morning, they went to the Tainan Air Force Base to see the planes, at noon they enjoyed a 5-star buffet at Shangri-La's Far Eastern Plaza Hotel, Tainan. In the afternoon, they visited the Dinosaur Show on the 6th floor of the Tainan Store before participating in the most anticipated Christmas lighting event in the evening. The Chairman of the Far Eastern Group, Douglas Hsu, presented the children with 150 pairs of sneakers. The President, Nancy Hsu, gave out Anny Rabbit bowls. The children also received a variety of presents such as shopping bags, dinosaur biscuits, pens and storage bags to go home happy.



## Actively Caring and Supporting the Disadvantaged and the Elderly

FEDS has long upheld the philosophy of "giving back to the society what was taken from it" to make all possible contributions. FEDS understands that many disadvantaged families cannot offer enough care due to livelihood or environmental constraints. They could suffer from social indifference or pressure from life, even basic food and clothing can become a big problem. Therefore, FEDS regularly organizes fundraising activities and charity sales to provide disadvantaged families with materials that are needed to improve their lives, give them support, and let them the confidence to move towards the future.



## Caring for Disadvantaged Families

### Love in Painting Exhibition Tour

The "Love in Painting" exhibition of painters with physical and mental disabilities has celebrated its 21st anniversary this year. Since the inception, it has been widely acclaimed by people with physical and mental disabilities who love art creation. The BanqQao Store is one of the long-term exhibition venues. From January 4th to February 28th of 2018, the inner world of the physically and mentally handicapped people was once again on display. The public can feel their enthusiasm with love. This also urges people to pay more attention to and appreciate those who are physically-challenged.



#### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

### Sincere Wishes from the Heart: Donating Holiday Gift Sets

From January 5th to February 5th 2018, the PaoCing Store organized the holiday gift set donation initiative, asking the public to donate gift sets to the Genesis Social Welfare Foundation. To encourage participation, Baoqing store gave out a limited edition MAMES calendar to each donated gift set.



#### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

### Trendy Purse Charity Sales

From July 20th to July 22nd, 2018, the Top City Taichung Store joined hands with bauhaus to hold a charity sale to raise funds for disadvantaged children at the Taipei Orphan Welfare Foundation. Not only did the Top City Taichung Store provide the venue and help with the coordination, it also successfully raised nearly NT\$230,000.



#### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

### Hope to Volunteer the Charity Sale

On August 10th-11th and August 17th-18th, 2018, FEDS cooperated with Chiayi Fund for Children and Families to organize a charity sale, hoping to raise scholarships for children from disadvantaged families in Chiayi. The association also called on college students to assist in the charity sale and to contribute to their scholarships, hoping that people from all walks of life can lend a helping hand to enable disadvantaged students to continue with their education and live a stable life.



#### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

## Care for the Elderly

### Social Welfare Donations

As part of the Chinese New Year's celebration, the PaoChing Store launched the "Connected by Love Golden Dog Year's Red Envelope Promotion." If customers owned a HAPPY GO Card, as well as donating the invoice of over NT\$1,000 or NT\$50 to Hondao Senior Citizen's Welfare Foundation, they could get two red envelopes with silk screen printing. Only 80 sets were available as the incentive for asking the public to help the elderly in need.



#### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

### Care for the Elderly

#### Warm Quilts for Winter Collection

On February 9th, 2018, the BanQiao Store organized the collection for warm winter quilts to donate to the Hondao Senior Citizen's Welfare Foundation, helping them stay warm in winter.



- FEDS Contributions
- Charity Sale
  - Money Donation
  - Sponsorship
  - Fundraising
  - Resource Collection
  - Material Donation

#### Charity Auction

On December 20th 2018, the Hualien Store hosted a charity auction before Christmas along with the Hualien branch of Huashan Social Welfare Foundation. FEDS mobilized various counters to donate one product each for the charity sale. The auction proceeds were donated to the Huashan Foundation's 16th "Reunion Dinner for the Elderly" to send food on Chinese New Year's Eve, hoping to make a contribution to the society and eliminate the problems related to elderly people living alone.



