



2019

Corporate Social
Responsibility Report



About This Report

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).



CSR Download Page



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 2019 (January 1st, 2019 to December 31st, 2019). Some information was traced back to previous years to increase the completeness of the information in the report.



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 Eastern Department Stores)
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 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 2020

Date of publication for the next report: June 2021.



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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Message from the Chairman

Sustainable Roadmap Passing on Social Responsibility



Technological innovation has initiated the new consumption era. The department store landscape has been reshaped by the offering of merchandise, services, and customer experiences. With insightful observation of retail dynamics early on, Far Eastern Department Stores (FEDS) is committed to planning innovative growth strategy, collaborating with upstream and downstream vendors, and creating digitized new retailing. Over 50 management and innovative action plans have been executed by its sustainable blueprint with forward vision. Facing with swift industrial shift, FEDS strives to establish its lead position in terms of economic growth, environmental protection and social inclusion to lead sustainable retailing development and create a better tomorrow for the nation and society.

Taiwan's Glory Awarded Best Effort in Social Responsibility by FAPRA

Adopting “giving back to society” as its core value of business operations and fulfilling the vision to “Sustain for a Good Life”, FEDS has long been promoting green consumption, social welfare, and smart retailing. The Company’s outstanding sustainability endeavors have won many international recognitions. In September 2019, FEDS was awarded “Best Effort in Social Responsibility” by Federation of Asia-Pacific Retailers Association as Taiwan’s first department store recipient in the past 40 years.

Benchmark Shopping Mall FEDS A13 Making Vanguard Debut

FEDS Xinyi A13 Store launched its soft opening on December 25, 2019, officially joined the Xinyi Commercial Circle which marks the world’s highest density of department stores. A13 is Taiwan’s only full customer-centric smart shopping mall and the newest-generation retailing model which encompasses recreation and unique shopping experience. Within three weeks of its soft opening, the Store marked three major milestones that hit “million” record in Taiwan including: one million visitors, one million web viewers, and

over one million punching hotspot at 4th floor Dadaocheng Old Street Food Court. Through the connections of interactive screens and APPs, FEDS Xinyi A13 provides customers “fast, convenient, and personalized” digital experiences and services. In the future, it will introduce more AR/VR applications, continue to establish innovative retailing leads, and create unlimited reach of imagination of new retailing.

Sustainable Environment Green Department Store with Low Carbon Footprint

With the rise of new retailing, in addition to considering scale, location, and market share, retailers also need to focus on enhancing their applications of new technologies into their operations. As industry leader, FEDS has systematically introduced digital technologies into its operating process to elevate management efficiency of its shopping mall environment. We are Taiwan’s first department store to establish real time energy efficiency index platform, and also set up digital smart APP to incorporate IoT into the mall’s asset management and facility inspection, lower resources consumption through the power of technology, adapt to global climate change, promote digital mall management, and constitute a sustainable and chic eco-friendly department store.

Philanthropic Endeavors CSR Commitment and Social Caring

The Far Eastern Group has been celebrating its 70th founding anniversary since 2019. To show social caring and fulfill its corporate social responsibilities, the Far Eastern Group has launched seven initiatives featuring “Far Eastern Children Story Festival”, “Far Eastern Eco-Friendly Education Train”, “Digital Educational Camp”, “70 with Love, Far Eastern HAPPY GO”, “Check in to Contribute”, “Love•Long-term Care, Zero Distance Companion”, and “Down to Earth Local Agriculture UP” to express its deep appreciation for the social commitment to Taiwan. FEDS also joined this cause to sponsor about 348 non-profit events, working closely with Group synergy as a good corporate citizen to bring a promising future for Taiwan.

After operating for 53 years, Far Eastern Department Stores has continued its sustainable growth as Taiwan’s benchmark of innovative retailing. The Company also strives to adopt its brand value and channel resources, focus on engaging in smart retailing, sustainable environment, and social caring, with comprehensive approach to create sustainable value, create sustainable growth model that benefits economy, environment, and society, and embrace the new era of sustainable retailing.

Far Eastern Department Stores Chairman **Douglas Tong Hsu**

Message from the President

ESG Continuous Innovation Rebuild New Model Retailing



As Taiwan's leading publicly listed department store, for the past 53 years Far Eastern Department Stores (FEDS) has continued its innovative transformation to set a new model of innovation for the transgression and elevation of Taiwan's shopping malls. The Company's brand new fifth-generation store – FEDS Xinyi A13 made its debut in December 2019, brilliantly polishing the Company brand at the Xinyi District with the world's highest density of department stores, and again leading Taiwan's retailing to mark a new milestone. With successful store opening and promotion of 50 cross-department projects to its successful execution, FEDS continued to create consistent performance accredited both at home and abroad in terms of ESG (Environment, Society, and Governance), operating profit and financial performance reached new highs, and outperforming peers in spite of the turbulent economic challenges faced by traditional retailers.

Initiate Enterprise Information Portal Further Evolve Digital Management

The progress of technology has brought significant changes in the operations management and services of the department stores. FEDS initiated "Enterprise Information Portal" in December 2018 and launched EIP online in October 2019. Within only one month, we reached 100% usage, enabling 1,400 employees island wide to synchronize their work through this integrated platform in real time and at any place to streamline paperless operation, allowing real time transmission of data and information, and helping a thousand employees greatly enhance their productivity in the digitized working environment.

Energy Consumption Drops Eight Years Consecutively Exemplary Energy Conservation

FEDS continued to engage in various energy management to save energy with significant results. Energy consumption has been dropping for eight years in a row, accumulated saving amounting to 38.5 million kilowatt-hour (kWh.), reaching nearly 20% of energy saving rate. Despite average temperature in Taiwan

marked new highs in 2019, with the executions of 35 large-scale energy saving projects, the Company achieved its energy conservation commitment, and elevated EUI energy efficiency by 1.5%. To further manage greenhouse gas emission, we have turned Hualien Store as demo store to follow ISO 14064 to proceed with greenhouse gas inventory, and will take this as baseline to draw up carbon reduction plan, and continue to conserve energy and reduce carbon emission, therefore lower the risk of climate change.

Promote Staff Healthy Wellness Program Build Happy Workplace

Employee health and wellness are important assets for the enterprise. FEDS commits to construct a supportive working environment, enabling staff to become happy workers in a positive ambience. We have executed 10 action plans to promote the wellness of employee, providing each staff to work hard and work happy in a healthy working environment. To reserve the needed talent for the smart retailing deployment, the Company has initiated FEDS Management Associate (FMA) Plan, and promoted "Yes, FEDS Can Language Training" so as to cultivate outstanding talent capable of operating and managing with language fluently.

Contribution to the Society 348 CSR Activities for Better Tomorrow

Far Eastern Department Stores has served as a local CSR platform, and has long dedicated to initiatives concerning women, children and under-privileged, as well as education in the remote rural areas. We engaged in totally 348 CSR activities in 2019 to fulfill our social commitment and caring. This year we underwent "Social Return on Investment" (SROI), indicated that our SROI stood at 13.92 which translated that "FEDS' s each endeavor will deliver 13.92 times of positive impact." I am very pleased with this result, will also urge continuous efforts of all colleagues to contribute to the society. Furthermore, I will also encourage staff to serve community as volunteers. In 2019, FEDS volunteer team reached 839 persons, up 17% year-on-year.
















After half a century of operation experience, FEDS has been innovating and adopting along the trend to create new retailing of Taiwan's department store. Facing with dynamic changing retail environment, the Company will expedite its growth, and continue to inject innovative elements in terms of space, merchandise, management, and services, offer consumers new digital and smart shopping experiences, by injecting leaping mindset to reshape company brand value, drive sustainable operation and growth for the Far Eastern Department Stores.

Far Eastern Department Stores President Nancy Hsu

FEDS Sustainable Value Creation

A culture of sustainability based on the value of giving back

Over the past 53 years, as a leader among Taiwan's listed department stores, Far Eastern Department Stores has been making progress with times in our transformation, re-engineering and innovation; we strive to become the new standards for Taiwan's shopping malls. "Giving back" defines the fundamental value of our business philosophy; we will unceasingly work to become the benchmark for the best economic growth, environment protection and social integration. In 2019, we placed more emphasis on utilizing our core competencies to address the five UN Sustainable Development Goals (SDGs) which are most relevant to us. These include SDG 2 Zero Hunger, SDG 3 Good Health and Well-being for People, SDG 8 Decent Work and Economic Growth, SDG 12 Responsible Consumption and Production, and SDG 13 Climate Action. We develop and put the SDGs programs into practice, build a growing model of the sustainable development of economy, environment, and society, and lead the retail industry into a new era of sustainable development.

Global SDGs	Taiwan SDGs		Activities
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	 Sustainable Corporate Governance	Giving back to shareholders and peers to create shareholders' equity and promote exchanges within the industry. Through flexible operating strategies and management innovations, FEDS have been steadily producing stellar results to become an excellent investment choice for shareholders and providing impressive return on investments. FEDS also actively contributes to the buzz and development of the retail sector, participating in 56 domestic and international department store retailing-related supplier associations to bring influential powers to the industry. For more information, please refer to Chapter 1 "Sustainable Business Governance" of the Report.
	Ensure sustainable consumption and production patterns	 Benchmark for Innovative Shopping Malls	Giving back to customers by creating intelligent shopping malls FEDS leaves no stone unturned when it comes to ensuring that customers are provided with customer-centric, high-quality, and warm shopping spaces and services. With the advancement of digital technologies, FEDS has been progressively adopted digital innovations to create digital shopping journeys and build intelligent shopping malls. For more information, please refer to Chapter 2 "Benchmark for Innovative Shopping Malls" of the Report.
	Ensure healthy lives and promote well-being for all at all ages		
	Ensure sustainable consumption and production patterns	 Highly Efficient Environmental Protection Operations	Giving back to the environment through cultivating green consumption habits and green operations culture Keeping in mind the philosophy of "Green Operations, Environmental Friendliness," starting from the most minute details, FEDS has been implemented energy conservation, water conservation, waste management, and more. to enhance the green value of environment protection and actively fostered a culture of green operations. With the adoption of low-carbon operations, we envisioned setting the precedence of creating green value for the society and building sustainable and stylish shopping malls for our customers. For more information, please refer to Chapter 3 "Highly Efficient Environmental Protection Operations" of the Report.
	Take urgent action to combat climate change and its impacts		
	Ensure healthy lives and promote well-being for all at all ages	 Safe Merchandise Management	Giving back to customers and harnessing consumption powers to change the world FEDS has been implemented robust merchandise management to ensure merchandise is of high quality whilst advocating the philosophy of "responsible retailing." We encouraged customers to collectively change the world through their consumption. Through providing healthy, delectable and high-quality food items, FEDS has also become the first line of defense for food safety and quality for customers. For more related information, please refer to Chapter 4 "Safe Merchandise Management" of the Report.
	Ensure sustainable consumption and production patterns		
	Ensure healthy lives and promote well-being for all at all ages	 Healthy and Happy Workplace	Giving back to employees through establishing a holistic training system and enhancing employees benefits FEDS provides a healthy, equal, and happy working environment where employees are entitled to their due employment rights. We had set up the Employee Welfare Committee to devise competitive compensation and benefit packages as a form of appreciation to our employees for their efforts and to attract top talents to join the FEDS family. For more information, please refer to Chapter 5 "Healthy and Happy Workplace" of the Report.
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	 Warm Community Care	Giving back to the society by devoting efforts to 348 public welfare activities FEDS has the largest network and coverage in Taiwan's department store industry, facilitating the formation of a triangular welfare platform within the industry supply chain comprising of counter vendors in the upstream and consumers in the downstream. Making good use of the strengthes of channels, FEDS has been congregated resources of local governments, public welfare associations, and more to provide care for people in need of assistance in the society and to improve the lives of vulnerable communities. For more information, please refer to Chapter 6 "Warm Community Care" of the Report.

SDGs Performance

- With the opening of FEDS Xinyi A13, more than thousands of job opportunities were created.
- Attended "International Conference on a Sustainable Taiwan: Accelerating the Localization of UN SDGs" organized by Environmental Protection Administration, Executive Yuan to share results of sustainable practices.
- Participated in "Growth Together" initiative led by Soil and Water Conservation Bureau, Council of Agriculture, Executive Yuan to become a force for good in Taiwan.
- Operating performance hit new heights with an increase of 34% in earnings per share.
- Mega City BanQiao Store became the second FEDS outlet to break the 10 billion dollar mark.

- Created intelligent shopping malls, develop digital shopping journeys and provide customers with personalized shopping experiences.
- Successfully upgraded the FEDS shopping app to make it easier for customers to receive updates on product promotions, discounted parking fees, and other services.
- Promoted e-invoice with the growth rate being highest among all physical stores in Taiwan.

- All 10 stores in Taiwan have been certified for installation of AED.
- FEDS PaoChing store has been voted as a friendly business location for five consecutive years.
- Set up the "Accident Reporting Online System" to increase efficiency of handling accidents.

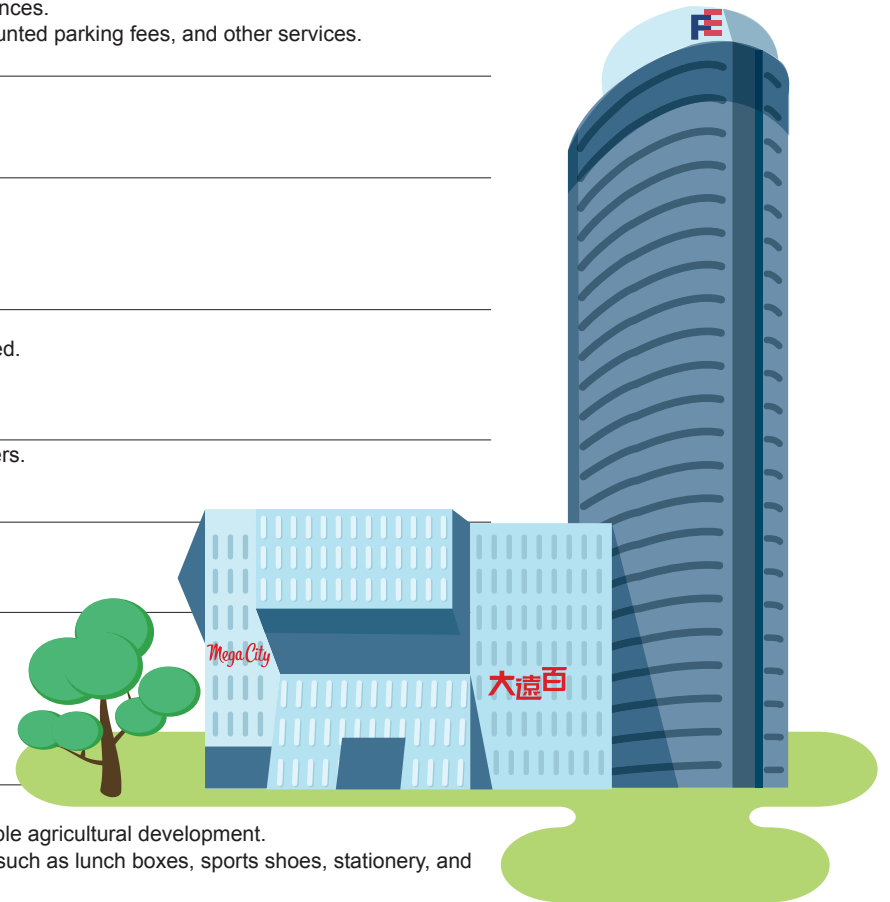
- Won the "Excellence in Green Procurement" award for three consecutive years.
- Reduced packaging by 16% per transaction.
- Limited use of disposable plastic straws.
- Reduced printed marketing materials by 33%.
- Increased recycling volume by 20%.

- Electricity consumption has declined for eight consecutive years since 2012 with a rate of 18.3% in accumulated power conserved.
- Introduced ISO 14064-1:2018 to FEDS Hualien Store to put GHG management into practice.
- Provided 27 e-bike charging stations at 7 stores across Taiwan.

- Set up triple control mechanisms to ensure food safety and health, conducted 415 audits on F&B, supermarkets and food counters.
- Requested vendors to take up product liability insurance.
- Lunar new year food and gifts; prioritized food safety
- Increased sales of fair trade coffee by 58%
- Reached a proportion of 22% in local procurement for exotic food items
- Uniform of independent counters conformed to green mark certifications.







- Promoted 10 initiatives with the Employee Health UP Program to foster workplace health
- Awarded the healthy workplace certification.
- Provided health checkups which are superior to legal requirements for employees and arranged on-site physician services.
- Supported industry-academia collaboration programs to nurture talents needed by the industry.

- Organized 99 agricultural market activities with 953 small-scale farmer stalls gathered and 3,381 items sold to promote sustainable agricultural development.
- Organized a Christmas charity light-up event with 160 children from rural areas invited to enjoy the hotel buffet and receive gifts such as lunch boxes, sports shoes, stationery, and more.
- Organized 47 Taiwanese specialty exhibitions to support Taiwan's local high-quality agricultural and aquacultural products.
- Procured agricultural products for public welfare with 11,440 local agricultural products distributed to share Taiwan's delicate agricultural products with customers.



Sustainable Strategy and Future Outlook

● Complete ▲ On-going

Six Sustainability Orientations	Corresponding Material Topics	2019 Goals	2019 Achievements
 <p>Sustainable Management and Governance</p>	<ul style="list-style-type: none"> Ethical management Corporate Governance Business Performance and Innovation Strategy Risk Management Compliance Information Security Management Corporate Image 	Organize education and training programs for anti-corruption	● Trained 331 individuals, 1.7 times more than the previous year
		Fortify internal control procedures for ethical operations	● Distributed 5,148 questionnaires for self-assessment of the internal control CSA cloud management system with a 100% response rate
		Assist employees to acquire new knowledge in laws and regulations	● Disseminated 643 updates regarding changes in labor and regulations
		Continuously drive management innovation	● Established 50 project teams to promote management innovation
		Set up the mobile office	● Launched EIP in October 2019 with a 100% utilization rate at the end of November 2019
		Adopt the information security management system	▲ Completed the evaluation of the system, which is expected to be implemented in 2020
 <p>Innovative Benchmark Shopping Mall</p>	<ul style="list-style-type: none"> Business Performance and Innovation Strategy Shopping Mall Safety and Services Corporate Image Customer Service and Communication 	Provide better customer service	● Set up the CRM system and completed upgrade of the FEDS app with new functions
		Continuously develop new operating locations	● FEDS XinYi A13 commenced trial operations on December 25, 2019.
		Ensure shopping mall facilities and fire safety	● Obtained certification for installation of AED and assessment of nursery rooms; allocate first-aiders twice as high as the number of first-aiders stipulated by the law
		Promote intelligent inspections of shopping malls	▲ Completed development and design of the intelligent property management app system, which will be gradually implemented across all malls in 2020
 <p>Highly-Efficient Environmentally-Friendly Operation</p>	<ul style="list-style-type: none"> Energy Management Green Products and Services Effluent and waste management 	Continuously improve EUI efficiency	● Reduced 1.5% in EUI power consumption efficiency compared to the previous year
		Execute Greenhouse Gas (GHG) management	▲ Implemented ISO 14064-1: 2018 greenhouse gas inventory at FEDS Hualien Store, which is expected to be completed in March 2020.
		Support renewable energy	● Purchased 30 Taiwan renewable energy certificates
		Plan environmentally-friendly shopping gifts with the philosophy of "putting green consumption into practice"	● Distributed 50,000 environmentally-friendly shopping gifts
		Set water resource management indicators	● Achieved water resource management indicators and start tracking and control on a monthly basis from 2020
 <p>Reassuring Product Management</p>	● Supply Chain Management	Increase recycling volume	● Reached a 20% increase in recycling volume to 931 tons for the year
		Request new suppliers to sign social responsibility commitments	● Acquired 17 new suppliers with a 100% signing rate
		Conduct training on supplier management	▲ Commenced employee training on supplier management to lay the foundation for the operation of the supplier management committee
	Product Quality and Food Safety	Organize business matchmaking for vendors	● Invited 500 vendors to business matchmaking held in October 2019
		Strengthen management and audit of merchandise	● Performed project audits twice in the year
		Put the concept of responsible retail into practice	▲ Continued sales of fair trade coffee, with a cumulative sales volume of 833kg in four years
 <p>A Healthy and Happy Workplace</p>	<ul style="list-style-type: none"> Employee Salaries and Benefits Employee training and career development Occupational Health and Safety 	Reach a proportion of 20% in local procurement for independent food items	● Reached a proportion of 22% in procurement of local merchandise for independent food item counters; promoted the concept of local high-quality agricultural products and low food mileage
		Increase employee benefits	● Reached an increase of 7% in employee benefits and organized annual health checkups for employees
		Promote management trainee programs	▲ Continued the execution of the management trainee FMA training program
		Fortify occupational safety and health management	● Performed occupational hazard assessments and employee health surveys
 <p>Heart-Warming Social Care</p>	Charity and social involvement	Elevate employees' English proficiency	● Conducted business English courses with 60 participants passing the assessment test
		Organize various public welfare activities	● Organized 348 public welfare activities
		Encourage employee volunteerism	● Reached an increase of 17% in the number of volunteers to 839 employees

Short-Term Goals	Medium- to Long-Term Goals
<p>Unceasingly implement various management innovation efforts and productivity enhancement programs to drive continued growth of revenue and profits, maximize shareholders' equity, and maintain leadership within the industry; complete the identification of climate risk to take appropriate actions and issue disclosures according to the TCFD framework; introduce ISO management systems to boost information security management.</p>	<p>Build intelligent shopping malls and develop "digital operations, digital experiences, and digital management" to meet consumers' all-round shopping needs; reinforce corporate governance, maximize the function and operational effectiveness of the Board of Directors, accelerate the development of new markets, increase market share, and continue to entrench corporate sustainability DNA based on an "economy, environment, and society" win-win-win sustained growth model to become the leading retail brand in sustainable operations.</p>
<p>app functions, integrate more limited offers with promotion events, and increase the app download rate; set the increase of touch points and improvement of content quality as the KPIs for social media management, and provide customized products and services for customers to enjoy new shopping experiences and improve customer satisfaction through big data analysis.</p>	<p>technologically-enabled department stores that bring customers brand-new shopping experiences in life, environmental friendliness, the digital age, and fashion; create sustainable and aesthetic department store spaces, and make strides in being a sustainable city model.</p>
<p>Promote energy management projects to continuously improve energy conservation efficiency, with the goal of saving 1% of electricity every year; expand the implementation scope of ISO 50001 and ISO 14064-1 to all stores in Taiwan; continue to purchase Taiwan renewable energy certificates and evaluate solar energy equipment; optimize water resource management by regularly tracking water consumption of all branches to achieve the goal of 1% of water conservation; set a target for recycling 1,351 metric tons in 2020; promote environmentally-friendly merchandise and services.</p>	<p>Build green buildings for environmentally-friendly department stores, broaden greenhouse gas management, and devise carbon reduction plans; evaluate the construction of solar energy and energy storage equipment in accordance with government policies, set carbon reduction goals, and promote intelligent inspections to increase environmental management efficiency of shopping malls using technology; strengthen green procurement practices to strive for low-carbon operations and achieve the goal of environmental sustainability.</p>
<p>Strengthen training on supplier management, elevate professional knowledge and ability of procurement, and refine the sustainable management mechanism and qualification verification of suppliers. Reinforce food safety, implement plastic reduction policies, promote responsible retail, strive for zero-defect product labeling, introduce more environmentally-friendly green products, and provide more diversified choices for customers.</p>	<p>Establish sustainable supply chain management and food safety and control mechanism to achieve sustainable development of food safety; provide high-quality merchandise and services and establish standards and requirements that meet sustainable development requirements during the process of consumption.</p>
<p>Raise salary and benefits and establish training blueprints for nurturing all-round talents; promote the Employee Health UP Program to create a healthy workplace.; organize employee trips and facilitate barrier-free and transparent communication channels to boost employee centripetal force and workplace happiness.</p>	<p>Nurture human assets, provide greater financial incentives, promote holistic training and development to retain key talents, and provide employees assurance to work and to grow with the Company, so as to achieve the goal of a sustainable workplace with a "work-life balance."</p>
<p>Promote public welfare activities, galvanize social resources, take on the role of local social platform to care for those in need and encourage employees to engage in the society and serve the community with love</p>	<p>With health, environmental friendliness and care as principal focus, make good use of channel resources and the strength of branding to contribute to public welfare and create a greatest social impact and bring warmth to the society.</p>

FEDS Sustainable Value Creation Chain

Commitment

Financial Capital

- An asset size of NTD130.51 billion

Human Resources Capital

- Established management trainee training programs to systematically cultivate talents
- Promoted the Rising Star Program
- 1,402 full-time employees
- Employee benefits increased by 7%

Smart Capital

- Established Digital Lab with 14 team members
- Installed 21 sets of digital information systems
- Introduced the digital intelligent app to drive intelligent patrol within shopping malls
- Promoted E-Learning

Social Capital

- The proportion of local procurement for independent merchandise reached 22%.
- Invested NTD4.95 million in public welfare

Working Capital

- 47 operational sites at cross straits
- Continued expansion of operational sites and create intelligent shopping malls

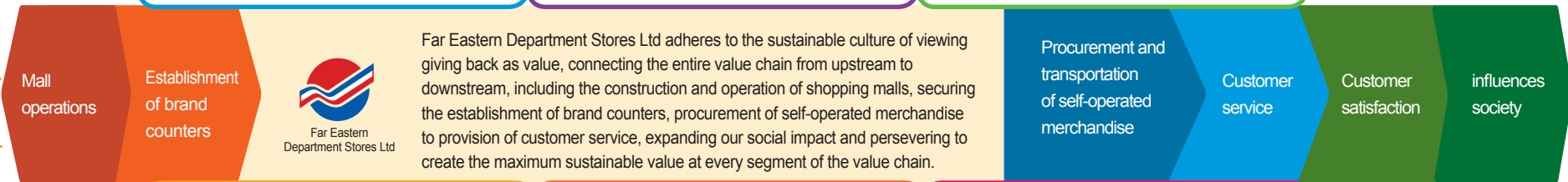
Natural Capital

- Developed the first real-time energy performance indicator platform in the retail industry
- Set up shuttle services with over 41,000 trips made for the year
- Adopted the ISO 50001 energy management system for the head office and Mega City BanQiao Store, and ISO 14064-1:2018 greenhouse gases audit for FEDS Hualien store.
- Replaced high-efficiency water chiller equipment at NTD8.18 million to realize environmental sustainability

Sustainable Management and Governance

Innovative Benchmark Shopping Mall

Highly Efficient Environmental Protection Operations



Reassuring Product Management

A Healthy and Happy Workplace

Heart-Warming Social Care

Achievement

Financial Capital

- Consolidate net income of NTD114.6 billion, of which individual revenue for FEDS was NTD44.41 billion and operating profit was NTD2.13 billion, both reaching new heights
- Consolidate net income of NTD114.6 billion, of which individual revenue for FEDS was NTD44.41 billion and operating profit was NTD2.13 billion, both reaching new heights
- Mega City BanQiao Store became the second store to break the 10 billion dollar mark with a performance growth of 3%. • A growth of 26% in the asset size

Human Resources Capital

- 15,620 of accumulated hours of employee training
- Formulated more than 70 management trainee training courses
- The employee turnover rate decreased by 3%.
- Employee productivity increased by 5%.
- The retention rate of female employees who applied for parental leave increased by 6% as compared to 2017.