- FEDS Contributions
- Charity Sale
  - Money Donation
  - Sponsorship
  - Fundraising
  - Resource Collection
  - Material Donation

## Care for Taiwan's Agriculture: Making Good Local Produce Available in Store

Department stores, supermarkets and wholesale stores are important places for daily consumption. FEDS has roots all over Taiwan and are closely linked to the central and local governments as well as local communities. We spare no effort in promoting Taiwan's quality produce and culture to offer substantial support for local farmers, as well as indirectly boosting the development of local agriculture. FEDS hopes to leverage the channel power throughout Taiwan to become a marketing channel for high-quality agricultural products, share delicious local produce with the customers, contribute to the livelihood of farmers, as well as attracting more local residents who care about agriculture to consume local produce in order to create a win-win situation for local prosperity and brand identification.



### Care for Agriculture

#### Agricultural Social Welfare

In response to the frequent over-production of agricultural products in Taiwan, the FEDS headquarters purchased 500 crates of broccoli and cabbage from Chiayi County on December 6th, 2018, as the special gift for the Christmas season. Through the power of the channel of all FEDS store in Taiwan, we can deliver good produce to every corner, share delicious local produce with customers, help with farmers' livelihoods and cherish food.



- FEDS Contributions
- Charity Sale
  - Money Donation
  - Sponsorship
  - Fundraising
  - Resource Collection
  - Material Donation

#### Natural Way Market

The Tainan Store held a "Natural Way Market" on the B2 floor of the food court on September 14th to September 15th, 2018. Eight winners from the Agriculture Committee Shennong Award and the Good Produce Prize winners were invited. These high-quality agricultural enterprises and farm units in Kaohsiung, Pingtung and Tainan offered nearly 50 agricultural products and processed products for the Mid-Autumn Festival, allowing consumers to have a Mid-Autumn Festival with quality food.



- FEDS Contributions
- Charity Sale
  - Money Donation
  - Sponsorship
  - Fundraising
  - Resource Collection
  - Material Donation

### Care for Agriculture

#### Feast of a Hundred Grains

The first "Feast of a Hundred Grains" campaign was launched in the Tainan store on October 27th, 2018 to market high-quality local grains. The Deputy Chairman of the Agricultural and Food Agency, Mr. Tui-chih Li, was invited to taste dishes made with grains in order to help promote locally-produced grains to the general public. This special sale gathered a selection of miscellaneous grains from the south of Chiayi to the four counties of Pingtung, hoping the consumers will get to know them better.



- FEDS Contributions
- Charity Sale
  - Money Donation
  - Sponsorship
  - Fundraising
  - Resource Collection
  - Material Donation

#### Rice and Grain Market

From April 21st to April 22nd, 2018, the Kaohsiung Store invited 20 Taiwanese local rice/wheat small farmers to enhance consumer recognition with local specialty baking products, as well as promoting the connection between refined food and raw materials.



- FEDS Contributions
- Charity Sale
  - Money Donation
  - Sponsorship
  - Fundraising
  - Resource Collection
  - Material Donation

### Food Donation Plan

The United Nations set the theme for World Environment Day 2013 as "Think Eat Save". The EU also made 2014 the year of world's environmental date in 2013. The EU also made 2014 the year against food waste, resolving to reach a 50% reduction in food waste by 2020.

City'super cooperated with the Taiwan Food Bank Association in response to the spirit of cherishing food. The Food Bank Association provided a list of 13 recommended of recipients according to the city'super requirements. city'super then selected the first trial donation store and started donating on September 21st, 2018. city'super reviewed the donation process and effectiveness for the first three months, made adjustment and promoted to other branches. In the future, the annual donation results and information regarding social influence will be revealed on the official website.



## Love the Earth by Carrying out Responsibilities as Green Citizens

FEDS carries out the responsibility of a green citizen. In addition to responding to international environmental initiatives such as Earth Day, Earth Hour and World Oceans Day, all branches of Taiwan have actively promoted and participated in environmental protection activities. FEDS connected with the government and universities to invite local communities to plant trees together with consumers. In the meantime, students are encouraged to organize green markets to attract people to support the environment with consumption. In respect of the global waste issues, FEDS not only recruits employees to clean up the beach but also hosts various exhibitions in different branches, hoping the consumers can better understand marine waste issues.





## Environmental Care

**Reproducing Taiwan's Native Greens by Planting Trees**

On March 24, 2018, the Hualien Forest Management Office of the Forestry Bureau, the Department of Marketing and Distribution Management of Tzu Chi University, the Hualien County Farmers' Association and the Hualien Store jointly held the event of "Reproduce Taiwan's Native Greens by Planting Trees". Seedlings could be redeemed for invoice donation. Nearly 1,000 seedlings were distributed, and the students of the Department of Marketing and Distribution Management of Tzu Chi University planned the "Green Market". The crowd responded enthusiastically.



### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

**Love Old Books, Love the Earth**

From April 16th to 22nd 2018, the BanQiao Store organized the event of "Love Old Books, Love the Earth." People were encouraged to donate old books to people who might be interested. For people who donated more than 5 books, the BanQiao Store gave out 10 HAPPY GO 10 points, with the limit of 200 people.



- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

**"Sea Garbage" Environmental Protection Promotion Campaign**

From February 10th to February 11th, 2018, the Kaohsiung Store collaborated with the Southern Kaohsiung Fund for Children and Families to organize a sea garbage exhibition, featuring artworks created from marine debris. The creations reminded the public that if plastic waste is not properly disposed of, it will flow into the sea and destroy marine ecology.



- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

**Empty Cosmetics Bottle Recycling**

From March 15th to 27th, 2018, the Taoyuan Store held the "Recycling Empty Bottles to Redeem Points" promotion. People could recycle full-sized empty skincare bottles in exchange of 3 HAPPY GO points. Over 900 bottles were recycled.



- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

## Promoting a Healthy Senior Life and Blood Donation

Benefiting from the development of medicine and technologies, mankind has significantly prolonged life. Therefore, how to arrange life after retirement is increasingly important. FEDS encourages consumers to enjoy life after retirement by letting go of all worries to embrace a happy, safe and healthy lifestyle. In addition, FEDS is a long-time supporter of blood donation. In October 2018, the Puyuma train accident occurred in Yilan. To respond to social needs in a timely manner, FEDS invited the staff and volunteers to donate blood and offer comfort to the society.



## Promoting a Happy Senior Life

**Bethany Ageless Life**

On May 5th 2018, the Hsinchu Store organized a promotion for a healthy lifestyle targeting people over the age of 60. They were encouraged to continue to learn in order to prevent dementia, as well as becoming volunteers.



### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

## Promoting a Happy Senior Life

**"Ageless Love" Photography Exhibition**

From July 9th to September 2nd, 2018, the PaoChing Store worked with the Hondao Ageless Dream No. 125 to fulfill the dreams of having a wedding photoshoot for 16 couples over the age of 80. The photography exhibition showed people that life doesn't age.



### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

**Memories Captured by Patch Artworks**

On January 8th, 2018, the Hualien Store exhibited 100 paintings from people at the average age of 75 years old. Nearly 40 elders attended with enthusiasm. Wu-mei Hsu, Mei-Hua Chiu and Yang-Sun Yu introduced their artworks with memories from the past, including plowing the farm with cows, working in the textile factory or the first blind date, going down the memory lane filled them with more energy.



- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

## Blood Donation

**Calling on 4 Communities to Donate Blood**

On January 13th, 2018, the Hualien Store worked with the Hualien Public Welfare General Association to invite members of the Hualien County Water Motorcycle Association, the Hualien County Sifang Association, the Hualien Water and Land Sports Association, and the Hualien Bikhim Club on the eve of the Lunar New Year to donate blood. A total of 213 bags and 53,250 cc. of blood were donated.



### FEDS Contributions

- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

**Blood Donation in Exchange of Coffee**

On June 9th, 2018, the Taoyuan Store cooperated with Hsinchu Blood Donation Center (for Taoyuan, Hsinchu and Miaoli) to organize blood donation promotion. Members of the Taoyuan branch of Kiwanis Taiwan were invited. For each blood donation, a free coffee coupon would be offered (with the limit of 300 coupons). A total of 100 bags of blood were donated on the same day.



- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

**Blood Donation for Public Welfare**

January is the coldest month of the year as well as the peak for cardiovascular diseases. Mega City BanQiao Store invited the Taipei Blood Donation Center to hold a blood donation charity event to assist surgery patients who for stroke or cardiovascular disease to continue their life on January 28th, 2018.



- Charity Sale
- Money Donation
- Sponsorship
- Fundraising
- Resource Collection
- Material Donation

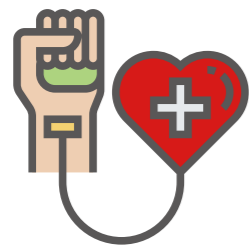




### FEDS Staff Donated Blood to Help Victims of the Puyuma Train Accident

On the evening of October 21st, 2018, the Puyuma 6432 train was overturned at the Xinma Railway Station in Suao, Yilan, causing hundreds of passenger casualties. The Taiwan Blood Foundation issued a statement stating that the stock at the Yilan blood donation station was low, calling the people to donate blood and help. Nancy Hsu, the President of FEDS urged staffs to donate blood as soon as she found out about the blood shortage.