Smart Capital

- Designed a new app version to provide intelligent digital services
- Developed and upgraded 65 management information systems
- Introduced new CRM and POS systems to gain insights into consumption trends and deepen the understanding of FED customers
- Mobilized equipment maintenance and asset inventory

Social Capital

- Independent food item counters introduced 118 pieces of new merchandise.
- Organized 348 public welfare activities related to five key areas in environmental friendliness, health, care for vulnerable, and more.
- Adopted and maintained 1,146 ping of green areas in parks

Working Capital

- With FEDS XinYi A13 commencing operations in 2019, the current total number of stores in Taiwan increased to 11 and operational space increased by 13,000 ping.

Natural Capital

- Annual power saving of 2.83 MWh
- Energy intensity has declined for five consecutive years.
- Purchased 30 renewable energy certificates with a total of 30 MWh
- Reduced environmental waste; reduced packaging by 16% per transaction
- Replaced 747 LED lamps



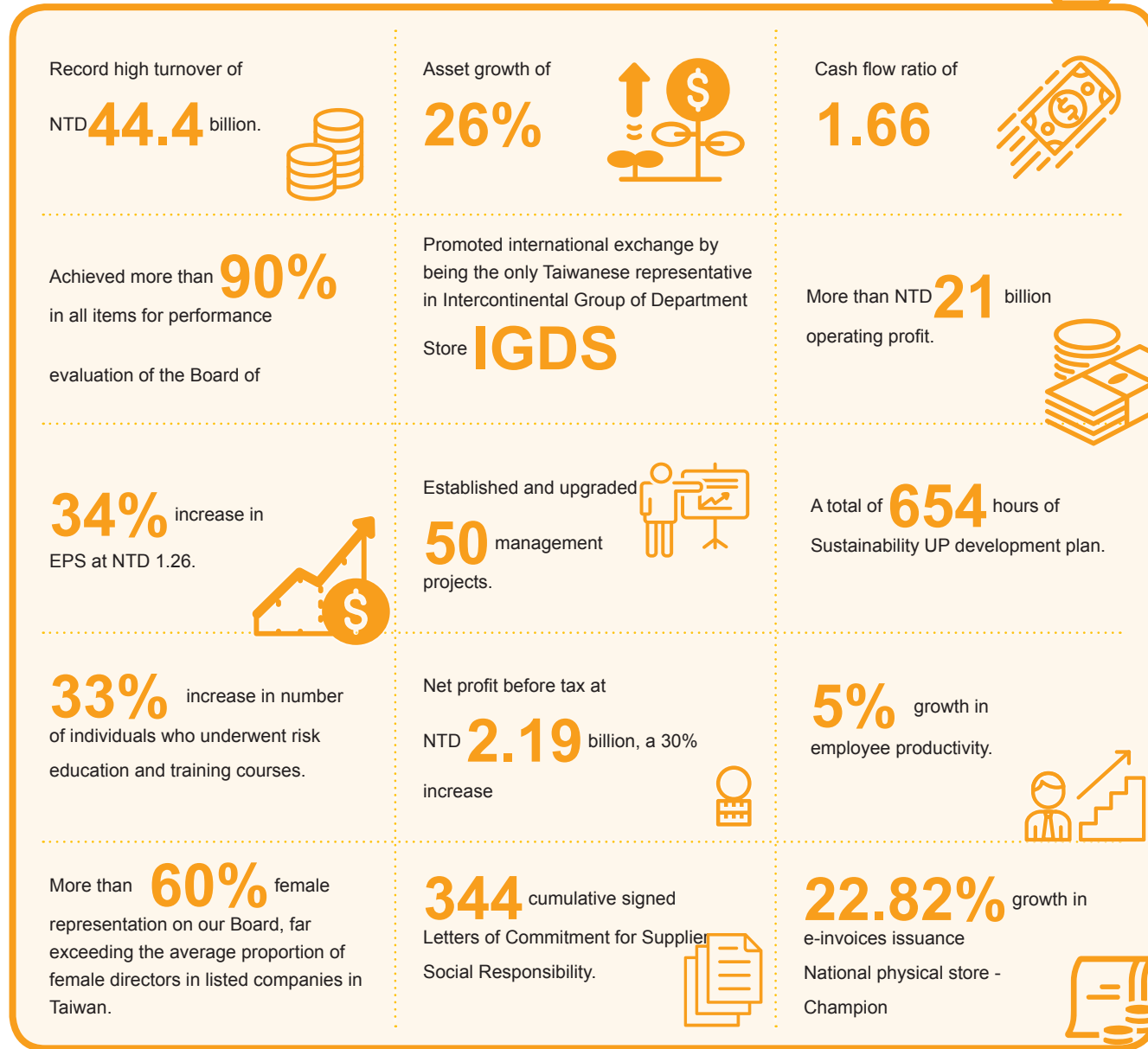
Sustainability highlights

2019 Key Sustainability Awards

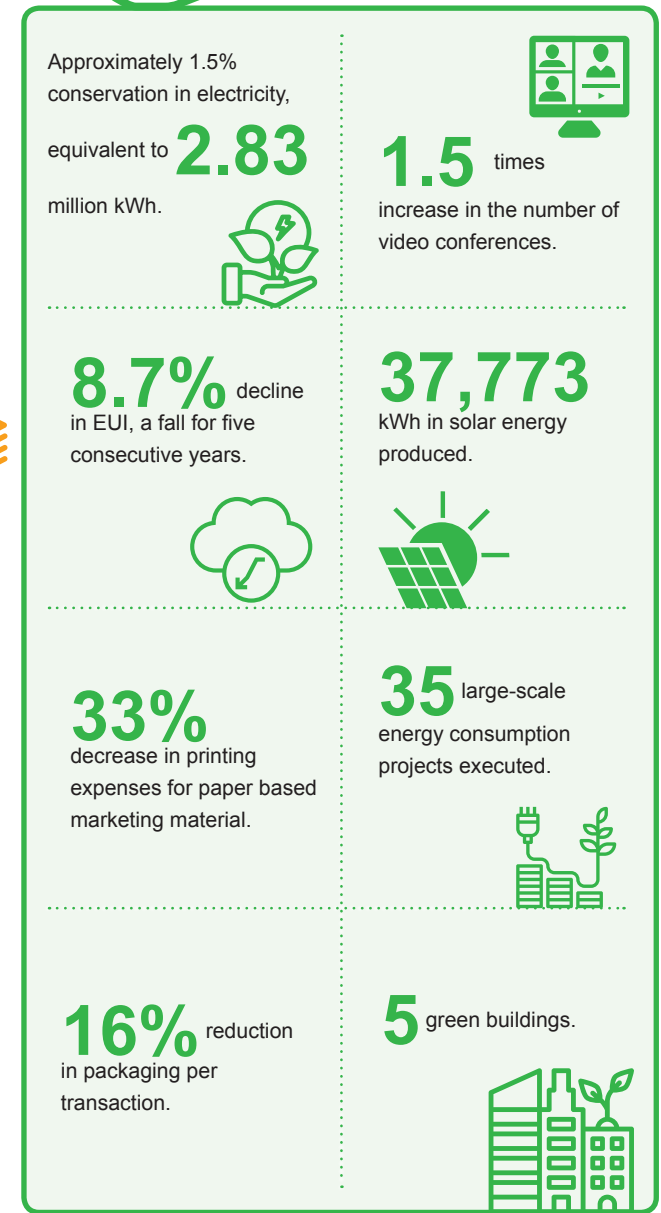
<p>Securities and Futures Institute</p> <p>Top 20% outstanding enterprises in the 5th Corporate Governance Evaluation</p>	 <p>The first award-winning Taiwan department store in 40 years</p>	<p>Federation of Asia-Pacific Retailers Associations</p> <p>FAPRA Best Corporate Social Responsibility Award</p>	 <p>Department store The only award</p>	<p>International Computer Auditing Education</p> <p>Internal Control and Internal Audit Innovation Application Practice Award</p>	 <p>Awarded for two consecutive years</p>	<p>Retailers Association of Chinese Taipei</p> <p>FAPRA Corporate Social Responsibility Taiwan Award</p>	 <p>Awarded for five consecutive years</p> <p>Top 50 in Large Enterprises of Corporate Social Responsibility Awards</p>	
<p>SGS Taiwan Ltd</p> <p>SGS CSR Award</p>	 <p>Awarded for five consecutive years</p>	<p>Taiwan Institute for Sustainable Energy</p> <p>Top 50 Taiwan Corporate Sustainability Awards</p>	 <p>Awarded for four consecutive years</p>	<p>Taiwan Institute for Sustainable Energy</p> <p>Sustainable Performance Benchmark Innovation Award</p>	<p>Taiwan Institute for Sustainable Energy</p> <p>Sustainable Performance Benchmark Gender Equality Award</p>	 <p>Awarded for five consecutive years</p>	<p>Taiwan Institute for Sustainable Energy</p> <p>Corporate Sustainability Report Platinum Award</p>	
 <p>Awarded for five consecutive years</p>	<p>Next Magazine</p> <p>Top Service Award</p>	 <p>Awarded for three consecutive years</p>	<p>New Taipei City Government</p> <p>Outstanding Green Procurement Enterprise</p>	 <p>Awarded for four consecutive years</p>	<p>Manager Today</p> <p>Brand Asia Awards</p>	 <p>First place in department stores</p>	<p>Ministry of Finance</p> <p>Best Enterprise for Adopting Electronic Invoice</p>	<p>National Taxation Bureau of the Northern Area, Ministry of Finance</p> <p>Excellent Enterprise for Adopting Electronic Invoice (Mega City BanQiao Store)</p>
<p>National Taxation Bureau of Taipei, Ministry of Finance</p> <p>Excellent Enterprise for Adopting Electronic Invoice (PaoChing Store)</p>	<p>National Taxation Bureau of the Southern Area, Ministry of Finance</p> <p>Excellent Enterprise for Adopting Electronic Invoice (Tainan Store)</p>	<p>National Taxation Bureau of the Southern Area, Ministry of Finance</p> <p>Excellent Enterprise for Adopting Electronic Invoice (ChiaYi Store)</p>	<p>Tainan City Police Department</p> <p>Friends of Police</p>	 <p>Praised by President Tsai</p>	<p>Ministry of National Defense</p> <p>Respect for Soldiers Business</p>			
<p>Taipei City Government</p> <p>Taipei City Outstanding Healthy Workplace (PaoChing Store)</p>	<p>Taipei City Government</p> <p>Taipei City Labor Safety Award (PaoChing Store)</p>	<p>Certified Health Promotion Label for Healthy Workplace (Headquarters and 10 branches in Taiwan)</p>	<p>The 10 branches in Taiwan have received the AED certification</p>	<p>Honored with Premium certification for nursery rooms (Mega City BanQiao Store And Hsichu Store)</p>	<p>Friendly Store (PaoChing Store)</p>			

Sustainable Development Performance

Governance



Environment





Society

20% growth
in paper recycling.

30% increase in the number of video conference interviews.



Subscribed to 30 T-REC totaling

30,000
kWh.

27 electric vehicle charging stations installed.



Changed car park management system, reducing **3.852** million parking tickets.

75% of employees took public transport for business trip, totaling 7,824 individuals.



Uniform of independent counters conformed to

green mark certifications.



17% increase in number of customer compliments.



22% decrease in accidents occurred in malls.

18% reduction in proportion of deficiencies during audits at F&B counters.



2 times increase in the introduction of new items in exotic cuisine restaurants.



58% increase in sales of fair trade coffee.



2 times growth in average number of training hours for supervisors.



1.1 times growth in average number of training hours for general employees.



26% increase in number of employees conducting overseas market study survey.



9 categories of management associate program formulated



More than **70** courses.

21.85 million cumulative hours of zero-hazards operations.



30% cumulative increase in employee benefits, rising for two consecutive years.

165 participants in six years of industry-academic cooperation program.



348 public welfare activities organized, a 3.6% increase

839 employee volunteers, a **17%** growth.

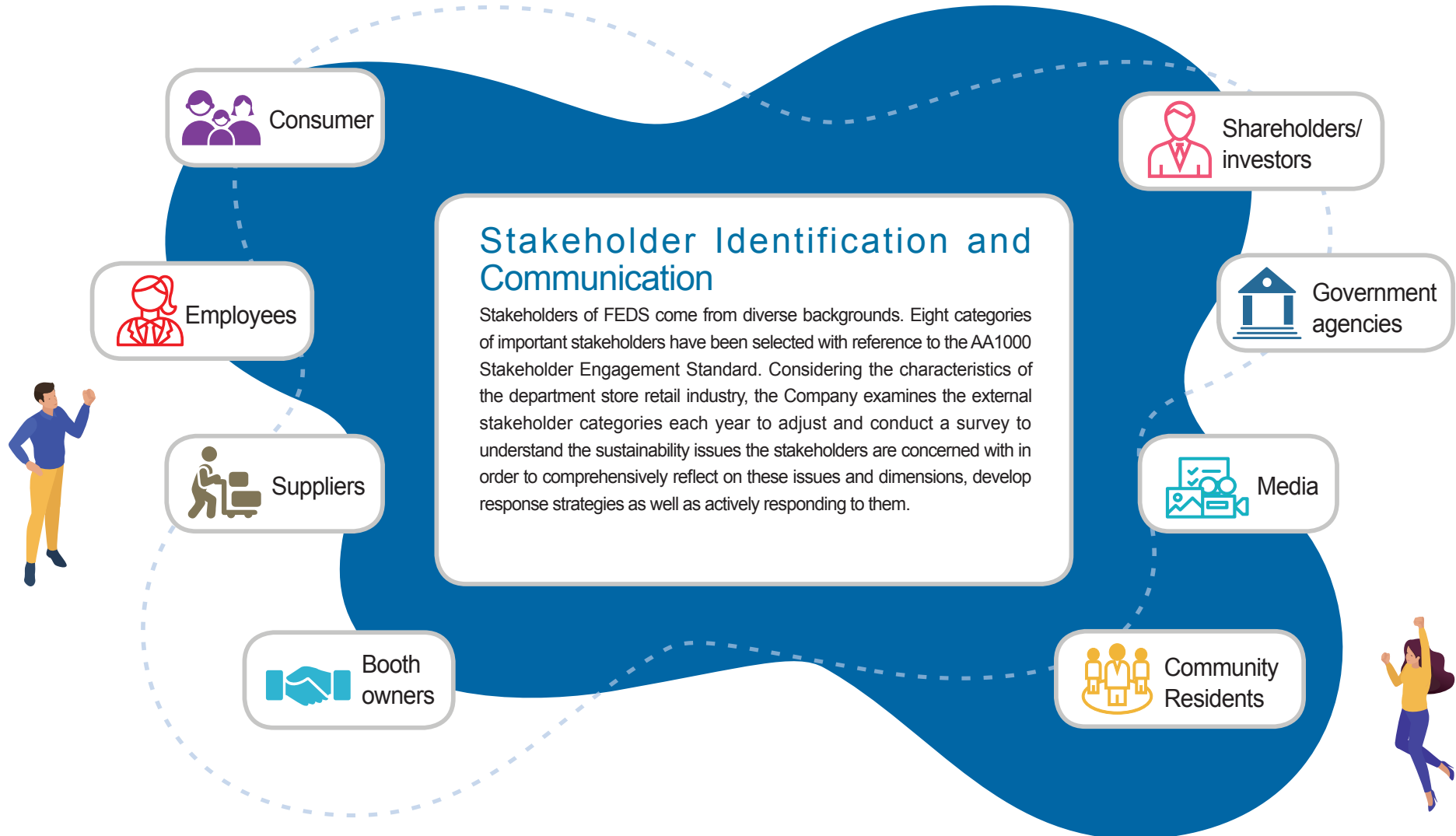


Responded to **10** major international sustainability campaigns.



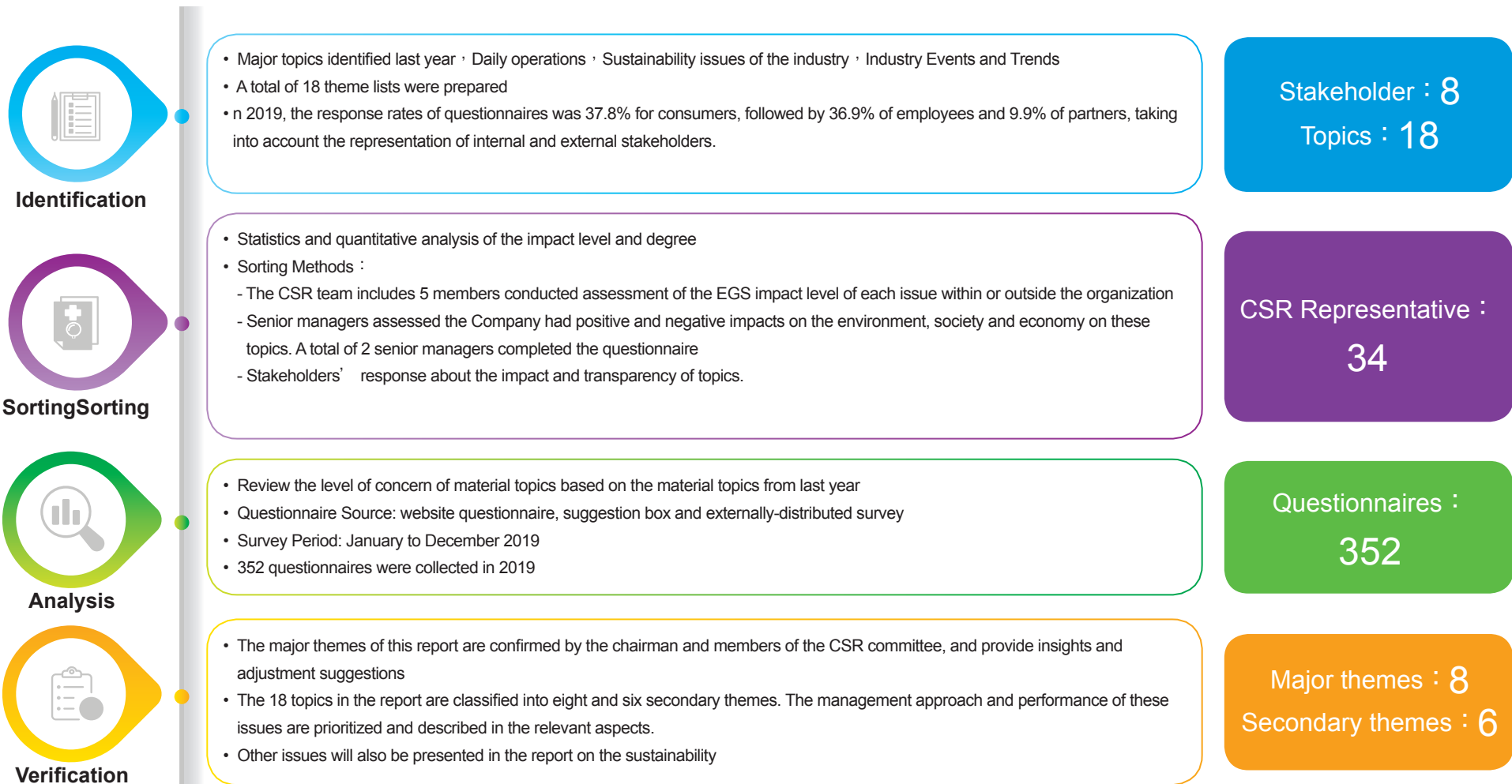
Material Topics and Stakeholder Engagement

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.



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.



Major Topic Matrix



Note: In 2018, the X axis is the importance of the theme to the operation of the enterprise. The size of the circle (Z axis) is the impact of the enterprise and its value chain on ESG on this theme. In 2019, the presentation is adjusted to exchange the two axes.

Explanation on materiality of the issues and differences from 2018

The materiality has been increased significantly; with the FEDS's adoption of sustainability values, the scope of our corporate image has been expanded to include governance, environment and social aspects; consequently, the need for sustainability management strategies has been intensified.



The materiality has been increased slightly; we will continue to improve the regulatory compliance of the Company's operational details to avoid damage to property and reputation.



With the evolution of technologies and the aggravation of climate change, the materiality of financial and non-financial risk identification and control measures for FEDS has significantly increased.



The materiality has been increased slightly; we will continue to execute internal control and anti-corruption policies, and disclose information related to operations of the Board of Directors in a transparent manner.



Ethical management has always been an issue of concern to FEDS. We will uphold the philosophy of integrity and adhere to the principle of integrity.



Product quality and food safety management have always been issues of concern to FEDS, and we will continue to enhance management to ensure consumer safety.



The materiality has been increased significantly; FEDS will proactively elevate safety and hygiene of public facilities, and formulate improvement measures based on various common safety concerns.



The materiality has been increased; with an increasing proportion of digital marketing, timely communication of information related to products and services is essential to effectively maintain relationships with customers.



Responses to major news issues for the industry

Integrity management for counters



Counter vendors closing down without prior warning had affected the rights and interests of both customers and counter staff. Such news exposure will, by association, affect the image of FEDS.

During the initial stage of bidding, the Merchandising Division will conduct credit investigations and select counter vendors with good reputation to cooperate with. Once the intention of both parties to collaborate is confirmed, a contract shall be signed by the legal unit to ensure the integrity of the counter vendor through legal documents and norms. In the event of any anomalous situations of the vendor, the legal unit and relevant units will be informed to devise countermeasures to ensure the normal operation of the shopping mall.

Occupational safety



For common issues raised over the years related to attendance on typhoon days, we can actively respond by disclosing relevant mechanisms and actual practices to demonstrate the initiative of non-forced labor.

We greatly value the safety of our employees and abide by regulations of the government's "Advisory on Suspension of Work and Classes by Reason of Natural Disasters." If the competent authority were to declare suspension of work at the place of work, residence, or commute, employees will stop work accordingly. Should the weather clear up and a decision be made to resume business operations, employees on duty shall be deemed as working overtime.

Safety of shopping mall environments











The environmental safety of shopping malls is predominantly related to lifts or escalators. Various accidents had been occurring frequently, endangering the safety of customers. In addition, news of related accidents is usually spread faster and might result in tremendous impact on the corporate's image.

All fire safety and public facilities in the shopping malls have regular inspection of management procedures and relevant management rules are amended in accordance with management requirements to put the spirit of "safety first" into practice. The management units of the head office include the Engineering Department, the General Affairs Department and the Labor Safety Department, which will regularly track the implementation status, report any deficiencies found in the monthly management meeting, and propose improvement plans.

News issues	Description of the relevant management mechanism
Description of the issue	

Stakeholder communication policy

Stakeholder Categories	Topics of concern	Communication Strategy	Frequency of Communication/Communication Channels	FEDS's response
 <p>Consumers</p>	<p>Customer Service and Communication Employee training and career development Information Security Management Product Quality and Food Safety Shopping Mall Safety and Services Ethical management</p>	<p>Operate according to customers' wishes and strive to increase customer satisfaction</p>	<ul style="list-style-type: none"> • TV advertisement(Irregularly) • Promotion catalogue(Irregularly) • Satisfaction Survey(Irregularly) • Face-to-face communication(Regular) • Customer Service hotline(Regular) • suggestion box(Regular) • e-mail(Regular) • Social Media(Regular) 	<p>Sustainable Management and Governance Innovative Benchmark Shopping Mall A Healthy and happy workplace</p>
 <p>Employees</p>	<p>Employee Salaries and Benefits Employee Training and Career Development Product Quality and Food Safety Shopping Mall Safety and Services Occupational Health and Safety Business Performance and Innovation Strategy Customer Service and Communication</p>	<p>Create a happy workplace to allow employees to work at ease</p>	<ul style="list-style-type: none"> • Employee training(Irregularly) • Knowledge Sharing(Regular) • Department meetings(Regular) • Management meetings (Regular) • labor-management meetings, (Regular) • Employee Welfare Committee Meeting(Regular) • Telephone/e-mailImmediately(Immediately) • Face-to-face communications with unit supervisors(Immediately) • Employees' suggestions mailbox(Immediately) 	<p>Innovative Benchmark Shopping Mall A Healthy and happy workplace</p>
 <p>Suppliers</p>	<p>Customer Service and Communication Corporate image Ethical management Supply Chain Management Corporate Governance Compliance</p>	<p>Select quality suppliers to establish a sustainable supply chain</p>	<ul style="list-style-type: none"> • Arbitration Meeting(Irregularly) • Information-sharing conferences(Irregularly) • Purchase Contracts(Irregularly) • Business communication(Regular) • Telephone/e-mail(Immediately) • Procurement Contact Personnel(Immediately) 	<p>Sustainable Management and Governance Reassuring Product Management</p>
 <p>Booth owners</p>	<p>Customer Service and Communication Supply Chain Management Shopping Mall Safety and Services Product Quality and Food Safety Business Performance and Innovation Strategy Ethical management Compliance</p>	<p>Become best partners and head toward sustainable management</p>	<ul style="list-style-type: none"> • Visits(Irregularly) • Morning meetings with booth personnel(Regular) • Vendor Meetings(Regular) • Telephone/email(Immediately) 	<p>Innovative Benchmark Shopping Mall Reassuring Product Management</p>

Stakeholder Categories	Topics of concern	Communication Strategy	Frequency of Communication/Communication Channels	FEDS's response
 Shareholders/ Investors	Customer Service and Communication Corporate image Supply Chain Management Ethical management Corporate Governance Compliance	Generate outstanding profits to become a good investment target	<ul style="list-style-type: none"> • Shareholder's meeting(Regular) • Institutional investors' conference(Regular) • Annual Report(Regular) • Telephone/e-mail(Immediately) 	Sustainable Management and Governance Innovative Benchmark Shopping Mall A Healthy and happy workplace
 Government agencies	Occupational Health and Safety Risk Management Information Security Management Green products and services	Follow laws and regulations and actively comply with relevant policies	<ul style="list-style-type: none"> • Telephone/e-mail(Irregularly) • Documents(Irregularly) • On-site audit(Irregularly) • Seminar/Conference(Irregularly) • Financial statements(Regular) • Government agency evaluations(Regular) • Fire safety drill(Regular) 	Sustainable Management and Governance Innovative Benchmark Shopping Mall
 Media	Customer Service and Communication Corporate Image Business Performance and Innovation Strategies Ethical management Corporate Governance Compliance Information Security	Honest management of transparent communication channels with stakeholders	<ul style="list-style-type: none"> • Telephone/e-mail(Irregularly) • Press conferences(Irregularly) 	Sustainable Management and Governance Innovative Benchmark Shopping Mall
 Community Residents	Water and Waste Management Customer Service and Communication Shopping Mall Safety and Services Energy Management Charity and Social Welfare Participation Compliance	Provide care and feedback to create a wonderful and sustainable life	<ul style="list-style-type: none"> • Personal visits(Irregularly) • Customer service helplines(Irregularly) • Call center(Irregularly) 	Innovative Benchmark Shopping 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

Material Issue

Material Issue			Significance for the Company	Disclosure	Corresponding Sections and Chapters	Page	FEDS	consumer	supplier	Cooperation partner	shareholder Investors	Government agencies	media	Residents
Importance	Rank	Theme												
Key Issue	1	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	42	▲	▲	▲	▲	▲	▲	▲	▲
Key Issue	2	Corporate Image	Corporate Brand Value and Image	102 Stakeholder Communications: 102-40, 102-42-44, 202 Market Presence	5.1 Superior Compensation and Benefits in the Industry 6.2 Cross-border Cultural Windows 6.3 Local Social Welfare	101 120 123 125	▲	▲	▲	▲	▲		▲	▲
Key Issue	3	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	34	▲		▲		▲	▲	▲	
Key Issue	4	Risk Management	Identification and control measures for systemic and non-systematic risks	102-15 Key impacts, risks and opportunities	1.3 Sound Risk Management	42	▲		▲	▲	▲	▲		
Key Issue	5	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 Strictly Selected High-quality Merchandise 4.2 Safe and Delicious Food 4.3 Comprehensive Supply Chain Management	42 87 90 95	▲	▲	▲	▲	▲	▲	▲	
Key Issue	6	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	42	▲		▲	▲	▲	▲	▲	
Key Issue	7	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 Strictly Selected High-quality Merchandise 5.1 Superior Compensation and Benefits in the Industry	42 62 87 101	▲	▲	▲	▲	▲		▲	▲
Key Issue	8	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	62	▲	▲		▲		▲	▲	▲
Material Issue	9	Business Performance and Innovation Strategy	Implement innovation to create excellent business performance	201 Economic Performances	1.1 Forward-Looking Innovation Management 3.2 Real-time Smart Property Management	23 76	▲	▲	▲	▲	▲	▲	▲	

Material Issue			Significance for the Company	Disclosure	Corresponding Sections and Chapters	Page	FEDS	consumer	supplier	Cooperation partner	shareholder Investors	Government agencies	media	Residents
Importance	Rank	Theme												
Material Issue	10	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	95	▲		▲	▲	▲			
Material Issue	11	Charity Engagement and Development of Local Community	Charity and develop together with Local communities		6.1 Response to Global Initiatives 6.2 Cross-border Cultural Windows 6.3 Local Social Welfare	120 123 125	▲	▲		▲	▲	▲	▲	▲
Material Issue	12	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 in the Industry 5.2 Integrated Talent Cultivation 5.3 Thoughtful and Friendly Workplace	42 101 107 112	▲			▲	▲	▲	▲	
Material Issue	13	Employee training and career development	Cultivate employees' professional skills to achieve better capabilities and establish a high-quality employee career development mechanism	04 Training and Education	5.2 Integrated Talent Cultivation	107				▲	▲	▲	▲	
Material Issue	14	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 Thoughtful and Friendly Workplace	112	▲	▲		▲	▲	▲	▲	
Basic Issue	15	Energy Management	Promoting energy management and implementing energy conservation measures	302 Energy	3.1 Green Energy-saving Intelligence 3.3 Green Actions	69 81	▲	▲	▲	▲	▲	▲	▲	▲
Basic Issue	16	Information Security Management	Manage personal information and establish information security management procedures	418 Customer privacy	1.3 Sound Risk Management	42	▲	▲		▲		▲	▲	
Basic Issue	17	Green products and services	Products and services integrate green concepts to reduce impact on the environment	305 Emissions	3.3 Green Actions 4.1 Strictly Selected High-quality Merchandise	81	▲	▲	▲	▲		▲	▲	
Basic Issue	18	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	76	▲			▲		▲	▲	▲



Chapter 1 Sustainable Management and Governance

- 1.1 Forward-Looking
Innovation Management
- 1.2 Sustainable Governance
- 1.3 Sound Risk Management

1.1 Forward-Looking Innovation Management

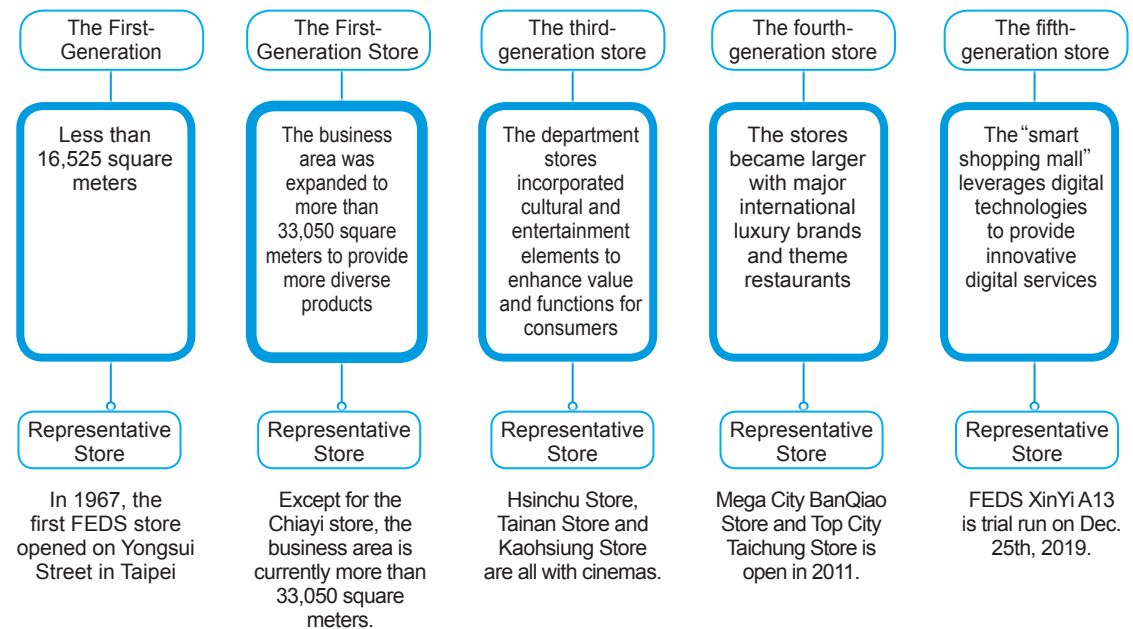
Founded in 1967, Far Eastern Department Stores (FEDS) is the longest-running among department store chains in Taiwan and is one which has been growing steadily. Having operated for half a century, FEDS has been constantly seeking innovations, transforming and upgrading. With a forward-looking vision, FEDS has developed grounded business innovation strategies which enabled the Company to entrench across Taiwan. We changed conceptions about traditional shopping malls with new adaptations of shopping centers for customers, whereby a shopping mall is no longer just about anchoring a department store, but being a destination which enhances people's lives and invigorates the local economy. Over the past 53 years, the fortitude to change and innovate has not only laid a solid foundation for Taiwan's department store industry to modernize but also established FEDS to become the benchmark for innovative operations of department stores in Taiwan.

1.1.1 Keep abreast with the times; innovate and transform to redefine department stores in Taiwan

Glorious debut of the fifth-generation store marking a milestone for innovation growth

As the oldest department store chain in Taiwan, FEDS has been unceasingly innovating and transforming to the fifth-generation store today. Each generation of stores has its own unique taste and characteristics, ceaselessly refining and injecting new elements to building structures, space design, product mix, customer service, and more to satisfy the needs of the zeitgeist and to progressively extend the value and functions of department stores. Time and again, FEDS has re-invented operation models and store designs to become the benchmark for evolution and upgrade of shopping malls in Taiwan. As we progressed from fourth-generation to fifth-generation stores, FEDS has placed more emphasis on economic, environmental and social aspects of our operation strategies and has also set up a Corporate Social Responsibility Committee to spearhead the sustainable development of the department store industry based on sustainable core values augmented by innovative digital technologies.

The development history of various store types of Far Eastern Department Stores



December 2019 marks the inauguration of FEDS XinYi A13 at the Xinyi business district with remarkably the world's highest density of department store. With the tagline of "Refresh Your Experience," the mall is Taiwan's first intelligent shopping mall for all customer segments, and is planned according to six major design elements of inspiration, personalization, thoughtful services, emotional connections, participation, and relaxation. From architectural exterior exuding an aura of high technology, interior old Taiwan streets with a 11-meter ceiling, to fabulous views from the open air sky garden, and more than half of exclusive brands in Xinyi district, FEDS XinYi A13 once again made impressive breakthroughs for Taiwan's department store industry and successfully spearheaded the industry's transition to a new business operation model.

Multidisciplinary operations to satisfy all-encompassing retail needs

While spurring the growth of the department store industry through innovation, FEDS is also broadening the retail business territories. Currently, the retail system of FEDS comprises of four major types of operation, namely department stores, shopping malls, hypermarkets and high-end supermarkets, offering Taiwanese all-encompassing options suited to their life consumption. With turnover of NTD114.6 billion, total assets of NTD130.5 billion in 2019, and 64,311 shareholders, FEDS today has 47 stores stretching across both sides of the straits and is notably the most unique and complete large-scale retail group cross straits.

FEDS XinYi A13 intelligent shopping mall, a marveled landmark of department stores

FEDS XinYi A13 is the first intelligent shopping mall FEDS created by fusing digital technologies. The Third Place design approach enables FEDS XinYi A13 to become social space integral to modern individuals beyond the realms of home and work. Through creative spatial configuration and design and unique fashion, F&B, home, and other lifestyle trends are brought together, in the hope that those who step in would be able to find the pleasure of life. Concurrently, consumers are offered fast, convenient, and personalized services through a vast number of interactive touch screens that bring connection with the FEDS mobile app, which represents the new generation of retail model that commingles entertainment and experience. The mall received a turnout of more than 100,000 visitors on the trial operation day; Dadaocheng Old Street on the 4th floor became an instant hit as a check-in spot; 7 restaurants in the "Late Night Tuckshop" on the 14th floor operated till 2 a.m., which have become not only the latest haunt for night owls but also a popular spot during new year countdown for the spectacular panoramic view of the Xinyi district.

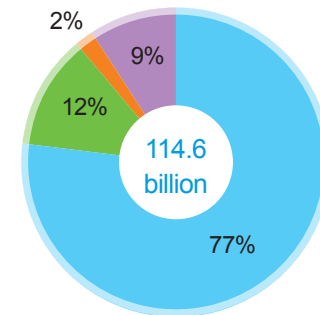
Company Overview

Capital	NT\$14.17 Billion
Headquarters	Banqiao District, New Taipei City
Industry	General Merchandise Retail Trade
Market	Taiwan and China
Number of Employees	1,439 people
Principal Affiliated Companies	FE Sogo A. Mart city'super The Mall
Stock Code	2903

Conferred the TCSA "Growth through Innovation" Award for four consecutive years

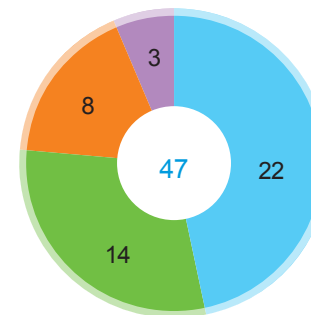
Upholding the spirit of innovation, FEDS has maintained a high level of growth for the past 53 years, redefining shopping malls to offer wonderful shopping experiences to consumers. In recent years, we concentrated efforts on three foci "digital operations, digital experiences, and digital management" to create a digital department store that enables consumers to enjoy unique and personalized exclusive services. The innovative operations and management achievements that have kept abreast of the times have led FEDS to win the Taiwan Corporate Sustainability Awards (TCSA) "Growth through Innovation Award" for four consecutive years since 2016.

Consolidated Revenue Structure



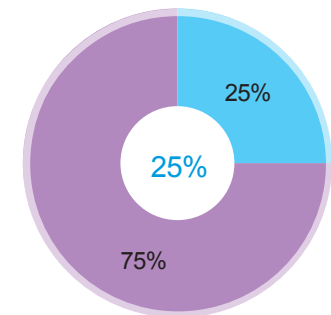
■ Department Stores ■ Wholesale Stores
■ Supermarkets ■ Others

Total branches



■ Department Stores ■ Wholesale Stores
■ Supermarkets ■ Shopping Malls

Market Share

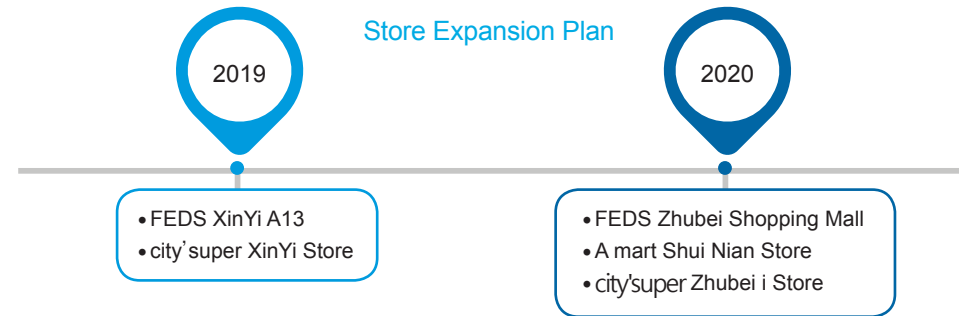


■ FEDS, SOGO and The Mall
■ Taiwan Department Store Market

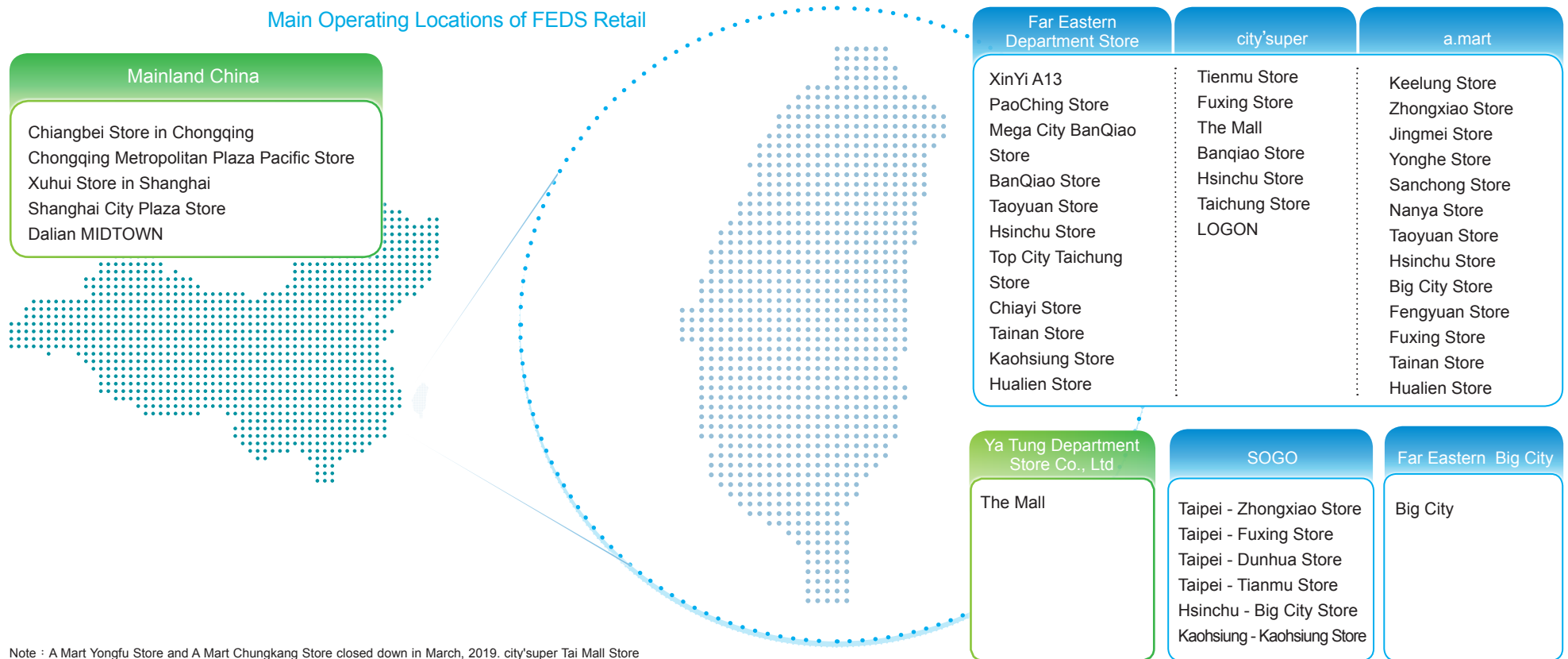
Broaden network relentlessly to extend retail market into new territories

In recent years, the department store industry has been flourishing, and new competitors are constantly entering the market. In addition to boosting performance of existing stores to grow in a steadfast manner, FEDS is also actively prospecting suitable M&A targets and investment opportunities, relentlessly opening new stores and developing new markets so as to increase market share. In the second half of 2019, the FEDS retail system had two new additions of FEDS XinYi A13 and city'super Xinyi. Come 2020, Zhubei Shopping Mall and a.mart Shuinan will also open for business. The FEDS retail system will be extending the network further by another four stores to continue to expand the retail footprint and scale.

Store Expansion Plan



Main Operating Locations of FEDS Retail



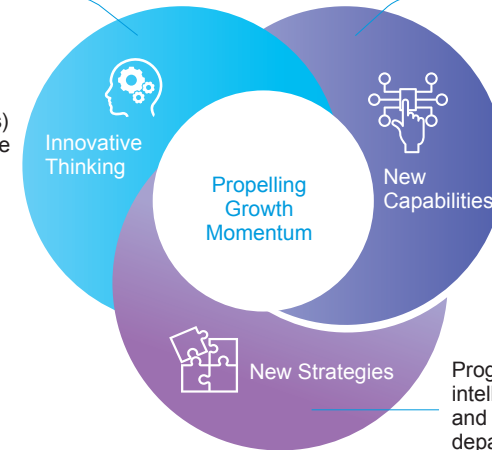
Note : A Mart Yongfu Store and A Mart Chungkang Store closed down in March, 2019. city'super Tai Mall Store closed down in Sep., 2019. SOGO Hsinchu Station Store closed down in Aug., 2019.