At 9:00 on October 22nd, the Department of Health of New Taipei City sent two blood donation vehicles. The President immediately called on staffs from the headquarters, Mega City BanQiao Store and BanQiao Store to make blood donations. Several hundred employees donated by lining up with their IDs from 9 in the morning till 5:30 in the afternoon. The PaoChing Store's employees also donated on the Emei street blood donation vehicle in Ximending. In the meantime, the Taichung store also participated to help the injured and spread the love.



### FEDS Staff One-Day Voluntary Services

#### Children's Care

Seventy percent of the 59 students at Ruibei Elementary School belong to the Bunun tribe. Except for students of the lower grades, more than half of the students have football dreams. They love football and have achieved good results in domestic competitions. In July 2018, Ruibei Elementary Women's Football Team participated in the cross-strait friendly match in Guangxi. The store supervisor of the Hualien Store led the employees to visit the players before the Dragon Boat Festival with gifts such as jerseys, backpacks and rice dumplings to cheer for them.

Staffs from the Taoyuan Store visited the Baby Development Center on October 23rd before the anniversary sale. The store supervisor led 10 employees to help feed babies with developmental delay. Through the clear instructions of the caretakers on the skills of getting along with the babies, all children opened up to interact with the employees and enjoyed a good lunchtime.



#### Visiting the Elderly

On February 8th for the year-end promotion, the Taoyuan Store called on the general public to help the elderly of Huashan Social Welfare Foundation. A total of NT\$11,100 was raised for their reunion dinners. The gift boxes were delivered to the elders before the New Year's Eve. Because of the low temperature this time of the year, the elderly are prone to cardiovascular diseases. Therefore, their blood pressure was also checked during the gift delivery to show them more warmth.



The first Formosa Ambrosia store was launched in the PaoChing Store. In addition to promoting vegetarian dishes, Formosa Ambrosia also invested in social welfare. Prior to the launch, it donated 100 healthy vegetarian food boxes to the Hongdao Senior Citizen's Welfare Foundation. On June 14th, staff from both the PaoChing Store and Formosa Ambrosia personally delivered 100 vegetarian food boxes to the elderly living alone in the Nangang District of Taipei City. The employees also greeted the elderly. The elderly also lined up to take photos with the mascot of the PaoChing Store. It is our fondest hope that the elderly could feel the love in the gesture of the meal delivery.



#### Accompanying the Disadvantaged

The Kaohsiung Store employees organized the donated materials, sorted the foods, and checked all materials before completing the packaging of the "food packages" on October 18th at the Andrew Charity Association. They dedicated themselves to helping out disadvantaged families and children have a happy and warm winter.



**Volunteer Packing Day at Children Are Us Foundation**  
The Hsinchu Store's employees helped packing 10,000 mooncakes before the Moon Festival at the Children Are Us Foundation packaging factory in Zhubei. They experienced the members' normal day at work as well as sharing love with groups in need before the festival.



The Hsinchu Store organized a winter clothes collection campaign. Together with World Vision, La Kaffa International and Land Rover team, the Company successfully collected 26 quilts, 27 scarves and \$30,636 in cash. On December 15th, the Company went to the Thyakan tribe in Jianshi Township to provide the materials and funds to the local residents, as well as dancing and singing with the children.

#### Environmental Protection

The Tainan Store participated in the autumn beach cleanup activities organized by Tainan City before the anniversary sale. The staff picked up garbage from the beach under the sun. With everyone's effort, 2.2 tons of garbage was removed from the beach in 2 hours to restore a clean coastline, as well as showing the love for the environment with real actions.