1.1.2 Soaring amid retail headwinds to achieve record-breaking business performance

16 consecutive years of performance growth in a class of its own

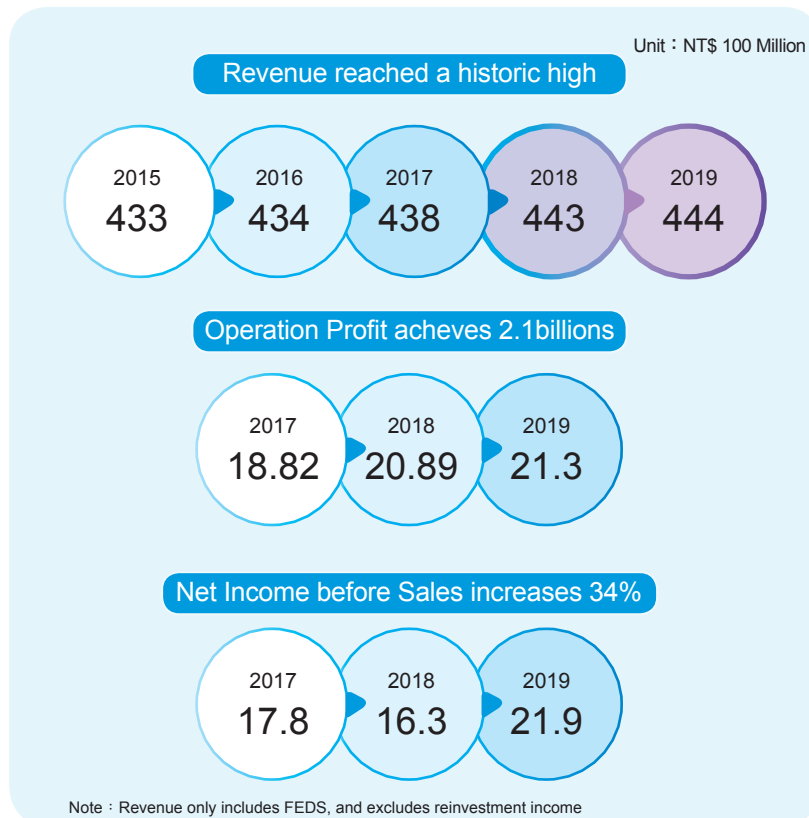
Faced with transformation of the industry and rapid changes in the retail environment, FEDS has been applying precise foresight, innovative thinking and new strategies to anticipate challenges, craft new strategies, and build new capabilities. FEDS's merchandise, management, services, and more have been constantly injected with innovation dynamics to accelerate business growth. Through retrofitting buildings, refreshed brand identity, introduction of new merchandise, promotional activities, and organizing international exhibitions, and more, FEDS has captured the attention and needs of consumers in a precise manner to achieve unparalleled business performance in the industry. In 2019, the turnover for FEDS was NTD44.412 billion, a positive growth experienced for 16 consecutive years. Compared to other industry players, it is in a class of its own.

Continuously create new value for customers (shareholders) with innovative spirit



Embrace digital transformation, develop digital operations, digital management, and digital experiences

Progress towards intelligent new retail and create innovative department stores



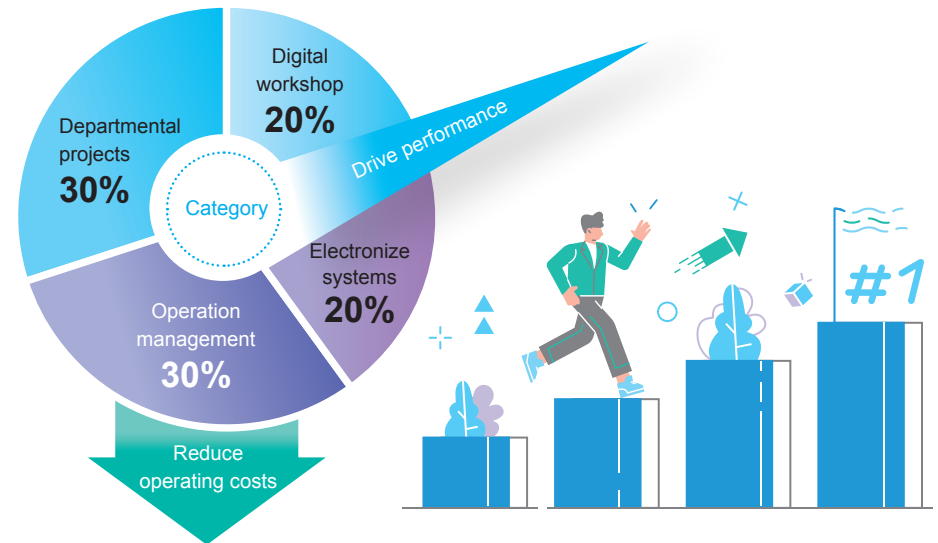
Financial Performance Statement (based on International Financial Reporting Standards) Unit: NT\$ thousands

Item	2017	2018	2019	
Operational Performance	Total Assets	105,708,451	103,746,341	130,511,105
	Total Liabilities	68,850,273	66,055,951	91,607,298
	Shareholders' Equity	36,858,178	37,690,390	38,903,807
	Operating Revenue	41,166,982	39,242,551	37,896,062
Value Distributed	Net Income After Tax (attributable to owners of the parent company)	1,535,986	1,318,150	1,781,843
	Employee Salaries and Benefits	3,814,858	3,729,211	3,658,429
	Dividends	1,772,980	1,577,000	1,299,152
	Interest	302,609	278,753	223,010
	Income Taxes	673,673	549,618	334,652
Profitability	Community investment	6,374	12,920	4,950
	Return on Assets (%)	2.09	1.91	2.14
	Return on Equity (%)	5.03	4.42	5.67
	EPS (NT\$)	1.09	0.94	1.26

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.

Execute 50 initiatives to spur management innovation

The core of competition and the foundation of operations for the department store industry lies in the rapid change of the consumer market. FEDS has been making conscious efforts to integrate innovation and market differentiation into its business strategies, actively driving management and innovation initiatives; 50 initiatives were undertaken in 2019, 4 more compared to 2018. Concrete execution of plans mapped out by cross-functional project groups has brought about steadfast increase in business performance. Additionally, reforms by the management has also significantly reduced operating costs. These all allow FEDS to soar amid headwinds in the highly competitive department store industry and achieve unparalleled business performance.



Six key initiatives to increase corporate productivity

Six Major Innovation Initiatives

Creating a new business model

Productivity improvement programs

Activating the mobile office

Leverage data KPI

Adopting the BI expense model

Stabilizing cash flow

Innovation Initiative 1

Breaking High Operating Leverage and Creating a New Business Model

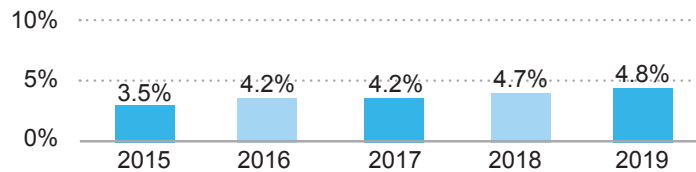
The industry has high operating leverage since profits can be increased rapidly by boosting the revenue. Therefore, the traditional business model prioritizes revenue increase. However, with the booming e-commerce, fast fashion and food service industry that are low in gross profit, the profit-making 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 sixty-five 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.

Innovation Initiative 2 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 4.8% in 2019 as well as 37% of growth. The growth rate is expected to reach 5% in the next 3 years.

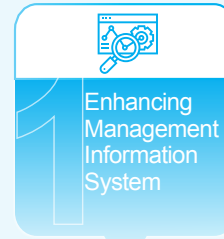
Operating margin



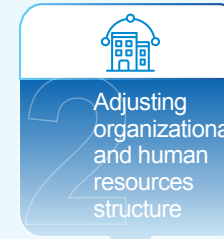
Innovation Initiative 3 Activating mobile office and re-evolution of digital management

Owing to digital technology developments, the operation, management, and service models of the department store industry are also undergoing tremendous changes. Consequently, we have activated the planning of the mobile office, utilizing digital management to facilitate convenience of operation procedures of department store operations, management, and services and to speed up communications between departments. In December 2018, the Vice President of the Administration Division assembled a cross-functional Enterprise Information Portal (EIP) special project team with members from operations, management, marketing, and other departments to organize FEDS's mobile office. The mobile office was fully operational on October 15, 2019 and the utilization rate reached 100% on November 18, 2019. The implementation of the mobile office has effectively improved the work efficiency of colleagues and lowered the communication barrier. Currently, the mobile office has integrated 16 developed digital systems and digitalized 54 forms so as to reduce time required for document submission and approval. The public announcement channels have also been unified so that employees can get hold of official information at first instance. Consequentially, mobile productivity has improved tremendously in a digital work environment.

Productivity Improvement Project (2015~2018)



Establishing or upgrading forty-four management information systems to resolve the location problem, allowing cross-store manpower support to improve staff productivity.



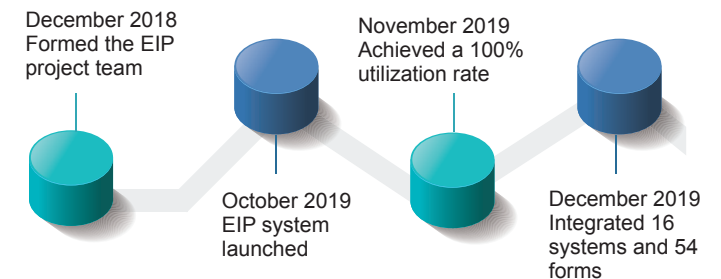
- Adjusting and centralizing logistics manpower
- Adjusting the workflow to reduce unnecessary and repetitive operations.
- Establishing regional property management centers to integrate and utilize manpower.



Promoting mobile office, releasing office space for business purposes and increasing material efficiency.

The Company obtained important results after the aforementioned adjustments:

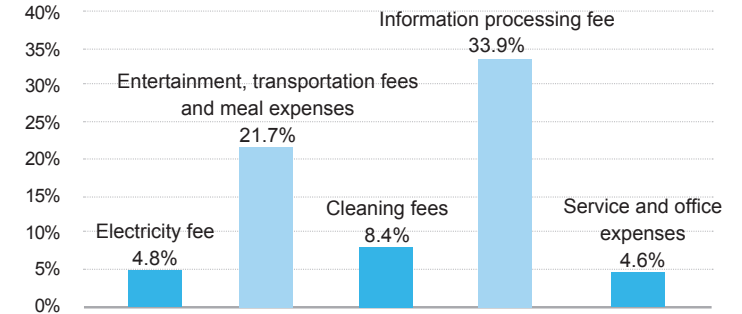
- Result 1 The percentage of operational sales people was increased by **40%**
- Result 2 Staff productivity grew by **5%**
- Result 3 The freed-up office space increased **1.22 times**



Innovation Initiative 4
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 2019 fell between 3% to 34%, including: 4.8% of saving energy and 33.9% 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%.

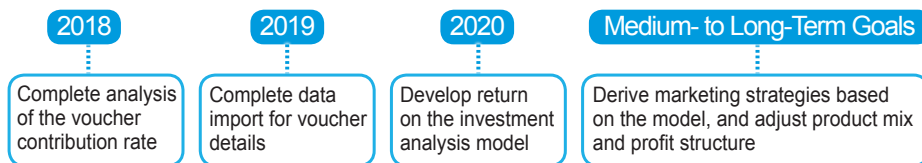
Operating Expenses Management Results



Innovation Initiative 5
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 investment analysis model is expected to be established in 2020; the mid-term goal is to derive marketing strategies based on the model, and the long-term goal is to adjust the product mix and profit structure according to marketing resources.

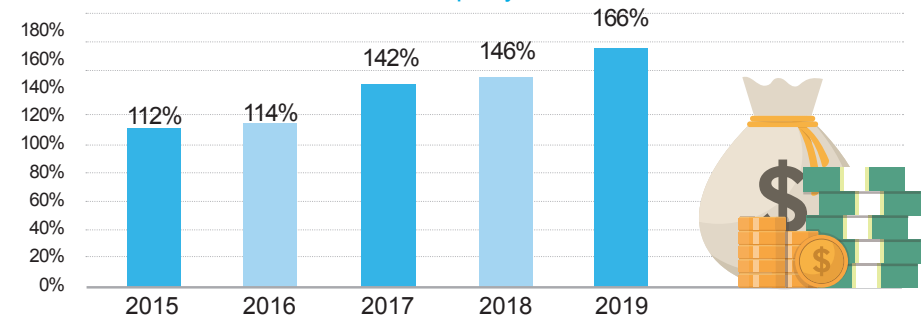
Marginal Contribution Project Team Execution Goals



Innovation Initiative 6
Steady Cash Flows with Over 1.66 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 2019, the ratio has reached over 166%.

Cash Flow Adequacy Ratio



1.1.3 A culture of sustainability based on the value of giving back; nurturing capacity for sustainable development

Regular Senior Management Meetings Commit to Sustainability

Through regular senior management meetings, FEDS has defined the directions for business sustainability development. The CSR Committee began advocating "Sustainable UP Initiative" in 2018, and in 2019, more resources were invested to reinforce the awareness of sustainability among employees. A common set of values and work culture revolving sustainability has been established so that values such as environment protection, service and public welfare, and more are progressively infused into the corporate DNA to elevate the capacity for FEDS to create sustainable value. "Green consumption, public welfare, and intelligent new retailing" would underpin the provision of sustainability and better life for customers, propel the sustainable growth of FEDS, drive the sustained performance of the society, and bring the department store industry into a 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'supe 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 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.

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. Practice corporate social responsibility in operational processes. The members of the committee identify the economic, environmental and social risks of the company and plan relevant strategies and goals for the risk.

According to the Far Eastern Department Stores Corporate Social Responsibility Policy, improving disclosures on CSR information was the utmost principle for realizing CSR. Annually, FEDS publishes a CSR report disclosing environmental, social and governance performance. The content reported is subjected to multiple levels of reviews and audits to ensure its accuracy and completeness, so as to effectively communicate with stakeholders. In order for information disclosed to meet the three major principles of completeness, materiality and communications, the reporting process begins with the CSR Committee convening an editorial meeting where representatives from various business units are to report sustainability performance in accordance to their operations. The executive office oversees the coordination and compilation.

Corporate Social Responsibility Committee







CSR Report Editing Process



Performance tracking through administrative and marketing meetings

FEDS conducts regular reviews and KPI monitoring on electricity intensity, resource savings, human resource management, cost savings, labor safety, and more, during weekly administration division meetings, monthly branch store management meetings, and monthly store manager meetings. This ensured relevant data and information are accurate and presented to the CSR Committee on a monthly cadence for discussion to review targets and manage information. The CSR Committee meeting is chaired by the CEO and held on a monthly basis. Representatives from each function committee are responsible for reporting their progress, and the CEO in turn would report on a regular basis to the Chairman on the progress and achievements of various projects.

Key agenda items	Description	2019 execution progress and follow-up planning
 Supplier and procurement/requisition process	Inspect procurement/requisition payment process to establish a more complete supply chain management process	<ul style="list-style-type: none"> Tightened supplier qualification verification procedures Completed institution of the supplier evaluation form Completed amendment to the "Contractor Management Regulations"
 Information security and legal risk management	Fortify information security and regulatory compliance plans to reduce legal risks for business operations	<ul style="list-style-type: none"> Planned the adoption of the ISO 27001 information security management system in 2020 Completed 4 sessions of training on information security and risk management Amended the "Internal Control System"
 Energy and waste management	Improve energy efficiency and waste recycling ratio in response to global climate change	<ul style="list-style-type: none"> Completed adoption of ISO 14064-1:2018 greenhouse gas inventory and reporting at FEDS Hualien Store and continued to be verified by the head office and FEDS BanQiao ISO 50001 Completed institution of the "Indoor Air-Conditioning Temperature Limit Internal Control Table" and "Air Conditioning Unit Power On-Off Schedule Internal Control Table" Achieved the goal of increasing the growth percentage in waste recycling
 Shopping mall safety and services	Reinforce management of shopping malls and customer services to provide a safe and comfortable shopping environment	<ul style="list-style-type: none"> Completed development of the "Online Accident Reporting" system Completed electrifying violation tickets for violation of shopping mall management policies All 10 stores in Taiwan were certified for installation of AED.

Driving the sustainable UP initiative to elevate capabilities in creating sustainable value

Sustainable UP1: Sharing of sustainability trend awareness

The CSR Executive Office regularly shares sustainability trends during branch store management meetings. On April 16, 2019, the inaugural "Far Eastern Department Stores Sustainability Forum" was held and personally hosted by President Nancy Hsu. Mr. Eugene Chien, Chairman of Taiwan Institute for Sustainable Energy (TAISE), was invited to give a speech on the topic, "Challenges and Opportunities for Retail Industry Sustainability," sharing insights on observations of challenges and opportunities faced by the retail sector in the pursuit of sustainable development. The 60 participants comprised of all store managers from Taiwan and supervisory personnel from the manager level and above from the head office administration, operation, merchandising departments, and more, who collectively set a top class and sustainable new orientation for the sustainable management of FEDS.



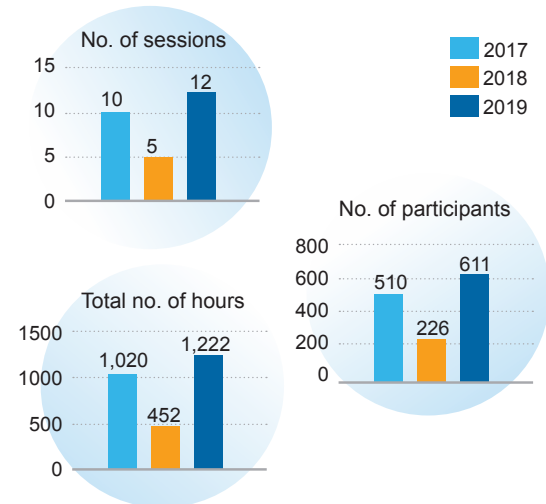
Sharing achievements in sustainability programs at the International Conference on a Sustainable Taiwan

In September 2015, the United Nations adopted the "2030 Agenda for Sustainable Development" where 17 sustainable development goals and 169 specific goals were set out as core of the agenda to steer countries around the world towards a collective goal. To achieve sustained development of the nation and to integrate internationally, the Environmental Protection Administration of the Executive Yuan organized the International Conference on a Sustainable Taiwan: Accelerating the Localization of UN SDGs on June 5, 2019. FEDS was invited as a corporate representative to attend the conference and to share the achievements in the area of driving sustainability, how the Company had utilized core resources and made good use of the strengths of channel platforms to put into effect intelligent retail, environmental sustainability, community care, and more, locally creating an economic-environmental-societal win-win-win sustained growth model to lead the department store industry to a new era of sustainable development.

Sustainable UP2: Regular cross-functional discussions and communication

To facilitate cross-functional CSR communication and to foster a common working language, since 2017, the head office finance, accounting, legal, administration departments, etc. have regularly organized sessions for sharing knowledge. Based on issues regarding regulations, finance, investments, and more that may be encountered at work, session topics are determined for teams to take turns reporting, questioning, and discussing the topics. In 2019, a new segment "Rising Star Program" was added to the sharing sessions. In recognition of employees with exemplary performance, employees will be awarded FEDS shopping vouchers as reward. There are two categories of awards—team and individual, where respective winners will be conferred NTD5,000 and NTD500 shopping vouchers.

Sessions for sustainability knowledge sharing



Sustainable UP3: Train the trainers

From April to July 2019, FEDS invited professional trainers from TAISE to run a series of Corporate Sustainability Leadership Course. Through systematic professional training, employees enriched their awareness of international benchmark enterprises in promoting sustainability performance metrics. These employees in turn would be the force for good within FEDS to elevate the corporate sustainability management and performance of the Company. 156 individuals attended the course, of which 45 passed the TAISE online test and reportage coursework assessment to obtain the qualification to be volunteer reviewers during the 2019 TCSA.



Sustainable UP development plan

Achievements

External corporate training and relevant courses

- 12 employees attended training
- Total no. of hours: 96
- 1 obtained Corporate Sustainability Manager Certification

Organize corporate sustainability forum

- No. of sessions: 1
- No. of participants: 60
- Total no. of hours: 90

Arrange internal training sessions

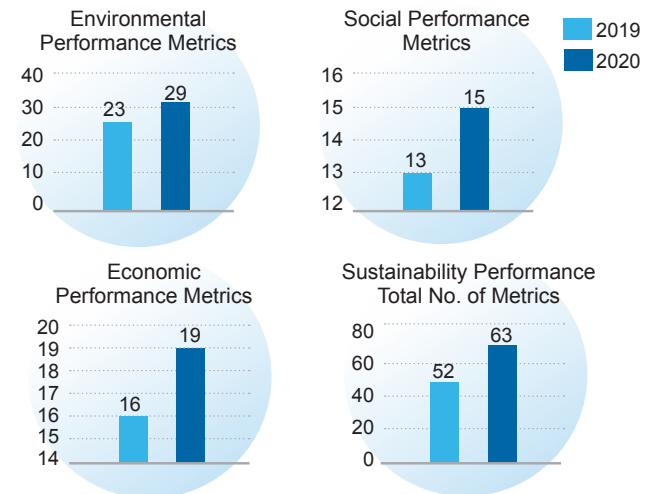
- No. of sessions: 3
- No. of participants: 156
- Total no. of hours: 468

Encouraging employees to be award assessors

45 employees became 2019 TCSA volunteer assessors, 11 times more compared to the previous year

Sustainable UP4: Implementing sustainability management KPIs

President Nancy Hsu has been constantly reminding employees during meetings of the spirit of "Retail is detail." To this end, the administrative department have set out performance metrics in relation to ESG. In 2019, there were 52 management metrics with the aim to ingrain CSR values into actual work practices. Through monthly video conferences and administrative meetings, performance of each subsidiaries are tracked and units that do not meet performance indicators are to justify the reasons or propose refinement solutions in the hope that through sustainability performance management, a positive cycle of continuous improvement will be established to propel the good performance of FEDS further.





Excellent sustainability performance garnered international recognition



APEA Special Achievements Award

To honor outstanding entrepreneurs in Asia Pacific, Enterprise Asia established the Asia Pacific Enterprise Awards (APEA). The 13th APEA ceremony was held at Shangri-La's Far Eastern Plaza Hotel, Taipei on October 4, 2019. Mr. Douglas Tong Hsu, Chairman of Far Eastern Group, was conferred the Special Achievements Award in recognition for being a bold mold-breaker who has led FEG for further growth and development through continuous expansion, transformation, and restructuring.



Global Corporate Sustainability Awards Outstanding Professional Award

The 2019 Global Corporate Sustainability Awards (GCSA) was held at The Grand Hotel on November 28, 2019. Mr. Douglas Tong Hsu, Chairman of Far Eastern Group, was recognized for Professional - World Class Award. Mr. Hsu commented, "2019 marked the 70th anniversary of founding of Far Eastern Group. Looking forward to the future, regardless of business climate changes or environmental changes, FEG will persevere, undaunted, to progress hand in hand with employees, business partners, and the public. We will build upon the hard power accumulated over the past 70 years to create business models and social commitments that keep pace with the times, develop new sustainable blueprints, and uphold the corporate social responsibility."



FAPRA Best CSR Award

Asia-Pacific Retailers Convention and Exhibition (APRCE) is Asia Pacific's largest and most influential retail conference, and the Best CSR Award is presented biennially. FEDS won the award with the vision of "Sustain for a Good Life" where the three prong approaches in green consumption, public welfare, and intelligent retailing impressed judges. FEDS beat nominees from 19 other countries to become the first Taiwanese department store in 40 years to win the award, becoming a prominent star on global arena.



TCSA Taiwan Corporate Sustainability Award

The TCSA Taiwan Corporate Sustainability Award has been acknowledged by the generic business circle as akin to the Oscars of Taiwan sustainability awards. FECS clinched four awards namely, "Taiwan Top 50 Corporate Sustainability Award," "Growth through Innovation Award," "Gender Equality Award," and "Corporate Sustainability Report Award - Platinum." In light of influx of entrants to the retail sector, FEDS has soared amid headwinds, resolute to accomplish "digital operations, digital experiences, and digital management" to revolutionize traditional retail operations model. In response to the demand for department store professionals due to continuous expansion of the store network, 13 initiatives revolving "warm, healthy, and happy" have been rolled out so that employees can work hard and work happy in a safe environment. The efforts have also been recognized by the Taipei City Government awarding "Outstanding Excellent Healthy Workplace Award" and "Labor Safety Award" to FEDS.



CommonWealth CSR Corporate Citizen Award

FEDS stood out from a massive number of nominees to win the CommonWealth Corporate Citizen Large-Scale Enterprise Top 50 Award hosted by CommonWealth Magazine for five consecutive years, rendering FEDS the department store that has won this award the greatest number of times. We are proud that our efforts in corporate commitment and social investments this year have been deeply affirmed as we garnered better results than previous years.



RACT Best CSR Award

In recognition of CSR efforts, FEDS won the FAPRA Online Awards 2019 Asia Pacific CSR Award convened by Retailers Association of Chinese Taipei (RACT) for two consecutive years. FECS will be Taiwan's representative vying for the Asia Pacific FAPRA Best Efforts in Social Responsibility Award.