# Appendix

## GRI Standards Index

### GRI 102: 2016 General Disclosure

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
Organizational Profile	102-1 Name of the organization	About This Report	1	
	102-2 Activities, brands, products, and services	1.1 Forward-looking Management	21	
	102-3 Location of headquarters	1.1 Forward-looking Management	21	
	102-4 Service and operations locations	1.1 Forward-looking Management	21	
	102-5 Ownership and legal form	1.1 Forward-looking Management	21	
	102-6 Markets served by the organization	1.1 Forward-looking Management	21	
	102-7 Scale of the organization	1.1 Forward-looking Management	21	
		1.1 Forward-looking Management	21	
	102-8 Information on employees and other workers	5.1 Superior Compensation and Benefits in the Industry	85	
	102-9 Supply chain	4.3 Comprehensive Supply Chain Management	80	
	102-10 Significant changes to the organization and its supply chain	4.3 Comprehensive Supply Chain Management	80	
	102-11 Precautionary principle or approach	1.3 Sound Risk Management	37	
	102-12 External initiatives	1.2 Sound Sustainable Governance	27	
102-13 Membership of associations	1.2 Sound Sustainable Governance	27		
Strategy	102-14 Statement from senior decision-maker	From the Chairman	4	
		From the President	5	
	102-15 Key impacts, risks, and opportunities	Stakeholder Identification and Communication	12	
		1.3 Sound Risk Management	37	
Ethics and Integrity	102-16 Values, principles, standards, and norms of behavior	1.3 Sound Risk Management	37	
Governance	102-18 Governance structure	1.2 Sound Sustainable Governance	27	
		1.2 Sound Sustainable Governance	27	
	102-19 Delegating authority	1.2 Sound Sustainable Governance	27	
		1.2 Sound Sustainable Governance	27	
	102-20 Executive-level responsibility for economic, environmental, and social topics	1.2 Sound Sustainable Governance	27	
	102-22 Composition of the highest governance body and its committees	1.2 Sound Sustainable Governance	27	
102-23 Chair of the highest governance body	1.2 Sound Sustainable Governance	27		

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
Governance	102-24 Nominating and selecting the highest governance body	1.2 Sound Sustainable Governance	27	
	102-26 Role of highest governance body in setting purpose, values, and strategy	1.2 Sound Sustainable Governance	27	
	102-27 Collective knowledge of highest governance body	1.2 Sound Sustainable Governance	27	Please refer to P.28-P29 of the FEDS 2018 Annual Report for the directors' training records
	102-28 Evaluating the highest governance body's performance	1.2 Sound Sustainable Governance	27	
Stakeholder Engagement	102-40 List of stakeholder groups	Stakeholder Identification and Communication	12	
	102-41 Collective bargaining agreements			There is no labor union, therefore no collective bargaining.
	102-42 Identifying and selecting stakeholders	Stakeholder Identification and Communication	12	
	102-43 Approach to stakeholder engagement	Stakeholder Identification and Communication	12	
Reporting Practice	102-44 Key topics and concerns raised	Stakeholder Identification and Communication	12	
	102-45 Entities included in the consolidated financial statements	About This Report	1	
	102-46 Defining report content and topic Boundaries	About This Report	1	
	102-47 List of material topics	Identification of Material Topics	12	
	102-48 Restatements of information	About This Report	1	
	102-49 Changes in reporting	About This Report	1	
	102-50 Reporting period	About This Report	1	
	102-51 Date of most recent report	About This Report	1	
	102-52 Reporting cycle	About This Report	1	
	102-53 Contact point for questions regarding the report	About This Report	1	
	102-54 Claims of reporting in accordance with the GRI Standards	About This Report	1	
	102-55 GRI content index	GRI Standards Indicator Index	116	
102-56 External assurance	About This Report	1		

### GRI 103: 2016 Management Approach

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
Management Approach	103-1 Explanation of the material topic and its Boundary	Identification of Material Topics	12	
	103-2 The management approach and its components	Identification of Material Topics	12	
	103-3 Evaluation of the management approach	Identification of Material Topics	12	



## GRI 200: Economic Disclosures

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	1.1 Forward-looking Management	21	
	201-2 Financial implications and other risks and opportunities due to climate change	3.3 Green Actions	66	
	201-3 Defined benefit plan obligations and other retirement plans	5.1 Superior Compensation and Benefits in the Industry	85	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	5.1 Superior Compensation and Benefits in the Industry	85	
	202-2 Proportion of senior management hired from the local community	5.1 Superior Compensation and Benefits in the Industry	85	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	4.1 Selected High-Quality Products	73	
		4.3 Comprehensive Supply Chain Management	80	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	1.3 Sound Risk Management	37	
	205-3 Confirmed incidents of corruption and actions taken	1.3 Sound Risk Management	37	