SGS CSR Sustainability Leadership Award

FEDS received the CSR Sustainability Leadership Award awarded by SGS. The award comprehensively evaluates on an overall basis, including specific areas such as corporate governance, climate change, talent development, supply chain management, and more. Through the rigorous and fair evaluation by interdisciplinary experts, FEDS was commended for its perseverance towards achieving environmental sustainability and social integration in the process of producing financial performance.

1.2 Robust Sustainability Governance

FEDS has established an excellent governance framework where division of labor is based on specialization and implementation of corporate governance in a modus operandi determined by responsibility. The functions of Board of Directors and information transparency are of paramount importance, and through the set-up of various supervisory committees, the efficacy of corporate governance and quality of decision made are heightened. Concurrently, FEDS participates actively in domestic and international department store-related associations to broaden business horizon and influence the industry to progress towards sustainable corporate operations. In addition, the legitimate rights and interests of shareholders as well as interests of other stakeholders are also ensured.

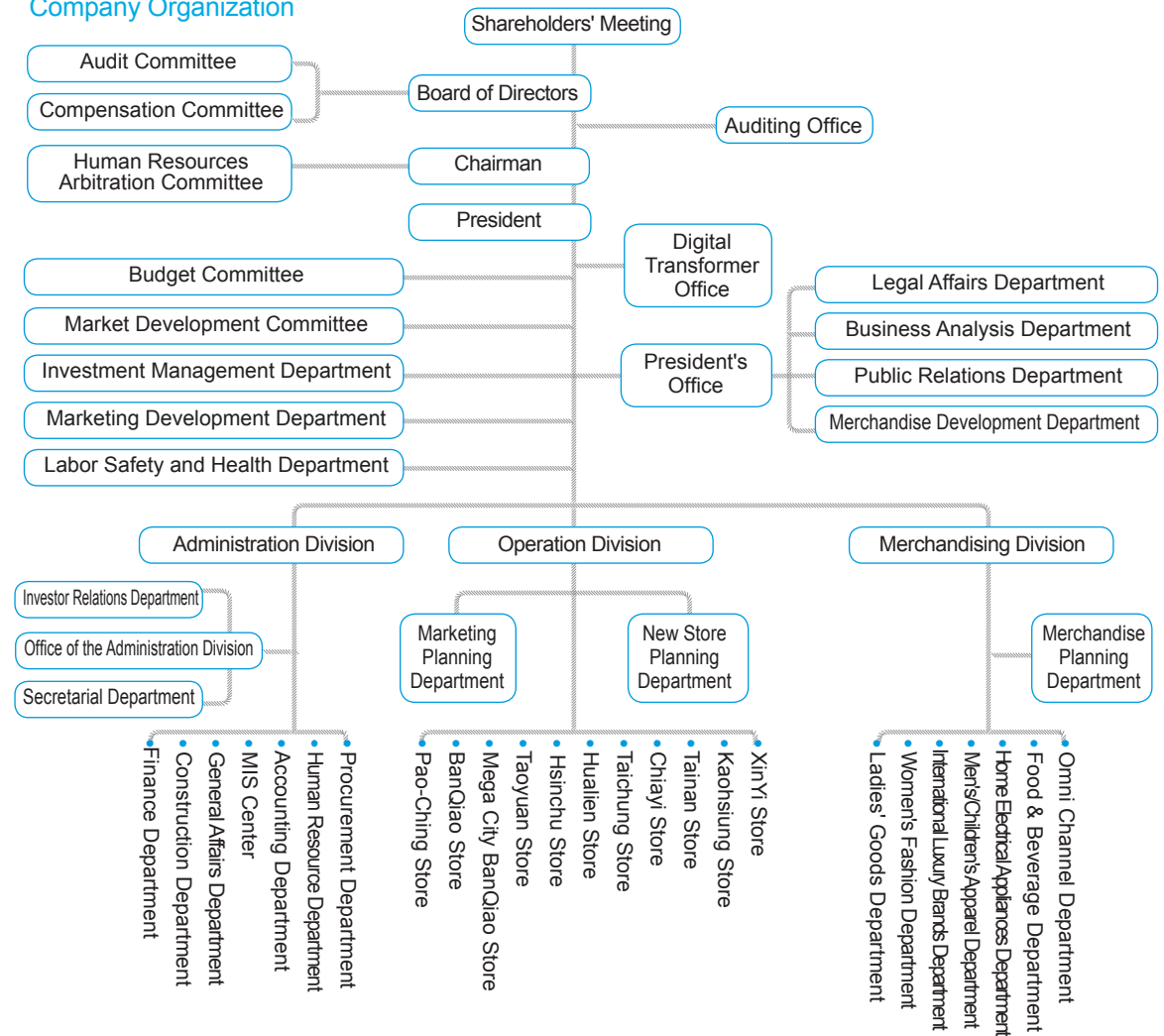
1.2.1 Specialized practice structure and attaching great value to shareholders' equity

In order to build an effective corporate governance framework, FEDS has instituted the Corporate Governance Principles whereby corporate governance is implemented with transparent disclosures and accountability and where necessary, linked to governance mechanisms of each subsidiaries so as to ensure shareholders' equity. FEDS is constituted of three main departments: Administration Division, Operation Division, and Merchandising Division, each of which is responsible for daily operations and management. Under the Board of Directors are the Audit Committee, Compensation Committee, and Auditing Department that collectively maintain a good corporate governance system.

Appointment of Chief Corporate Governance Officer to actively drive corporate governance

In accordance with Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, on May 3, 2019, the Board of Directors elected Junior Vice President of Accounting Department as the Chief Corporate Governance Officer. The main responsibilities and duties include convening board/shareholder meetings in compliance with the law, producing meeting minutes of board/shareholder meetings, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, assistance in directors' compliance of law, and other matters set out in the articles of corporation or contracts. The status of Chief Corporate Governance Officer's further education is disclosed on the Company's website to provide real-time information to stakeholders.

Company Organization



Implementation of corporate governance; taking out liability insurance for Board of Directors

To establish a sound corporate governance mechanism, FEDS took out a Directors & Officers Liability Insurance on June 30, 2019. This reduces the legal risk and financial liability of the Board of Directors and management and provides safeguards to the Board of Directors and company executives against possible damages due to the execution of business. The status of insurance coverage was reported on the 6th Board Meeting of the 18th-term Board of Directors held on August 12, 2019

Increase information transparency to enhance communications with stakeholders

The contacts for investor relations and feedback mailbox are accessible on the Company's website to enable employees, shareholders, and other stakeholders to have direct communication channels with relevant department management should they have any feedback or suggestions. To enhance communications with stakeholders, the Company has designated special personnel to be responsible for the collection and disclosure of company information. In addition, a spokesman system has been established to ensure information that may affect the decisions of shareholders and stakeholders is promptly disclosed. Information such as complete financial reports, major announcement, corporate governance, and more are disclosed on the investor section (<https://www.feds.com.tw/shareholder/>) on both the English and Chinese versions of the Company's website (<http://www.feds.com.tw>).

Investor Relations



Appointment of Chief Corporate Governance Officer to actively drive corporate governance

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Corporate Governance Principles



Types of Resolutions of the Board of Directors and Corporate Governance Committees

name	Economy	Environment	Society
Board of Directors	▲	▲	▲
Remuneration Committee	▲		▲
Audit Committee	▲		
Market Development Committee	▲		
Budget Committee	▲		
Corporate Social Responsibility Committee	▲	▲	▲
Human Resources Arbitration Committee			▲

Number of important resolutions passed by the Board of Directors



Added to Taiwan Mid-Cap 100 Index; building credibility for overseas investments

FTSE Russell announced on September 6, 2019 that Far Eastern Department Stores (2903) had been added to the FTSE TWSE Taiwan Mid-Cap 100 Index. The index, which is jointly compiled and managed by TWSE and global index provider FTSE International Ltd., represents the performance of medium-sized companies with growth potential in Taiwan. These include the top 100 Taiwanese companies by market capitalization on the Taiwan Stock Exchange. This will help raise FEDS's international profile and attract foreign investment.

1.2.2 Diversified composition of Board of Directors with professional knowledge and abilities

More than half of board seats occupied by females, meeting industry standards

FEDS has 8 board seats, of which 2 are independent directors, each of whom possess necessary knowledge, skills and accomplishments to serve their duties. Through regular quarterly board meetings, the transparency of information regarding the Company's operation is increased, shareholders' rights and interests are protected, and attention of the Board of Directors to the Company's sustainability issues is also intensified. Board members are able to fully interact and communicate with management of the Company as they execute and supervise the Company's business. The Board provides timely guidance and monitoring regarding questions and strategies raised by the management, so that business policies can be implemented and adjusted.

FEDS attaches great importance to gender equality, which is reflected in the appointment of the Board of Directors. There are five female board members currently, occupying more than 60% of the board seats, far higher than the average proportion of female directors in Taiwan's listed companies. Given that the department store industry is predominantly a female-oriented industry, the Board composition not only helps the Company to be able to formulate strategies suited to customer needs, but also raises awareness in gender equality-related topics.



Noted: The gender information of directors of listed companies comes from the 2018 statistics of FSC.

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.

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.	♂	▲
	Nancy Hsu	Fashion Design, Shih Chien University	♀	▲
Director	Nicole Hsu	B.A. in Interior Design, New York School of Interior Design B.A. in Literature, Simmons University, USA	♀	▲
	Chee Ching	Ph. D. of Management Information System, Purdue University	♀	▲
	Philby Lee	Accounting Department of the Arizona State University	♀	▲
	Jin-Lin Liang	Master of Communications, Illinois University EMBA, NTU	♀	▲
Independent Director	Eugene Chien	Ph.D. in Aviation Engineering, New York University Bachelor of Mechanical Engineering, National Taiwan University	♂	▲
	Edward Wei	MBA, University of Georgia, USA.	♂	▲

Note:

1. Independent director, Ruiming Dai resigned on June 28, 2019, and a new independent director will be elected at the 2020 shareholders' meeting.
2. Please refer to the annual report for details of shareholding and concurrently-served positions of Directors and Supervisors.

▲ 30 to 50 ▲ Above 50

Rules for Director Election



Regular performance assessment spurs performance that exceeds expectations

In 2019, FEDS amended the Regulations Governing the Performance Evaluation of the Board of Directors in four major areas, namely the scope of performance evaluation, the performance evaluation period, methodology of performance evaluation, and performance evaluation metrics. With this amendment, FEDS hopes to be able to institutionalize a more complete corporate governance framework, boosting the efficiency and function of the Board of Directors' operations and further bolstering the Company's capacity for sustainable development.

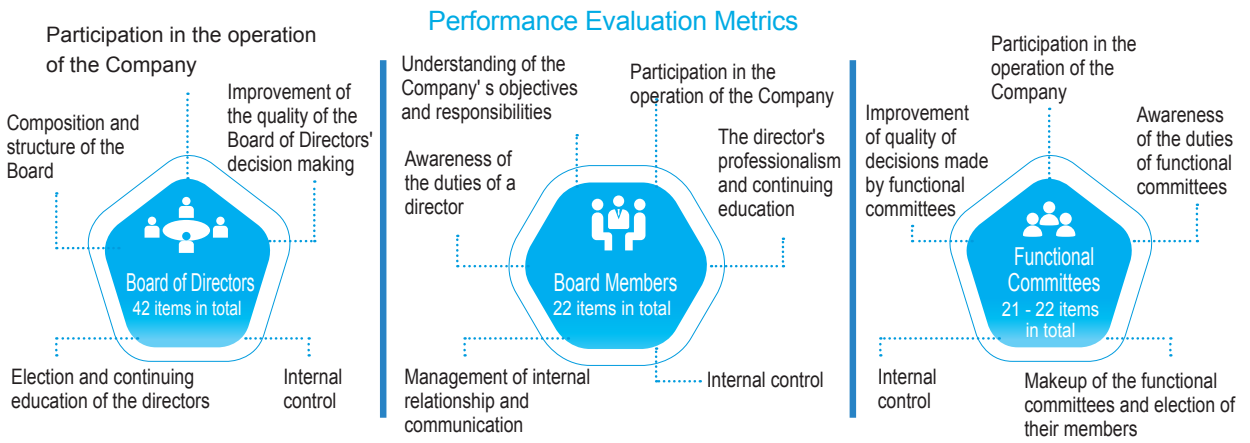
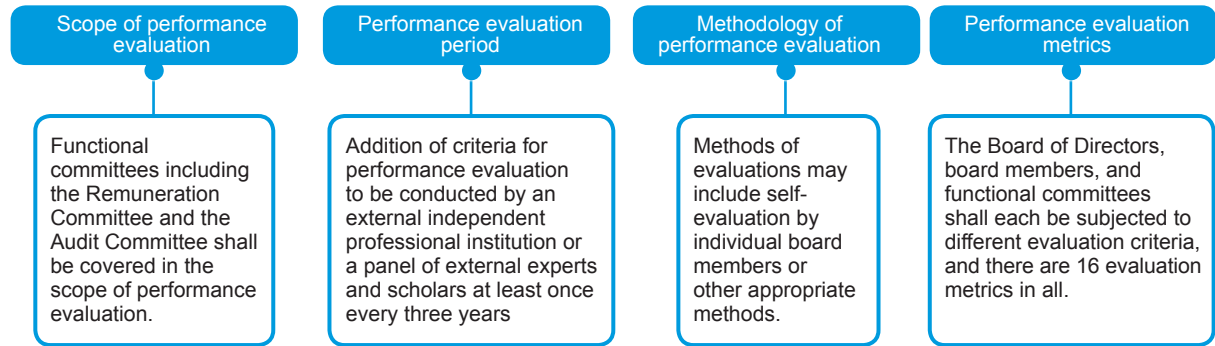


Regulations Governing the Performance Evaluation of the Board of Directors

The performance evaluation of the Board of Directors was conducted in November 2019 in line with the tenure of the directors. The evaluation period covered from June 22, 2018 to June 21, 2019, where the board of directors as a whole, individual board member, the Audit Committee as a unit, and the Compensation Committee as a unit were assessed by self-evaluation questionnaires. The evaluation results were divided into three rating scales - "Exceed expectations - Achieved above 90%," "Meet expectations - Achieved 80% - 90%," and "Improvement needed - Below 80%."

For the evaluation, the results for individual board members, board of directors as a whole, and each functional committee were determined to be "exceed expectations." This reflected that the board members and each functional committee are able to recognize their responsibilities and have familiarity with the operations and environment of the Company, which effectively improves the overall decision-making quality of the Board. The evaluation results will be presented in the 2020 Q1 Board Report and the performance evaluation results of individual directors will be used as a reference for directors' nomination. Henceforward, a diversity of professional courses will be progressively planned for directors, and external performance evaluation will be arranged at least every three years to promote the objectivity and operational efficiency of the Board of Directors' evaluation.

Key Points of Amendments to Regulations Governing the Performance Evaluation of the Board of Directors



Note: Functional committees include the Audit Committee (22 performance evaluation metrics) and the Compensation Committee (21 performance evaluation metrics).

2019 Board of Directors Performance Evaluation Results

Performance Results	Board of Directors	Board Members	Each functional committee
Exceed expectations - Achieved above 90%	●	●	●
Meet expectations - Achieved 80% - 90%			
Improvement needed - Below 80%			

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.

Remuneration

From 1,000,000 to 2,000,000 : Chee Ching

From 2,000,000 to 3,000,000 : Eugene Chien, Edward Wei

From 5,000,000 to 10,000,000 : Nicole Hsu, Jin-Lin Liang, Philby Lee

From 10,000,000 to 15,000,000 : Douglas Hsu

From 15,000,000 to 30,000,000 : Nancy Hsu



Note :

1. Remuneration includes remuneration of Directors and remuneration as employees.

2. For more information regarding the remuneration paid to the Directors, President and Vice Presidents, please refer to the annual report.

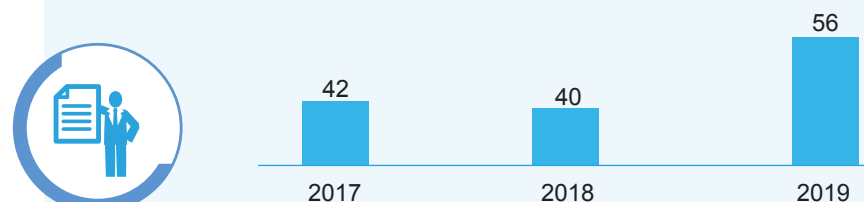
Directors and presidents continuing education for upskilling

FEDS assists directors and presidents to attend training courses to continuously refine corporate governance functions and enrich professional knowledge and legal literacy so as to effectively implement the corporate governance system. In 2019, all directors completed 6 hours of further education whilst Chief of Corporate Governance completed 9 hours of further education. The training subjects included insider equity trading law compliance, corporate information security governance, director and supervisor responsibilities, and more. Henceforward, diversified professional courses will be planned for the directors. For details regarding training dates and subjects of the courses attended by directors and presidents, please refer to the Company's 2019 Annual Report.

1.2.3 Active involvement in commerce and trade associations to leverage influence on the industry

As the only chain department store in Taiwan with the longest history and the widest operating network, FEDS has joined 56 domestic and international commerce and trade associations, a 40% increase from the previous year. FEDS galvanizes industry peers to collectively bolster the industry and economic growth and harnesses core capabilities to contribute to the society, rendering the Company an unyielding force pushing Taiwan's department store industry to progress towards internationalization and modernization.

Number of participating public associations over the years



• Expense of NTD1,450,520 for commerce and trade association fees in 2019
No. of Commerce and Trade Association Joined



International Exchange

- The only Taiwan department store representative to join the Intercontinental Group of Department, connecting with the international department store industry annually
- Spearheaded the Taiwan delegation at the 19th Asia-Pacific Retailers Convention and Exhibition (APRCE)



Material Influence

- Involved in the actual operation of six associations as directors and supervisors
- Founding member of three associations, being a driving force for industrial development

Joined IGDS to broaden business horizon and raise international profile

Founded in 1946, the Intercontinental Group of Department Stores (IGDS) is the world's largest department store association and currently has more than 40 members. Membership is reserved exclusively for the world's leading department stores; usually only one department store per country is accepted and the admission of new members is subject to the consent of the majority of existing members.

FEDS was the first Asian member representative to joined IGDS in 1988 and has been the only Taiwan department store representative for the longest time. Through the IGDS Global Department Store Summit (GDSS), World Department Store Forum (WDSF), and other events, FEDS has identified an excellent channel to keep Taiwan department store industry in line with international standards, bringing global industry peers and major renowned brands into Taiwan to establish international partnerships. This also promotes the development and operation direction of Taiwan's department store industry internationally, enables global department store players to have a better understanding of the current situation of Taiwan's department store industry, and improves the internationalization and profile of Taiwan's department store industry.







Participate in The Main Scivities of IGDS Over The Years

Year	2015	2016	2017	2018	2019
Theme	Strengthen the emotional connection with customers	Create new retail for the future	New digital and physical experience	The Power of Luxury	Department Store's City positioning
Events	The 4th World Department Store Forum	The 12th IGDS ASIA Summit	The 5th World Department Store Forum	The 70th IGDS Annual Conference and Global Department Store Summit	The 6th World Department Store Forum
FEDS participants	6	20	6	6	3

Compliance with IGDS CSR Code of Conduct along with global members

As a member of IGDS, FEDS and all other members have recognized the need to effectively manage corporate operations, balance the interests of all stakeholders in the course of operations, focus on the environmental impact of retail business, whilst fulfilling corporate social responsibility

Key Points of the Code of Corporate Social Responsibility of IGDS

Stakeholder	Key Point
 Customer	<ul style="list-style-type: none"> • Provide customers with a safe consumption environment • Customer safety is the first consideration for selling products • Treat customers fairly, solicit customer opinions and accept customers' feedback • Respect customers and employees, and follow personal data protection laws • Provide sufficient information to customers
 Employees	<ul style="list-style-type: none"> • Respect employees and provide employees with a healthy and safe workplace • Develop the professional ability of employees • Do not discriminate against employees based on race, gender, religious belief, political stance, nationality
 Community	<ul style="list-style-type: none"> • Commitment to strengthen local community membership • Support at least one non-profit organization • Encourage employees to participate in community event
 supplier	<ul style="list-style-type: none"> • Interaction with all suppliers is based on integrity • Pursue long-term and stable beneficial business cooperation • No bribery
 Environment	<ul style="list-style-type: none"> • All operating processes follow environmental regulations, and promote energy efficiency, resource recovery, waste management, and transportation efficiency through long-term promotion programs to reduce the impact on local environment. • To protect the local environment and communities with actively actions. • Aggressively communicate environmental policies with employees and other stakeholders
 CSR Management	<ul style="list-style-type: none"> • Assign at least one senior staff in charge to ensure that the company complies with the IGDS CSR guidelines to communicate with employees, suppliers, customers and other stakeholders, and solicit feedback from stakeholders

Far Eastern Department Stores successfully attended the 6th World Department Store Forum (WDSF)

The 6th World Department Store Forum (WDSF) was held in Tokyo from June 6 to 7, 2019. Chairman Douglas Tong Hsu personally represented FEDS at the event along with 340 corporate leaders and retail experts from 36 countries to discuss and exchange ideas on the most important issues of department store retailing and latest evolutions. During the two-day forum, 20 world-class leading experts were invited to address the rising trends of urbanization and how cities were becoming the power centers for brick-and-mortar retailing. It also analyzed customer behavior and expectations, and explained how creating a unique in-store experience was vital to ensuring the industry's success.



Create intelligent malls to drive new developments for department stores

For the past 53 years, FEDS has been upholding the spirit of seeking innovation and changes, and has been an indispensable role in promoting the modernization of Taiwan's department store industry. FEDS has relentlessly innovated business models, being the first to have merged the business operations of supermarkets and department stores, and also the first department store to roll out gifts with purchase, lucky draws with purchase, mid-year promotion sales, international merchandise fairs, and more. Because of the positive outcomes, each of these innovative initiatives have become an essential part to the business model of modern department stores. As the consumption pattern evolved, so did the emergence of forth-generation stores (Mega City BanQiao, Top City Taichung) of "department store-type shopping centers." Meanwhile, in the wave of digital technology, the fifth-generation store (FEDS XinYi A13) has become the new indicator for Taiwan's "intelligent mall." Looking ahead, FEDS will continue to expand our network and continue to spearhead the innovation development for shopping malls in Taiwan.

Leveraging the Retailers Association to lead industry peers exchanges

FEDS President Nancy Hsu has been appointed as the Chairman for Retailers Association of Chinese Taipei (RACT) since January 2016. In addition to leading the association to become a platform for the exchange of opinions and information for the department store retail industry, President Hsu also plays the role of an industrial think tank, providing appropriate suggestions when the government is formulating the department store retail policies, striving to improve the service innovation and added value of the department store retail industry in Taiwan, and contributing professional influence to the social and economic development. In 2019, RACT has 7 group members, 31 group representatives, and 64 individual members, and hosted 23 domestic and international industry-government exchanges and visits.

The numbers of Retailers Association of Chinese Taipei Activities



The type of 2019 Retailers Association of Chinese Taipei Activities





FEDS attended the 19th APRCE Asia Pacific Retail Conference

From September 5th to 7th, 2019, FEDS President Nancy Hsu, as the Chairman of RACT, led the Taiwan delegation to attend the 19th Asia-Pacific Retailers Convention & Exhibition (APRCE). The conference is the largest and most influential retail conference in the Asia-Pacific region, and is one of the three major retail meetings in the world. The event was attended by guests from the United States, the U.K., Germany, France, and other 23 countries (regions) with nearly 4,000 participants, the largest scale ever. FEDS President Nancy Hsu and Federation of Asia-Pacific Retailers Associations (FAPRA) jointly launched an initiative: in the face of the current complex international economic situation, FAPRA members and retail enterprises should strengthen international trade cooperation, promote regional economic exchanges, support the multilateral trading system, and promote global trade integration, so as to meet the needs of the world's economic development. Concurrently, through cooperation and sharing, members and retail enterprises shall open the door to new possibilities and opportunities for the Asia retail industry development.



FEDS conferred Best Corporate Social Responsibility Award

In May 2019, RACT convened the Best Efforts in Social Responsibility award competition. Mr. Ju, Haw, Deputy Director General, Commerce Development and Strategy Research Division of Commerce Development Research Institute (CDRI), served as the chief judge along with a judging panel comprising of professionals and experts from the industry, government, and academia. They brought expertise and experience to the panel in determining the best department store for the implementation of corporate social responsibility. With a vision of working hand-in-hand with consumers to embrace a sustainable and better life, and in view of the excellent sustainability achievements in three major areas of green consumption, public welfare, and intelligent retails, the judging panel made an unanimously decision where FEDS emerged as the winner once again in the competition. As the champion of the competition, FEDS will represent Taiwan in the Asia-Pacific Retailer Best Corporate Social Responsibility Award organized by Federation of Asia-Pacific Retailers Associations (FAPRA), vying for the Asia-Pacific CSR Grand Award with 19 other entries from the region.



Aspiring to be the impetus that boosts soft power of department stores during RACT members' meeting

On March 14, 2019, RACT held its 4th meeting for 7th-term general assembly. Chairman of the Board of Directors of RACT and President of FEDS, Nancy Hsu commented that from the achievements of the activities provided by the members of RACT, it was heartening to see that more new-generation department store personnel were able to think about needs from a customer's perspective to propose creative solutions and designs to path the way to a new retail shopping journey for customers. As a concluding remark, President Hsu urged corporate members and department store practitioners to supercharge innovation for department store retailing and become the impetus that will boost the soft power of the department store industry.



1.3 Sound Risk Management

Historically, FEDS had relied on a sound and complete risk management mechanism to identify risks and threats. FEDS also has a committees or departments with authority and responsibilities, and relevant principles and codes to augment the risk control. In 2019, as a continued effort to improve the risk management mechanism, FEDS was the first in the industry to disclose climate-related financial information. In addition, the Auditing Office had been delegated to fortify internal controls and risk management in six key areas including food safety, compliance management, personal data protection, financial accounting management, human resource management, and merchandise operations. FEDS also increased the number of employees who underwent training in risk by 33%, and completed the compilation of internal controls for 9 major operating cycles to achieve 0 corruption, 0 material violations, 0 major complaints, and 0 leakage of personal data.

1.3.1 Ethical corporate management to reduce risk

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, Best Practice Principles of Ethical Corporate Management and the Code of Ethics as the basis for all employees' behaviors. The Best Practice Principles of Ethical Corporate Management 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, 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 2019.



Code of Ethics



Best Practice Principles of Ethical Corporate Management



Whistleblowing and disciplinary measures for violations of ethical behavior and integrity management

Integrity and ethical values regarded as key foci in the self-assessment for internal control

In recent years, FEDS has listed integrity and ethical values as key items in the self-assessment questionnaire on the internal control CSA management system. Board members, senior management, supervisors, and employees are requested to conduct self-assessments. Each self-assessor of integrity and ethical value conducts a self-assessment of the control objectives, control points, execution performance, and risk levels. The details include whether the importance of integrity and ethical values has been emphasized, whether integrity and moral values have been established and all members of the organization have been duly informed and have acted accordingly, whether transactions between the Company and partners (e.g. suppliers, investors, creditors, competitors, accountants, and more) were compliant with integrity and ethical values standards, etc.

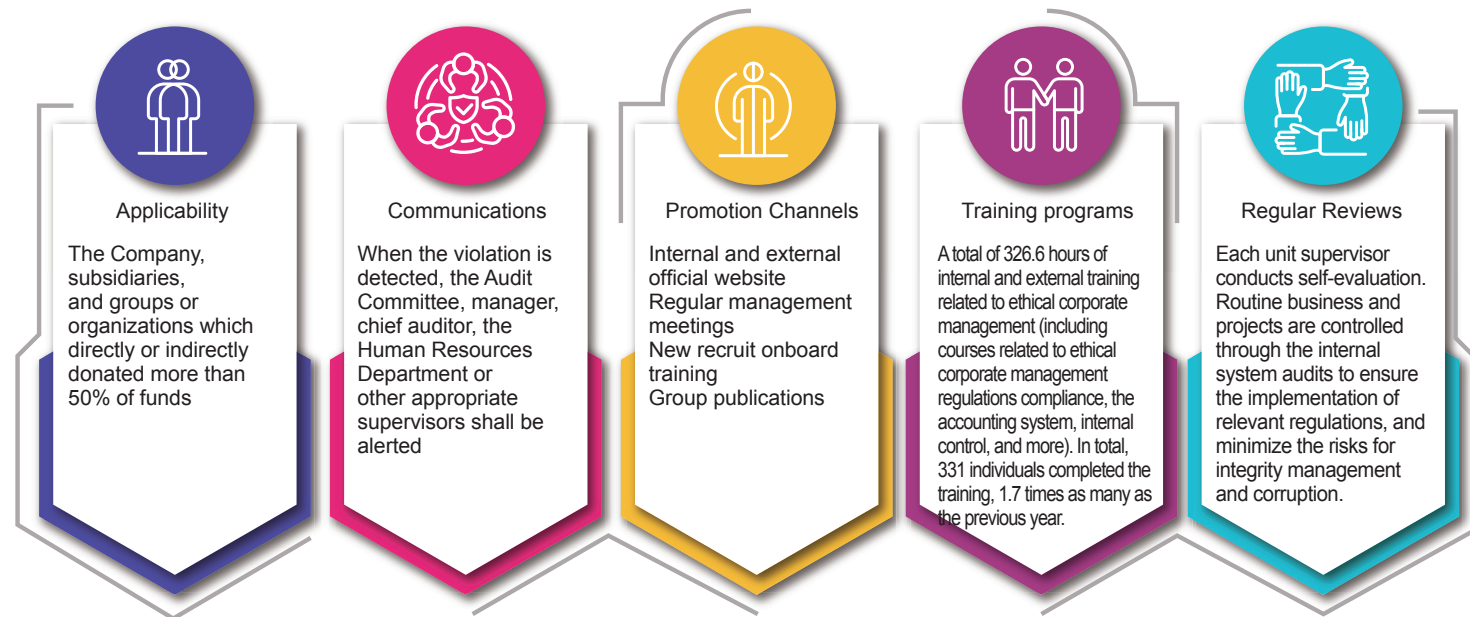
The internal control CSA cloud management system proved to be effective

The FEDS Auditing Office set up the Digital Audit Task Force in 2017 and adopted the internal control CSA cloud management system. The utilization of cloud and information technologies has facilitated efficiency when carrying out internal control self-assessments and improved quality and performance of internal control. The Digital Audit Task Force integrates the Group's retail system, including city'super, TheMall, A-Mart, and Far Eastern SOGO, and has organized 10 training sessions to learn about the latest intelligent technology for internal control and risk assessment. From 2017 to 2019, the total number of CSA procedures and content items was more than 7,000; some 15,000 self-assessment questionnaires were issued on the system, and the response rate in 2019 was 100%.

The first department store to be conferred "Internal Control and Internal Audit Innovative Application Practice Award"

FEDS has been actively promoting the computerization of auditing procedures. In recognition of the efforts, the International Computer Auditing Education Association (ICAEA) awarded the 2019 Internal Control and Internal Audit Innovative Application Practice Award to FEDS, rendering FEDS the only winner in the department store retail industry.

Execution status of policies regarding ethical corporate management and codes of ethical conduct










1.3.2 Systematic and non-systematic risk management and countermeasures

FEDS has set up an appropriate risk management system to ensure the Company can actively engage in various business developments under the risk management system and reduce the impact on consumers and the society. Through regular analysis and assessments of the risks of business activities and work execution, FEDS actively takes measures to prevent the occurrence of risks, develop measures to minimize the impact of risk, and prevent their recurrence.

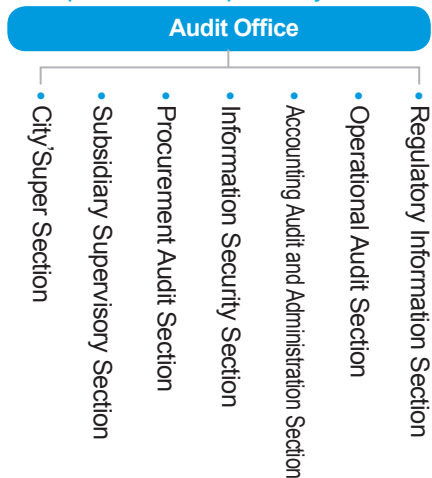
The scope of the risk management is not limited to the internal management system, but also the impact of external changes on the business. Systemic risks are categorized to research the commonality. Non-systematic risks that may occur under specific conditions require comprehensive risk management and response measures.

Risk Management and Countermeasures








Type of Risk	Description	Countermeasures
 Food safety risks	Customers are increasingly solicitous about food safety issues while the proportion of F&B counters in department stores is gradually increasing. In the event of food safety problems, other than affecting customer rights, it will also impact the Company's operations and corporate image.	<ul style="list-style-type: none"> Clearly set out specifications in agreements with counters that vendors are required to comply with. Perform regular inspections and irregular special audits to ensure food safety. Conduct preventative checks on F&B and kitchen safety and sanitation procedures.
 Mall operation risks	As department stores experience heavy human traffic, unsafe environments are susceptible to accidents. In addition, the government has been tightening requirements and regulations for the safety of business premises, where violations of the rules may result in fines. These incidents may also deter customers from returning to patronize the mall.	<ul style="list-style-type: none"> Fortify accident notification and handling mechanisms. Perform regular inspections of equipment and carry out cleaning, servicing, updates, and other maintenance. Conduct 2 to 4 fire safety drills and training annually to improve disaster prevention knowledge and skills. Strengthen advocacy of electricity safety and establish a checklist for daily inspection. Amend the contractor's management regulations and reinforce the environmental safety and health management of outsourced operations.
 Human resource risks	Demand for talents is strong in the service industry as industry peers are actively expanding their operation network. Aggravated by hectic workload, long working hours, the need to do shift work during holidays, and other characteristics of the job, it is a challenge to attract talents.	<ul style="list-style-type: none"> Increase recruitment channels to recruit outstanding talents. Activate retention mechanisms and provide competitive financial incentives. Enrich employee benefits so that employees will feel happy and assured at work. Implement grooming of talents and execute management trainee programs.
 Financial management risk	To support the operation growth and expand the store network, abundant cash flow is essential to reducing cost of fundraising externally. In recent years, the rise of outlets, the torrential entry of new competitors, and the division of the market by e-commerce companies have all affected revenue and profitability.	<ul style="list-style-type: none"> Set up a financial risk management team to quickly respond to changes in capital and currency markets. Drive productivity improvement programs to improve the efficiency of human and material resources in the organization. Establish KPIs to control operating expenses and reduce operating costs.
 Compliance risk	In the process of operation, any detail that is not in accordance with laws and regulations will result in damage to property and reputation.	<ul style="list-style-type: none"> Organize risk education courses annually to strengthen awareness in risk management. Provide weekly updates on changes in laws and regulations so that all employees can keep abreast of changes in regulations.
 Personal data management risks	In the information age, the scope and frequency of use of personal data have increased. Thus it is necessary to manage and use such data properly to ensure personal data security.	<ul style="list-style-type: none"> Establish management measures to fortify the protection and management of personal data. Adopt the ISO 27001 Information Security Management System Conduct regular education and training for security personnel
 Climate change risk	With reference to the TCFD framework, three major climate change risks of FEDS have been assessed, namely rise in the average temperature, rise in raw material cost, and strengthening reporting obligations for emissions.	<ul style="list-style-type: none"> Continuously drive various energy conservation improvement programs. Purchase renewable energy certificates and evaluate measures such as solar energy and off-peak power storage. Adopt ISO 14064-1: 2018 greenhouse gas emission and disclosure.

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 Auditing Office should 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 2019, please refer to the Company's website: https://www.feds.com.tw/shareholder/shareholder_tw.html.

Audit organization professional operation to help identify risks



Key Foci for Internal Control and Risk Management Sharpened by the Auditing Office in 2019

Type of Risk	Risk Management Focus	Management Project
 Food safety risks	<ul style="list-style-type: none"> Inspect quality of products sold by supermarkets and F&B counters 	<ul style="list-style-type: none"> Inspected supermarkets and 253 F&B counters to check whether there are expired products, damaged packaging, or inconsistent labels, and sanitation of ready-to-eat / deli counters at supermarkets. Inspected quality of items sold at 162 F&B counters, referencing Act Governing Food Safety and Sanitation, Regulations on Good Hygiene Practice for Food, and other relevant laws and regulations; conducted spot checks on the sanitation management of F&B counters of branch companies. For deficiencies, building management personnel would be requested to intensify supervision, or notification letters would be sent to the counter vendor to rectify issues within the time limit stated.
 Mall operation risks	<ul style="list-style-type: none"> Ensure that the facilities and fire management operations are in compliance with the public safety regulations Verify management of self-operated cosmetics are executed in accordance with merchandise movement control procedures 	<ul style="list-style-type: none"> Completed inspection of mall safety management of all ten stores in Taiwan, such as emergency lighting, emergency exit directional signs lights, fire extinguishers, power supply/ electrical appliance control at counters, and other fire safety equipment. Checked and verified labeling on gifts to cosmetic members, backorder management, and sample tested self-operated cosmetics stock keeping units, so as to maintain the company's inventory assets and protect the safety of consumer transactions.
 Human resource risks	<ul style="list-style-type: none"> Employee attendance, in-house security, and other management 	<ul style="list-style-type: none"> Verified attendance management of branch store employees. Verified security management at branch stores.
 Financial management risk	<ul style="list-style-type: none"> Timely reminders and recommendations for responsible units to comply with the requirements of the competent authorities 	<ul style="list-style-type: none"> Executed audits of accounting cycle procedures in accordance to laws and regulations, including loans, endorsements and guarantees, asset acquisition and disposal, and more. Timely reminded subsidiaries of financial management-related procedures in
 Compliance risk	<ul style="list-style-type: none"> Execute internal audit declarations and amend internal control and implementation rules 	<ul style="list-style-type: none"> Executed annual audit plans. Executed supervision of subsidiaries.
 Personal data management risk	<ul style="list-style-type: none"> For membership cards issued, verify their legality and effectiveness of data protection to protect the safety of consumers' personal data 	<ul style="list-style-type: none"> For FEDS members/app, verified their legality and effectiveness of data protection to strengthen personal data protection management and control
 Purchase payment management risk	<ul style="list-style-type: none"> Supervision during procurement negotiation Review the reasonableness of the unit price of a project change item Sample test quality of goods from suppliers Sample inspect authenticity of business information of vendors that provide quotations 	<ul style="list-style-type: none"> Audited and provided online supervisory advice during inspection. Carried out supervision of inspection on the acquisition of assets at branch stores. Checked consistency between unit prices submitted by suppliers and specified in contracts. Ensured quality of supplies to secure investment efficiency and to provide consumers with a safe shopping environment.

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 the cash flow adequacy ratio.

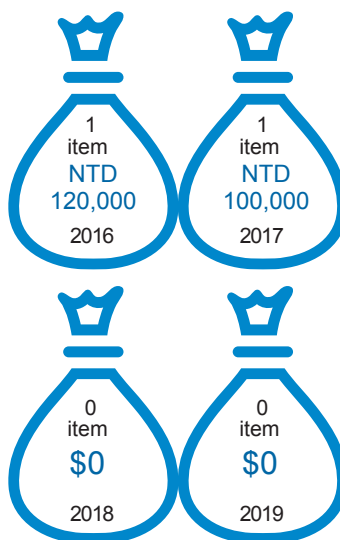
Non-systematic risks arising from financial management are mainly caused by operational negligence and accidents, resulting in the increase/loss from the assets or liabilities of the Company. The Company has formulated the management mechanism to avoid such non-systematic risks. The routine weekly management 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 control team realized zero fines and zero violations

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 regulations, management and training to prevent systematic legal risks. The Company has not only formulated relevant regulations to strictly comply with the laws and regulations in every detail in operations, procedures, products and services, but also enhanced employees' knowledge of law compliance through education and training in order to reduce the risks and liabilities of non-compliance, avoiding unnecessary financial and goodwill losses.

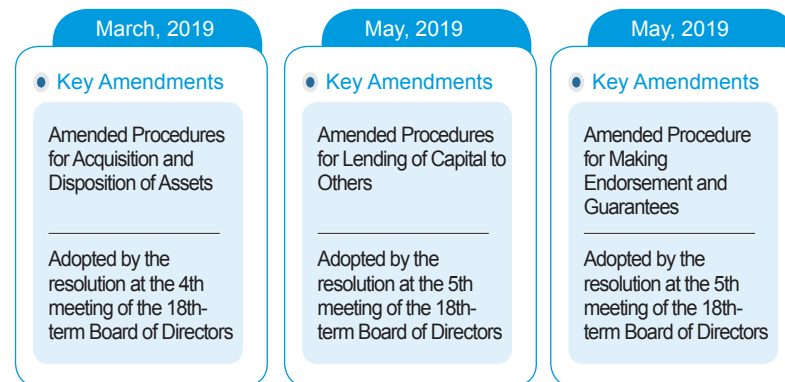
In the event of a violation of regulations, FEDS will actively handle the situation and complete the improvements. Concurrently, discussions will be held at relevant meetings to establish preventive measures for the future and serve as a warning to branch stores to prevent recurrence of related incidents. In 2019, FEDS accomplished zero major violations for 2 consecutive years. There were 12 violations without fines, all of which follow-up rectifications have been completed.

Number of Major Violations and Fines in Past Years



Note: Prior to 2018, major violations were defined as those with fines above NTD100,000 and in 2019 the amount was revised to be above NTD150,000.

Amendments to Regulations Governing Financial Management Risk



In order to heighten risk management awareness of supervisors and elevate the capability of risk prevention management, FEDS has a legal unit to drive advocacy of laws and regulations, assess legal compliance and amendments to law and regulations, etc. In addition, through the "Latest News on Laws and Regulations" bulletin disseminated weekly, supervisors of all levels are kept abreast of regulations and can stay informed of legal regulations, administrative rules, advance notice of the draft amendments to the law, and more, which are applicable to the operations of FEDS. The legal unit also conducts legal compliance training to employees. In 2019, there were 643 "Latest News on Laws and Regulations" bulletins, and 4 supervisor risk workshops were organized. A total of 160 individuals attended the workshops, a 33% increase in the number of participants as compared to 2018, which has comprehensively sharpened risk awareness among supervisors and boosted their capability to prevent and manage risks.

Supervisor Risk Management Training Courses



Enhance legal compliance with amendments to the internal control system

In June 2019, the Internal Control Revision Work Group of the Auditing Office commenced the project to edit the Internal Control System with the objective to refine the legality and integrity of corporate governance and the internal control system. Since July 2018, the Internal Control Revision Work Group has, in collaboration with contacts from various departments, executed and confirmed the edits to various internal control procedures, by performing procedures such as internal control interview meetings, discussion of the contents of the revision, and delivery the final revision notice. From the project commencement to the end of December 2019, a total of 17 meetings on revision progress and follow-ups were held and thereafter, preliminary edits to 8 major operations cycles and management control procedures were successfully completed.

Drive Revision of the Internal Control System

June, 2018

- Commenced the Internal Control System revision project
- Refine the legality and integrity of corporate governance and internal control

July, 2018

- The Internal Control Revision Work Group collaborated with assigned contacts to execute and edit various internal control system procedures.

December, 2019

- A total of 17 meetings on revision progress and follow-ups were held.
- Completed preliminary edits to 8 major operations cycles and management control procedures.

Grievance Mechanism Management Statistics



Corporate Governance

- The Company did not receive any cases regarding corruption
- No major complaints in 2019



Society

- No serious threat of freedom of association, collective bargaining
- No major employee complaints



Environmental Protection

- No environmental impact cases were filed, handled and resolved by formal grievance mechanisms



Product

- 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 2019.

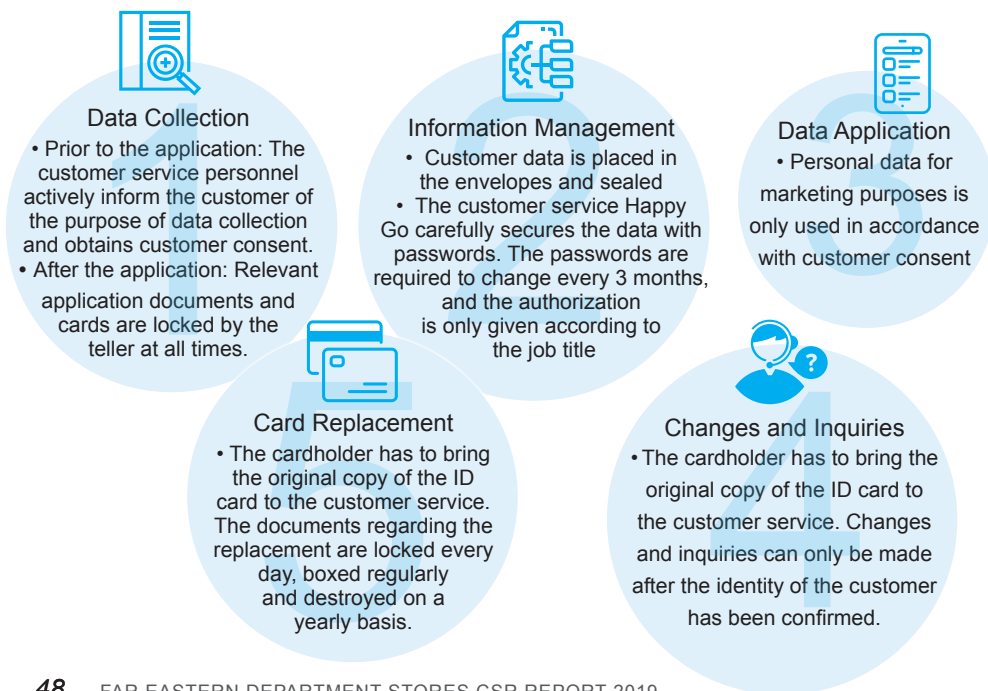
The MIS Center has established various regulations governing AD management for information security related equipment and network equipment, system account life cycles and network authority account management, data access records and remote backup, network communication security (antivirus/email), and more. In addition, personal data inventory checks and de-identification of personal data have been carried out to enforce information security policies. The information center also conducts annual audits with internal auditing units and external CPAs to ensure the appropriateness and effectiveness of security regulations and operating procedures. To fortify information security, we reduce information security risks caused by insiders through advocacy of information security content including antivirus, data backup, use of original software, regulations on use of email, and more. In 2019, we invited two experts from New Taipei City Field Division Investigation Bureau and Deloitte Taiwan Risk Advisory to the office to give a lecture on security management. The session was attended by a total of 90 individuals, and the total number of training hours was 90 hours. In 2019, with the effective implementation of internal security regulations and advocacy education, there were no violations of information security and no incidents of leakage, theft, or loss of customer information. In order to further control and reduce the threat and impact of information security incidents, FEDS has planned to introduce the ISO27001 Information Security Management System and BS10012 Personal Information Management and the certification to it, evaluate information security risks and information protection, and fortify the protection and improvement of the information management system.

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.

For customers' personal information in Happy Go card, the Company only stores member ID for Happy Go platform to identify the members. The Company cannot obtain member information or identify the members in any way. 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. The company stores customer information on Happy Go Co., Ltd. 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.

Happy Go Customer Personal Information Processing Flow Chart

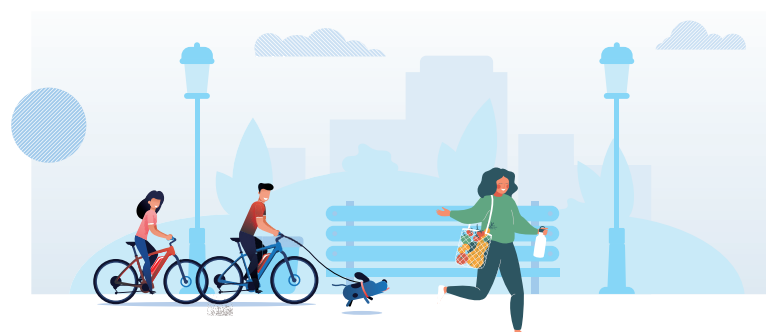


Disclosures on financial risks of climate change to progress towards low carbon retailing

The issue of global warming has exacerbated, and frequency of extreme weather events has also increased, causing damages to the economy and social environment. The unpredictability and severity of actual occurrences pose as a challenge to the operations of FEDS. In response to government and world trends for the need to accelerate low carbon transition and to investors' concerns, FEDS views the risks of climate change as important business risks and opportunities.