## GRI 300: Environmental Disclosures

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
GRI 302: Energy 2016	302-1 Energy consumption within the organization	3.1 Green Energy-saving Intelligence	59	
	302-3 Energy intensity	3.1 Green Energy-saving Intelligence	59	
	302-4 Reduction of energy consumption	3.1 Green Energy-saving Intelligence	59	
	302-5 Reductions in energy requirements of products and services	3.1 Green Energy-saving Intelligence	59	
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	3.1 Green Energy-saving Intelligence	59	
	305-5 Reduction of GHG emissions	3.1 Green Energy-saving Intelligence	59	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	1.3 Sound Risk Management	37	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	4.3 Comprehensive Supply Chain Management	80	
	308-2 Negative environmental impacts in the supply chain and actions taken	4.3 Comprehensive Supply Chain Management	80	

## GRI 400: Social Disclosures

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	5.1 Superior Compensation and Benefits in the Industry	85	
	401-2 Benefits provided to full-time employees (not including those provided to temporary or part-time employees)	5.1 Superior Compensation and Benefits in the Industry	85	
	401-3 Parental leave	5.3 Thoughtful and Friendly Workplace	97	

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	5.3 Thoughtful and Friendly Workplace	97	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	5.3 Thoughtful and Friendly Workplace	97	
	403-2 Hazard identification, risk assessment, and incident investigation	5.3 Thoughtful and Friendly Workplace	97	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	5.2 Integrated Talent Cultivation	92	
	404-2 Programs for upgrading employee skills and transition assistance programs	5.2 Integrated Talent Cultivation	92	
	404-3 Percentage of employees receiving regular performance and career development reviews	5.2 Integrated Talent Cultivation	92	
5.2 Integrated Talent Cultivation		92		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	5.1 Superior Compensation and Benefits in the Industry	85	
	405-2 Ratio of basic salary and remuneration of women to men	5.1 Superior Compensation and Benefits in the Industry	85	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken Glossary	5.3 Thoughtful and Friendly Workplace	97	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	5.3 Thoughtful and Friendly Workplace	97	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	5.3 Thoughtful and Friendly Workplace	97	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	3.3 Green Actions	66	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	4.3 Comprehensive Supply Chain Management	80	
	414-2 Negative social impacts in the supply chain and actions taken	4.3 Comprehensive Supply Chain Management	80	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	4.1 Selected High-Quality Products	73	
		2.3 Quality Space	54	
GRI 417: Marketing and Labeling 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	1.3 Sound Risk Management	37	
	417-1 Requirements for product and service information and labeling	4.1 Selected High-Quality Products	73	
	417-2 Incidents of non-compliance concerning product and service information and labeling	1.3 Sound Risk Management	37	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	1.3 Sound Risk Management	37	
		1.3 Sound Risk Management	37	
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	1.3 Sound Risk Management	37	





## ASSURANCE STATEMENT

### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTERN DEPARTMENT STORES' CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2018

#### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by FAR EASTERN DEPARTMENT STORE (hereinafter referred to as FEDS) to conduct an independent assurance of the Corporate Social Responsibility Report for 2018 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in this report.

The information in the FEDS' CSR Report of 2018 and its presentation are the responsibility of the management of FEDS. SGS has not been involved in the preparation of any of the material included in FEDS' CSR Report of 2018.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all FEDS' stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008) at a moderate level of scrutiny; and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from FEDS, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

#### VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within FEDS CSR Report of 2018 verified is accurate, reliable and provides a fair and balanced representation of FEDS sustainability activities in 01/01/2018 to 12/31/2018.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

#### AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

##### Inclusivity

FEDS has demonstrated a commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, FEDS may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

##### Materiality

FEDS has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

##### Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

#### GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FEDS' CSR Report of 2018, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of the expected timeline for achieving each goal and target in order to monitor the progress of the performance (103-2 & 103-3).

The disclosure of communication and training about anti-corruption policies and procedures (GRI 205-2) is encouraged to present in next report. Moreover, developing a unified data collection procedure for each subsidiary and branch such as online tool is suggested to maximize the efficiency and reliability.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang  
Senior Director  
Taipei, Taiwan  
24 May, 2019  
WWW.SGS.COM





Sustainable Management  
and Governance



Highly-Efficient  
Environmentally-Friendly  
Operations



A Healthy and Happy  
Workplace



Innovative Benchmark  
Shopping Mall



Reassuring Product  
Management



Heart-Warming Social Care



FEDES APP



instagram



FEDES Official website



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