The risks of climate change may directly or indirectly affect the way enterprises operate. The Financial Stability Board (FSB) has therefore issued the Task Force on Climate-Related Financial Disclosures (TCFD) to assist enterprises in explaining the financial impact of climate-related risks and opportunities to provide investors with more reference information. TCFD has also become a key point of evaluation for international sustainability rating institutions.

Since 2019, in the face of increased climate change risks, FEDS has referred to the TCFD framework to disclose climate related information in four thematic areas of self-governance, strategies, risk management, and metrics and targets in a clear, comparable, and consistent manner. In particular, the governance aspect explains governance mechanisms to disclose climate risks and opportunities; the strategy aspect explains the impact of climate risks and opportunities and the impact on the Company's operations; risk management explains how climate change risks are identified, assessed and managed, and the metrics and target aspect explains metrics and targets used to assess and manage relevant climate-related risks and opportunities. FEDS unceasingly refines climate-related strategies and management to cope with the environmental changes, commits our social responsibility to climate issues to facilitate the allocation of capital investments in future, and fulfills corporate social responsibility in the promotion of global sustainable development and low-carbon economy.



Framework Description

Governance

Governance of climate-related risks and opportunities, including the supervision, evaluation and management actions of the Board of Directors

Strategies

The actual and potential impacts of climate-related short-, medium- and long-term risks and opportunities, and the impact on the Company

Risk Management

Explain the process of identifying, assessing, and managing climate-related risks

Metrics and Targets

Metrics and targets for assessing and managing climate-related issues and implementation of targets

Practices at FEDS

The Energy Conservation Team, predominantly made up of the Construction Department, compiles and submits information on management of risks and opportunities related to climate change to the management meeting for discussion. With the support of all department heads, performance is regularly reviewed by the Vice President of Administration Division and subsequently reported to the President. The Board of Directors will also supervise and manage the important related risks and opportunities.

Risk Description

Short-term Risk

- Rising average temperatures
- Rising cost of raw material

Mid-term Risk

- Rising average temperatures
- Rising cost of raw material

Long-term Risk

- Rising average temperatures
- Rising cost of raw material
- Bolster the obligation of emission reporting

Impact on the Company's business, strategy, financial planning, and more:

While related risks are force majeure events, the rising average temperature will inevitably result in increase in electricity consumption during summer thereby increasing carbon emission, and the rising cost of raw material will result in increase in operating costs. Post enactment of Greenhouse Gas Reduction and Management Act, carbon dioxide emissions are also subject to reporting obligations and advance response. Therefore, FEDS will continue to control energy consumption and implement energy conservation measures to reduce the financial impact of risk factors.

The Energy Conservation Team, predominantly made up of the Construction Department, takes reference from the list of risks listed by TCFD to identify relevant risks affecting the operation cost, preliminarily identifies the short-, medium-, and long-term climate change risks, and submits them to the President for confirmation. The Energy Conservation Team also formulates follow-up risk response management processes to reduce impact, and regularly reviews measures and performance in response to risks associated with climate change.

Explanations of Management Measures:

Rising average temperatures

The head office and FEDS BanQiao have adopted the ISO 50001 Energy Management System and have been continuously driving various energy-conservation improvement plans, actively striving for the ESCO energy conservation plan of the government, and replacing existing energy-consuming chillers with high-efficiency magnetic suspension water cooled chillers, developing real-time energy performance metrics platforms, and integrating green building concepts into the architectural design of shopping mall buildings.

Rising cost of raw material

FEDS has been unceasingly carrying out large-scale energy conservation projects, and in response to changes in Renewable Energy Development Act and government policies, continuing to purchase renewal energy certificates annually. FEDS has commenced the evaluation of solar energy and off-peak time power storage and other measures to meet future policy requirements.

Bolster the obligation of emission reporting

FEDS has proactively adopted ISO 14064-1 greenhouse gas emission inventory. Through standardized processes, the Company's internal energy consumption and carbon emissions are assessed effectively so as to further control bulk energy consumption and carbon emission projects.

Rising average temperatures

KPI	Electricity saving ratio
2019 Achievements	Replaced one 700RT chiller unit at FEDS BanQiao Store with a 600RT high-efficiency magnetic suspension chiller at an investment of NTD8.18 million. The total electricity saving rate was 1.5%.
2020 Goals	To replace two 800RT units in Hsinchu Store and Hualien Store with 800RT and 500RT high-efficiency magnetic suspension chillers respectively at an estimated investment of NTD21.65 million. The goal is to reduce electricity usage by 1% per store per year.

Rising cost of raw material

KPI	Reduce electricity consumption and assess whether to install solar equipment to reduce cost of green energy.
2019 Achievements	Drove 35 large-scale energy-conservation projects, saving a total of 2.15 million kWh; Reached a 1.5% decrease in the total electricity consumption as compared with 2018; subscribed for 30 renewal energy certificates to be more environmentally-friendly.
2020 Goals	To continuously promote large-scale energy-conservation projects; schedule to subscribe to 30 renewal energy certificates; plan to evaluate whether to install solar energy and off-peak time power storage and other measures to save on costs for renewable energy.

Bolster the obligation of emission reporting

KPI	Adopted ISO 14064-1:2018
2019 Achievements	Implemented ISO 14064-1: 2018 at FEDS Hualien Store, which will be completed in March 2020.
2020 goals	To adopt ISO 14064-1:2018 at other branches





Chapter 2 Innovative Benchmark Shopping Mall

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

2.1 Digitalized FEDS

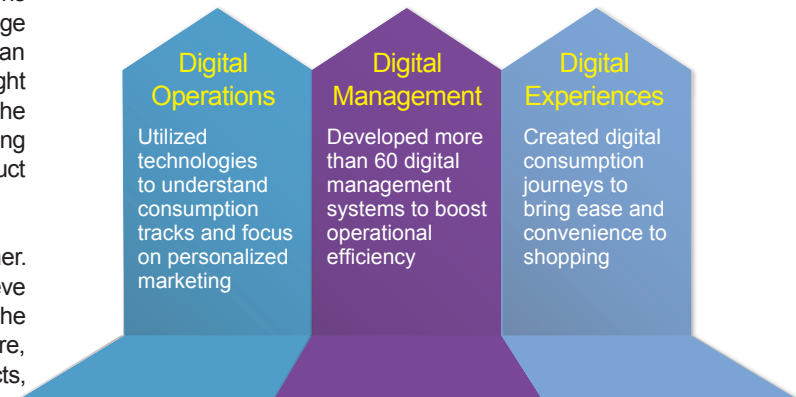
In the face of technological innovation and development, FEDS has accelerated digital transformation and technology advances to develop "digital operations, digital experiences, and digital management," so as to provide customers with unique digital consumption experience. The FEDS XinYi A13, which opened in December 2019, is distinctively the only intelligent shopping mall for all customer segments in Taiwan, providing customers with thoughtful and pleasant shopping experience through the digitalization of their consumption journeys. FEDS has been extensively promoting the use of e-invoices to increase the convenience of payment during shopping. In 2019, the average issuing rate of e-invoices at each store increased twice as many as the previous year, and the excellent performance topped all brick-and-mortar stores in the country.

2.1.1 Embrace digital transformation to cater to customers' consumption experiences

FEDS is an innovative department shopping center that has kept abreast of the times. In order to cater to shopping needs derived from the digital lifestyle of this new generation, FEDS has been maintaining a firm foothold in operations through digitalization, developing "digital operations, digital experiences, and digital management" to set the stage for the digital retailing future. Through the establishment of three core systems, POS, APP, and CRM, FEDS can better understand the needs of consumers. Complemented by 4R marketing strategies (Right Time, Right Way, Right Person, and Right Service), consumers would be able to use the right method to receive the right message at the right time. Efficaciously upon arrival at a FEDS mall, consumers would be able to experience exclusive marketing information and shopping services such as convenient intelligent parking, electronic billboard with trendy new product recommendations, notifications of product discounts via the FEDS app, mobile payment for parking fees, and more.

Through the establishment of digital technologies, FEDS gained insights on the different needs of each customer. In the future, we will be harnessing AI data analysis for provision of personalized services, in an attempt to achieve precision marketing, improve customer satisfaction, and innovate customer consumption experiences. Facing the trend of digitalization, FEDS has transformed the traditional retail model into a technological retail department store, guiding consumers on the path to intelligent retailing underpinned by innovative digital experiences where products, services, and customers are connected seamlessly.

Digitally Transforming FEDS



Digitalizing administration and launching a mobile-enabling official document system

Since 2015, FEDS has been reviewing various operation processes and has launched various information systematization operations and developed more than 60 digital administration systems. Through systematization, repetitive work was reduced, which accelerates operation administration efficiency and improves customer satisfaction. Particularly, the official document system was officially launched in October 2018, and as of 2019, a total of 4,351 documents had been processed. The establishment of the official document system enables employees to work on mobile devices anytime and anywhere, regardless of their work locations, and significantly improves the efficiency of various operations and management.

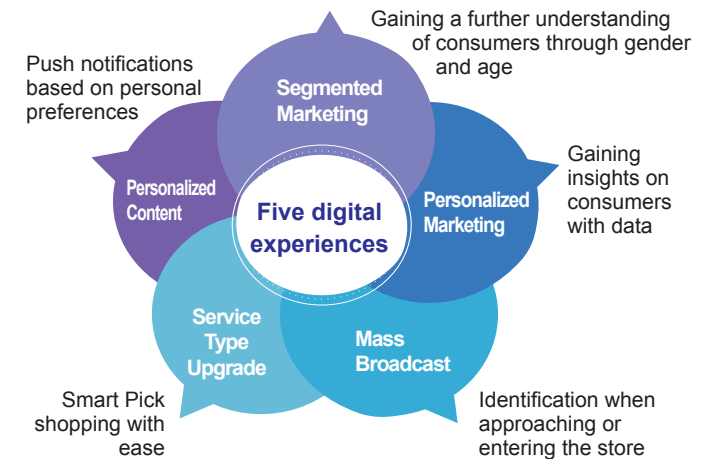
2.1.2 Setting up a Digital Lab to Build the Smart Shopping Mall

The FEDS Digital Lab was set up on January 19, 2018, comprising of 14 young cross-functional elites with an average age of 31, from the Administration Division, Construction Department, Merchandising Division, MIS Center, Marketing Planning Department, and more. With the notion of optimizing consumers' shopping experiences to arouse the love of shopping in customers so as to stay longer within the department store, the Digital Lab team categorized suggestions and feedback from customers and analyzed customers' pain points in shopping and consumption from the perspective of the new generation of consumption. Subsequently, the team designed FEDS' first exclusive customer journey where 5 key digital experiences were planned from the perspective of interaction and personalization. From the moment a consumer steps into the store, browses around, and makes a purchase, to the time the consumer leaves, the consumer would be able to experience the beauty of having technology infused into their consumption journeys, thus creating a distinctive digital mall.

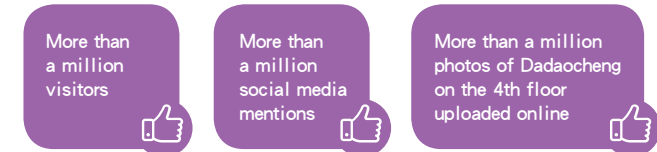
2.1.3 A brand new start with the glorious opening of FEDS XinYi A13

After 16 years of preparation, FEDS XinYi A13 commenced trial operations on December 25, 2019 and officially entered the Xinyi business district, which remarkably has the world's highest density of department stores, to become the 14th department store in the Xinyi business district. Clad in monolithic metal panels and glass walls with vertical and horizontal split lines that let the building exude an aura of modern digital technology, and uniquely featuring nostalgic Taiwan street view design, beautiful skyline view from the high-altitude terrace, and more than half of creative brands brought together under one roof, FEDS XinYi A13 attracted a turnout of more than 100,000 on the trial operation day. In less than three weeks, FEDS XinYi A13 went on to make history in Taiwan's department store industry by breaking three unprecedented million-mark records, namely more than a million visitors, more than a million social media mentions (with more than three million visitors online), and more than a million people posting photos of the Dadaocheng Old Street on the 4th floor.

Five Cardinal Digital Experiences



Making History in the Industry with Three Million-Mark Records



FEDS XinYi A13

fact sheet

Trial operation	December 25, 2019	Brands Features	No. 1 in Taiwan
Area	Business area 13,000 ping		<ul style="list-style-type: none"> ● The first stand-alone Apple flagship store ● The first LEGO certified store ● SONY's largest directly-managed store ● The first Vie Show premium cineplex
No. of floors	14 floors and 4 basements	Store features	<ul style="list-style-type: none"> ● Replica of the Dadaocheng Old Street on the 4th floor ; a glass gallery with an 11-meter-high ceiling on ● Express escalators ● Sky view of high-altitude terrace
No. of parking spaces	2,300 parking spaces (including special parking spaces)		A cornucopia of brands <ul style="list-style-type: none"> ● 300 brands, more than half are exclusive brands in the Xinyi district ● 122 F&B establishments, 8 exclusive stores in Taiwan, 8 exclusive stores in all department stores, 32 exclusive stores in the Xinyi district ● Close to 30 late-night joints for night owls

Ten New Innovation Highlights at FEDS

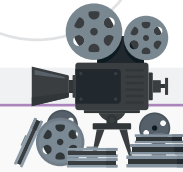
XinYi A13

Three lynchpins of the intelligent shopping mall fully upgraded to perfection

The FEDS app, POS system, and CRM system are three lynchpins to the FEDS XinYi A13 intelligent mall. In particular, complemented with digital technologies, the FEDS app was refreshed with four new functions of personalized push notifications, parking services, intelligent customer service, and Smart Pick in-store logistics. This is in addition to the existing 10 functions of FEDS Online, e-coupons, online DM, members' zone, customer feedback, HAPPY GO Pay, and more.

Multi-functional interactive screens creating new multi-sensory experiences

Numerous multi-functional interactive screens have been installed in the mall to create visually stimulating and digitally augmented experiences for customers. Interactive 3D floor guides, 3D holographic projection, and interactive games have been specially designed and meticulously installed so that even when customers are on escalators, they can receive real-time information via the multi-functional touch screens.



A brand new concept store bringing 13 sports brands all under one roof

To cater to stylish male customers, 31 sports fashion brands, entailing 13 top sports brands, have been introduced and presented in a concept that is unprecedented in Taiwan. In addition, the Print Shop at LEVI'S provides short tee customization service to meet the needs of the young trendy generation. Regardless of hip-hop or urban fashion, the first flagship stores for STUSSY and Reebok Classic have it all covered for consumers to stay in style with fashion trends.

First MUVIE CINEMAS in Taiwan

Utilizing premium equipment, Vie Show MUVIE CINEMAS created six deluxe halls, one TITAN mega screen hall, and a MUCROWN premium hall, all of which have been certified by internationally renowned THX, and come with a 4K laser projection and hidden 7.1 surround sound to enhance immersive cinematic sound experience. In addition, leather first-class cabin seats have been installed to create the most premium viewing experience in Taiwan.

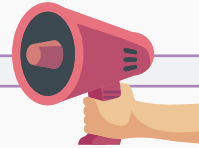


The first LEGO certified store in Taiwan

Occupying a space of approximately 120 ping, sporting a mosaic sky lantern wall, bubble milk tea, and diorama display of Taipei, the LEGO certified store ambience exudes strong Taiwanese vibes. The Build-a-Mini and Pick-a-Brick are highlights of the brand, and more than 150 Lego brick accessories are provided for consumers to build their own masterpieces. The shop also features an experiential play zone allowing all customers to enjoy the pleasure of assembling Lego bricks.

The first Sony directly-managed flagship store

At 135 ping, the Sony Store is the largest directly-managed flagship store in Taiwan. A comprehensive set of Sony audio and visual products is showcased in the store with remarkable minimalist space design and is used to zone out areas for different product categories. It feels as though one is right at home enjoying the visual entertainment with the latest BRAVIA 8K and OLED series of TV screens complemented by live telecast of matches and popular drama series.



The Xinyi flagship store of the premium supermarket city' super

The premium supermarket city'super has been launched in the FEDS XinYi A13 to bring one-stop shopping service experience for urbanites. In light of the dining culture of the Xinyi business district work crowd, the supermarket has provided 50 seats in the Dine-in Zone and a special feature of delicatessen offering freshly prepared and ready-to-eat cooked food. At the same time, the supermarket has rolled out a gift packing center offering customized gift boxes to create a homely shopping atmosphere.

Strongest F&B line-up helm with international champion cuisines and Michelin-starred F&B establishments

The FEDS XinYi A13 ushered in 122 F&B brands, of which 20% are dining options including 8 exclusive stores in Taiwan, 8 in department stores, and 32 in the Xinyi district. In addition, there are 30 late-night joints, 23 of which on the 4th floor are open till before dawn and 7 of which on the 14th floor operate till 2 a.m.

Latest check-in spot, a first in Taiwan

An old street built with red bricks, old shops displaying intricate food art, and sky lanterns that illuminated Taiwan for centuries are all part of a replica of an old street on the 4th floor at FEDS XinYi A13. With an 11-meter-high ceiling and a Dadaocheng theater style, visitors hardly need to use their imagination to feel like they have gone back in time to relive the glorious Taiwan in 1950s and 1960s. Tapping on Taiwan's unique culture to connect with the world, FEDS XinYi A13 has painstakingly created a high-quality atmosphere for the massive tourism crowd in the Xinyi business district.



2.1.4 Emerging as top among all physical stores in the country and bestowed the "Outstanding Performance Head Office Award" by National Cloud Invoice Competition

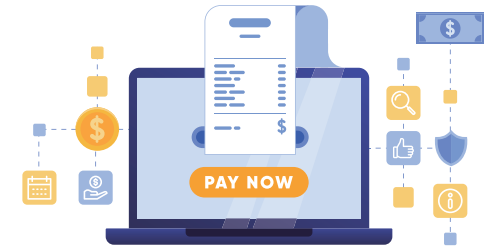
In response to the government's promotion of cloud invoice policy, FEDS has mobilized channel resources of all operating sites across Taiwan. Since October 2018, FEDS has collaborated with the Ministry of Finance National Taxation Bureau to set up cloud invoice promotion service counters at all ten stores across Taiwan to advocate the concept of using carriers to store cloud invoices as a form of environmental protection and to promote "energy conservation and paper reduction" as a new habit for green consumption.

In order to encourage operating stores to progressively increase the proportion of cloud invoices issued, from April to October 2019, the Ministry of Finance had organized a cloud invoice issuance competition targeting businesses with outstanding track records in issuing uniform invoices. 11,892 businesses participated in the competition that compared the period-on-period growth of proportion of issuance of cloud invoice. After 7 months of intense competition, the overall performance for FEDS stood out among all the physical retail outlets, surpassing the rest with a growth rate of 22.88%, and was awarded the national "Outstanding Performance Head Office Award." The award ceremony was held at Fiscal Information Agency, Ministry of Finance. Mr. James Tang, Vice President of Administration Division, received the award on behalf of FEDS. In particular, the FEDS PaoChing Store, Tainan Store and Chiayi Store were recognized as the top five performers in their respective districts, which has made FEDS become the nation's best performing enterprise in cloud invoices.

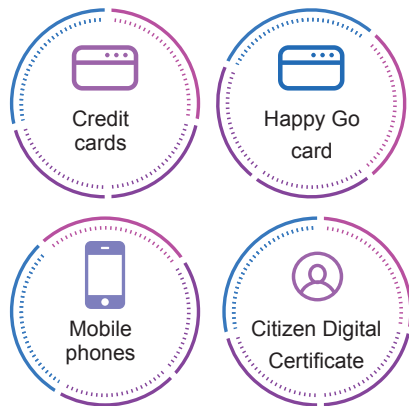
Statistical Table for National Business Operators Issue Cloud Invoice Competition

Company name	Growth rate	Achievement
Far Eastern Department Stores Ltd.	22.88%	National physical store - Champion
FEDS PaoChing Store	24.36%	National Taxation Bureau of Taipei - Fourth place
FEDS Tainan Store	43.30%	National Taxation Bureau of the Southern Area - Second place
FEDS Chiayi Store	33.99%	National Taxation Bureau of the Southern Area - Fifth place

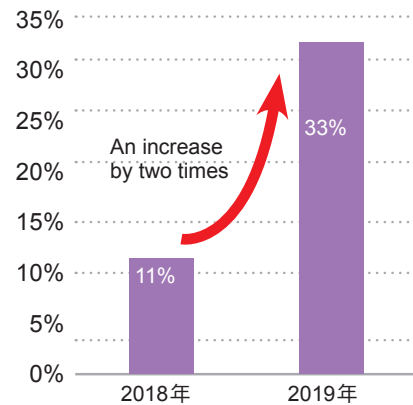
Note: From the office website of official website Ministry of Finance E-Invoice Platform National Business Operators Issue Cloud Invoice Competition



Four Major Carriers for Cloud Invoices



Rate of e-invoices issued



Promoting "ToGather e-invoices for Good"

FEDS has been a strong proponent for carbon emission reduction and public welfare. Whilst promoting e-invoicing, we also encourage consumers to donate their e-invoices to a good cause. Before checkout, customers can display or verbalize a donation code and the invoice issued will be directly donated to designated public welfare organizations. Using FEDS Tainan as an example, in April 2019, the Tainan Store collaborated with the Tainan City Government to promote the "ToGather e-invoices for Good" activity where 6 public welfare organizations have participated in the program. Every three months, 2 different beneficiaries will take turns receiving donations, so that consumers can donate invoices in a simpler way.

2.2 Professional Services

FEDS upholds the philosophy of "operating with the wishes of consumers" and constantly strives for innovation and changes. Service quality has been enhanced through regular service training, and the introduction of the ISO 9001 Quality Management System has also facilitated the establishment of excellent service processes and design. We also drive service management improvement cycles so that FEDS can deliver high-quality service with a warm human touch. With the development of digital technologies, FEDS has been strengthening the management of social media and optimizing digital services and experiences. We endeavored to provide professional services, seizing every opportunity to conscientiously create impeccable services with an attentive attitude, so as to meet the needs and expectations of consumers.

2.2.1 Customer Service Improvement Team

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. In 2019, the Customer Service Improvement Team conducted research and crafted customer service metrics that are more customer-centric and localized so as to enhance service quality and truly listen to what each customer is saying. The team has also completed the planning of excellent customer service personnel reward scheme to incentivize the customer service team to take strides towards service excellence.

With the ISO process of the existing customer service as foundation, the Customer Service Improvement Team was involved in the introduction of the CRM system where the first phase was primarily targeted at FEDS XinYi A13. In the second phase, depending on circumstances, the system will be gradually extended to Mega City BanQiao Store, Top City Taichung Store, and more. When at FEDS XinYi A13, customers can enjoy novel customer service offerings such as fashion consultancy, Smart Pick, online agent customer service, and more. Augmented with the prowess of CRM data management and analysis, FEDS will be able to effectively manage various customer feedback, deliver personalized services aligned to the different needs of each consumer, and elevate service quality and customer satisfaction.



Eight Innovative Service Highlights at FEDS XinYi A13

In December 2019, the latest fifth-generation intelligent mall, FEDS XinYi A13 opened its doors, introducing eight novel customer services and experiences which integrate digital technologies into the professionalism and attitude of department store services so as to provide consumers with convenience and thoughtful innovative services.

ELLE fashion consultant station:

On every Saturday afternoon, the station editor will provide members-only services, advising the fashion trends for the current season, wardrobe coordination, and other services.

Multi-lingual service personnel:

The carefully selected service team members are fluent in Chinese, English, Japanese, Korean, French, Western, Cantonese, and other languages, and are able to provide a more professional and personalized service experience for international tourists.

Intelligent distribution service:

The free gift desk at the customer service center has implemented a queue number system. Customers can make use of waiting time to run more errands and can also find out the queue status through the QR code on their number slips without fear of missing their queue numbers anymore.

Smart Pick service:

After completing a transaction over a counter, the counter and logistic crew will arrange for the goods to be delivered to the multi-functional service desk on B2 for temporary storage. Customers only need to pick up all items at one go from that service desk before they leave the mall.

Digitalized FEDS app service:

Customers can link their car license plate number to the app and use the app to directly offset or pay for parking fees prior to leaving the mall, without having to visit the service desk to request for the offset.

VVIP online live agent customer service:

VVIP members can make inquiries via the app that will be replied by concierge ambassadors online. The VVIP LOUNGE also provides online reservation services to reduce onsite waiting time for shoppers.

CRM customer complaint management system:

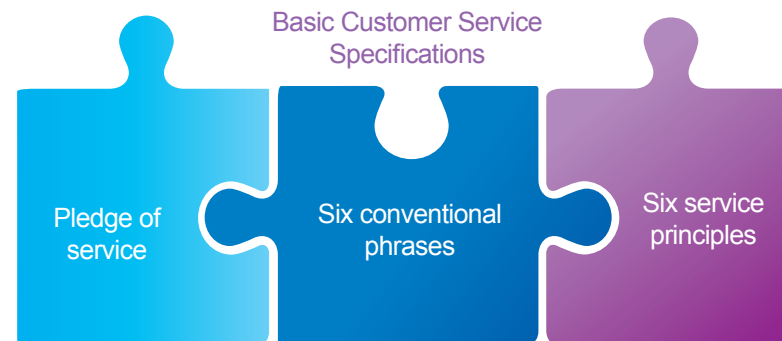
Through the CRM system, FEDS can have an understanding of customers' opinions so as to effectively address the situation and respond to customers.

LED digital signage:

The LED signage has blazed a trail of digital communication, such as 3D interactive floor guides, 3D holographic projection, interactive games, and more. Even for the short duration where customers are on the escalators, they are also able to receive real-time updates via multi-functional touch screens.

2.2.2 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.



Regular Education and Training to Deliver Consistent Service Quality

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. In 2019, customer service representatives are 225, with a total training time of 3,653 hours.

Basic Training of Customer Service



Training for New Employees

- Getting to know the store
- Floor Introduction
- Getting to know the brands
- Handling customer complaint
- Gift exchange



Professional Skills

- Identification of fake card
- Cash register operation
- Use of carrier apps
- Makeup tips
- VIP Lounge reception etiquette



Sharing of Experience

- Floor inspection and management
- Customer complaint handling
- Customer service standards

Special customer service training for inauguration of FEDS XinYi A13

As part of the lead-up to the inauguration of FEDS XinYi A13, special training was conducted for newly inducted employees. The training duration lasted for a month, covering topics of fundamental training such as company culture, service standards, and familiarity of stores as well as professional skills training such as use of digital systems, identification of gift vouchers, handling of payment tools for daily settlement processes, and more. Through the month-long training, new hires were not only able to quickly pick up knowledge and skills relevant to their roles, but also understand the operation vision and CSR practices at FEDS. The new hires were also assigned to various branch stores for practical training to integrate learning with actual practice.

Continuously attain the ISO 9001 certification to build a comprehensive service system

Since the introduction of attaining the ISO 9001 Quality Management System certification in 2007 in conjunction with the opening of FEDS PaoChing Store, FEDS has further developed the quality management system to maintain excellent product and service quality, so as to ensure customers' satisfaction and keep up the long-term trust between FEDS and customers. In 2019, FEDS successfully passed the ISO9001 : 2015 re-assessment carried out by BellCERT Group. The scope of the re-assessment included the quality management system processes, the operating environment of customer-related operation processes, and contractor management. Currently, five branch stores, namely PaoChing Store, BanQiao Store, Hsinchu Store, Tainan Store, and Kaohsiung Store, have attained certifications.



Thoughtful customer service for all customer segments; enriching shopping experiences

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 VVIP 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

Parent & child	Elderly & special needs	Foreign Nationals	Others
 <p>Diaper changing station in the restroom Stroller loan Breastfeeding/childcare room Providing hot water, diaper changing station, nursing room and nurse counseling services</p>	 <p>Wheelchair loan Accessible toilet Accessible elevators</p>	 <p>Foreign Nationals Foreign currency exchange</p>	 <p>Alteration services Power bank and Courtesy umbrella Rental Taxi stand</p>

Pet-friendly department store; launching the pet charity week

FEDS has created pet-friendly shopping malls where each branch store would organize annual events for furkids. The activities included furkid adoption drives, fun obstacle games for pets, advocacy for guide dogs, and more. FEDS Mega City Tainan even provides pet shopping carts for rent to enable pet owners to shop with ease with their furkids. In March 2019, FEDS Taoyuan Store launched a pet charity week, holding a photo exhibition to let the public learn more about Huikuang Guide Dog School Taiwan with a charity bazaar and visual experiential games tied in. FEDS also collaborated with the Taoyuan Animal Protection Office and Taoyuan Pets Business Association to provide free micro-chipping for 50 furkids, rabies vaccines for 50 dogs, and performed free health checkups for 50 family pets.



Exclusive concierge services at the luxury watch fair

In order to provide a wider array of boutique goods, FEDS organizes different thematic luxury fashion fairs annually to deliver more sophisticated and exclusive appreciation services. In 2019, Top City Taichung hosted the second luxury watch fair with a line-up of five coveted brands, housed within a concept showroom illuminated to the theme of time transformation and a zone featuring different brands. The concept showroom was decked out with five history zones, three thematic zones, a spherical light work zone, a VR interactive experience zone, and an illuminated photo wall with the dedicated brand zone, bringing out the best of watch craftsmanship. President Ms. Nancy Hsu led the toast with representatives from each brand on the launch day, personally presenting timepieces to guests and sharing her fashion views on watches.



2.2.3 Communicating with Social Media to Be Closer to Our Customers

As social media communication channels become more diversified and the consequential proliferation of Youtubers, Key Opinion Leaders (KOL) is intensifying, the production of multimedia content has become richer, more extensive, and more sophisticated. FEDS has made adjustments of using content quality as reference points, attuned with latest talking points, trends, and drifts, and increased social media presence to drive brand image transformation.

One of our key digital strategies is to grasp the usage habits and interests of communities on different social media platforms and increase brand stickiness so as to reinforce our existing customer segments while expanding our customer base to the younger customers. In addition to our existing FB and LINE channels, Instagram has proved to be an effective platform which yields remarkable results for connection with the younger generation. To this end, FEDS has converted brand voice to followers through management of different social media platforms to increase store traffic and raise the proportion of loyal members (fans).

The Office of Digital Transformation has made different adjustments to KPIs. Historically, the number of fans has an organic growth of 10%, and from 2020 onward, the KPIs shall be revised to increments in reach, content quality, and more, which would spur optimization of the quality of social media. High-quality products will also be introduced in a manner of lifestyle, issue, and localization so as to make FEDS the trendsetter and increase the share of voice online. In 2020, FEDS will be realigning the content by reducing straight-to-point and advertising materials and sharing more dynamic updates, videos, or value-added and informational posts to forge brand associations with consumers. Furthermore, with the launch of LINE 2.0 integrated with the CRM system, fans will be categorized on social media according to their preferences, transaction history, and more to achieve precision marketing.

Facing the Far Eastern Department Stores Community

A shopping guide assistant platform to connect with members



A main communication channel for lifestyle and information



A showcase for distinct brand characteristics and advantages of FEDS



FEDS Social Media Platform Fan Base



1.949 million
monthly average traffic
on the official website



789,000
followers on FB



132,000
followers on LINE

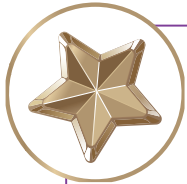
Digital Citizenship Mobile Classroom at FEDS Hsinchu Store; raising digital literacy through interactive experiences

On November 26, FEDS Hsinchu Store invited the Facebook Digital Citizenship Mobile Classroom to educate the public on digital literacy and skills, digital identity protection, and prevention of circulation of fake news. The Mobile Classroom, converted from a medium-size truck by Facebook, visited seven cities in Taiwan and incorporated interactive games that integrated education with entertainment. The public learned about cyber safety and privacy, as well as how to accurately analyze online information to become the first line of defense against fake news.



2.2.4 Five-time winner of Top Service Award

With the aim of "operating with the wishes of consumers," FEDS has unceasingly bettered our performance in corporate governance, technology innovations, and provision of finest services. In recent years, we have also been strengthening our social media presence, paying attention to online word-of-mouth, share of voice, segmented marketing, and other digital service areas. These efforts have been recognized externally. In 2019, at the 16th Top Service Awards organized by Next Magazine, FEDS won the "Service Favorability Award" under the Department Store / Shopping Mall category. The award aggregated 1.1 billion pieces of data covering Facebook, Instagram, YouTube, news media, online forums, blogs, and more to seek out the enterprise with the highest online popularity and liking and relatively low negative rating among all nominee enterprises in various industry categories. This is the fifth time FEDS has been recognized at the Top Service Award, and we will continue to improve the quality of customer service and enable consumers to enjoy a pleasant and warm shopping experience.

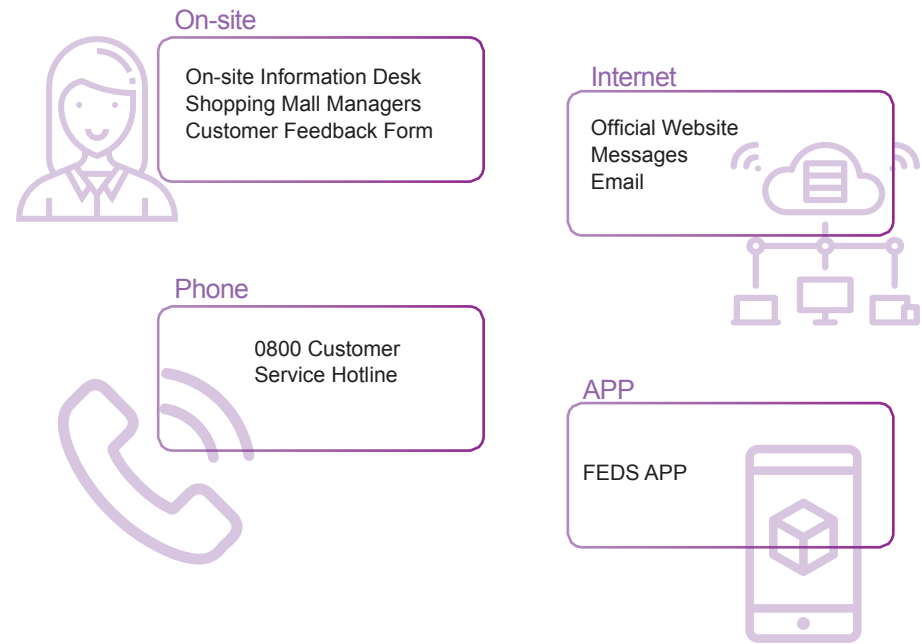


Five consecutive years as the double winner for "The Best Service in Taiwan" Enterprise Gold Medal and Service Trailblazers Award

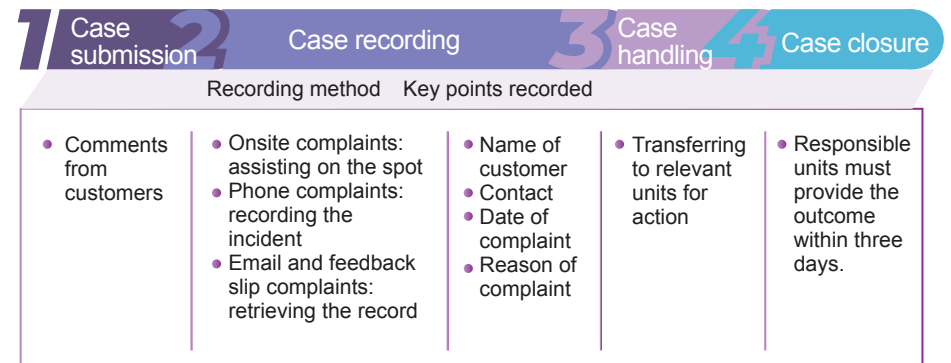
City'super under FEDS has been operating in Taiwan for 15 years. To optimize customer experiences, "Foodie Wonderland" was created with the aim of instant experiences. The retail spaces were optimized to integrate shopping, dining, interactive experiences, and other diverse elements to deliver high-quality life pleasures to the discerned urbanites. Fifth consecutive time as the double winner for Chain Supermarket Gold Medal and Service Trailblazers Award at 2019 Commercial Times Service Survey

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.

FEDS Customer Feedback Channels



Customer Feedback Processing Procedures



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.

In 2019, FEDS received 682 feedback emails from customers, of which 73 were compliments, accounting for 11% of all feedback received, a 17% increase in volume compared to the previous year. With further analysis of the customer feedback, in 2019, the number of suggestions from customers increased by 64, which is a 9.5% decrease compared to that in previous year. The main reason for this is that FEDS deeply values feedback from every customer, and suggestions received are duly processed in accordance to the internal SOP and where necessary, root causes are sought and rectified post-incidences to prevent recurrences. For complaints related to service attitude, we will immediately arrange staff training, and requests will be made to transfer counter personnel who have been assessed and deemed unsuitable for duties.

	2016	2017	2018	2019
Number of customer compliments	90	85	62	73
Number of customer suggestions	857	927	673	609
Subtotal amount of customer feedback	947	1,012	735	682
Proportion of compliments	10%	8%	8%	11%
Proportion of suggestions	90%	92%	92%	89%

Adoption of the CRM system to accelerate response to customer feedback

FEDS integrated the CRM system with customer service; customer comments from different channels (including over counter, online, phone, app, and more) can be promptly attended to ensure that customer comments are duly dealt with, and these comments can also be monitored regularly via the system to ensure cases have been resolved within three days. The newly-opened FEDS XinYi A13 even goes one step further by providing online live agents to instantly respond to customer comments. Once a case has been closed, we will also compile customer comments from all branch stores and analyze the type of each issue and reasons of customer complaints. Discussions will be carried out with various departments to propose solutions or adjustments to service processes, thereby elevating the overall effectiveness of customer service and service satisfaction.



2.3 Quality Space

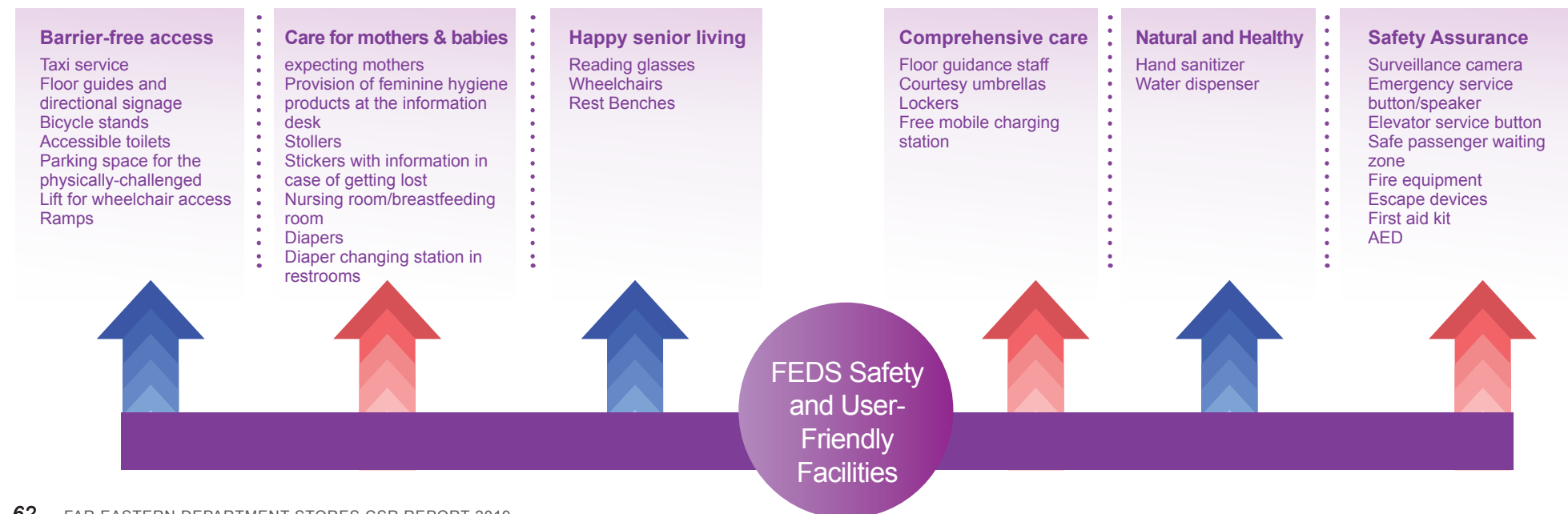
Within the trendy and novel shopping center environment of FEDS embeds ingenious ideas to address the needs for all customer segments. Through the formulation of and amendment to regulations over time, facilities development, and service personnel training, a friendly and convenient shopping mall has been created to comprehensively protect the safety of all consumers. In 2019, we specially boosted the safety levels for five malls so that consumers can shop with ease at FEDS.

2.3.1 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 pp. 68-85

2.3.2 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.



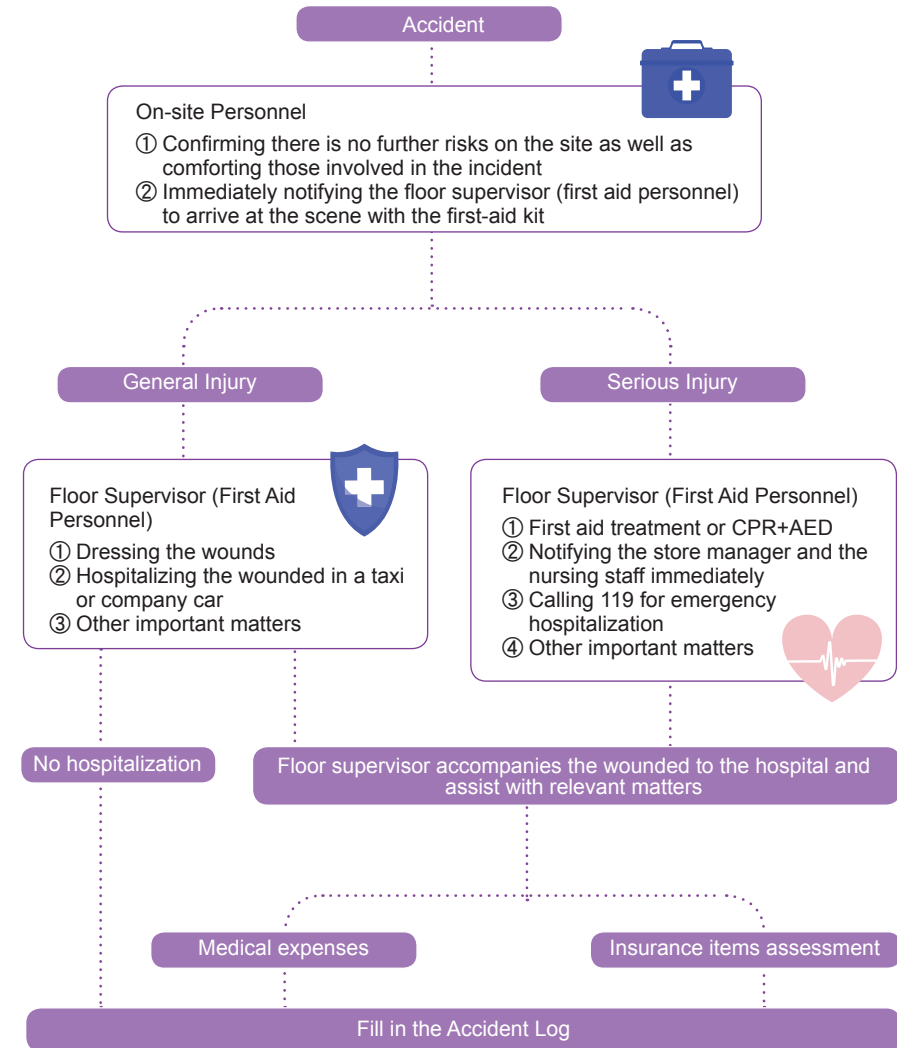
In March, 2018, FEDS established a "Operation Site Accident Handling Operating Standards" in order to be able to grasp and deal with emergency incidents that customers may have in the shopping malls in a timely manner, thereby resolving or reducing the crisis that may arise from the accident, and establishing a review and improvement system to avoid the recurrence of damage. The standards set out the principles for handling situations where customers are involved in accidents within operation sites of FEDS. In 2019, we further completed the installation of accident notification systems so that incidents can be handled more promptly. FEDS does not solely rely on having a complete incident handling SOP to maintain the safety of shopping environment. We also instill the spirit of "prevention is better than first aid," where personnel are dispatched regularly to patrol sites, continuously improve mall environments and operations detail, and make timely broadcast announcements to remind customers of their own safety so as to avoid occurrence of accidents.



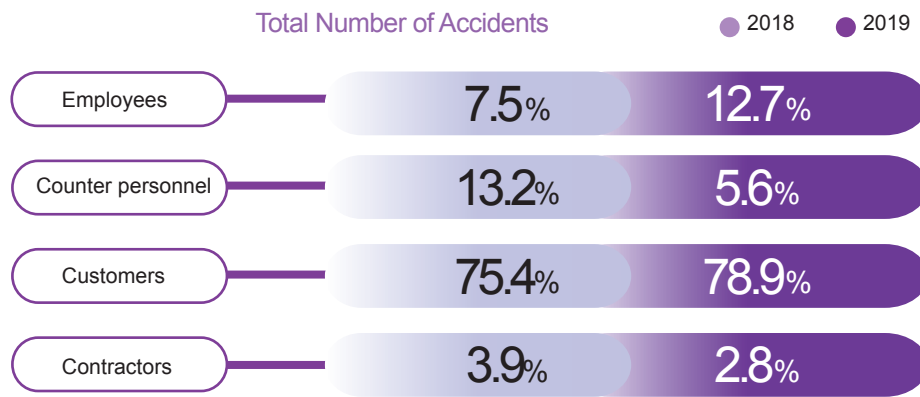
Online accident notification; enabling more immediate handling of situations

In November 2019, FEDS completed the "Online Accident Notification System" and requested all branch stores to record accidents via the online system instead of phone, email or messaging software as in the past. This has not only simplified reporting but also enabled the Head Office Labor Safety Department and other relevant departments to be able to get hold of information on the incident in a timelier manner so as to provide necessary assistance and management. For every accident that occurred we will conduct an analysis on the direct, indirect, and root causes of the incident, and propose prevention measures and improvement recommendations. With the Online Accident Notification System in place, we hope to achieve the objective of proactive risk management to effectively prevent accidents from occurring.

Flowchart of the Standard Operating Procedures for Addressing Accidents in Business Premises



FEDS regularly makes an effort to thoroughly understand accidents that happened in the malls. According to the main types and causes of accidents related to employees, counter personnel, customers, and contractors, we have devised proactive improvement measures for respective groups to keep the shopping environment comfortable and safe. In 2019, the number of accidents at all FEDS branch stores was 15 less than that in the previous year, which is a 22% decrease.



Improvement Countermeasures for Each Accident Category

Type of personnel	Main accident category	Improvement countermeasures
Employees	Improper handling	Revise and publicize SOP among colleagues
	Scalding	Affix signs and instructions in pantries and publicize the treatment of scalds
	Bruising	Remind colleagues to pay attention to the surrounding environment in order to maintain their own safety, especially at crowded areas
Counter personnel	Falls	Remind colleagues to pay attention to work processes and not to use mobile phones while walking
	Scalding	Publicize work safety, treatment of scalding, and incident reporting
	Cuts	Remind colleagues to follow standard operating procedures, and intensify the publicity and instructions of paying attention at work to prevent accidents
Customers	Falls	Customers are more prone to falling when on the escalators or stairs. Timely broadcast will be made to remind customers, and floor management personnel are requested to pay extra attention when patrolling.
	Slips	Cleaning personnel shall improve checks on floors and toilets, while counter personnel are also roped in to assist to keep a careful note of; Should there be water stains on the floor, counter personnel must notify the cleaning personnel immediately and place wet floor signs. The signs can only be removed after it has been confirmed that the floor is dry.
Contractors	Cuts	Publicize wearing of safety gloves and using tools when clearing sharp objects to reduce the risk of injuries
	Slips	Should there be observations that the floor is wet and slippery, "wet floor" signs must be placed immediately to prevent individuals from nearing.

2.3.3 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. In 2019, the number of branch stores which attained certification grew by 25%. We will continue to provide more user-friendly nursing spaces.



Note: Taoyuan Store, Top City Taichung Store, Kaohsiung Store, and Hualien Store do have nursing rooms, but the local governments where the branch stores are located have not handled relevant certification.

Installing mother and child priority parking spaces to create a friendly shopping environment

In order to let expectant mothers and mothers traveling with children to have friendlier and more convenient parking space, FEDS has allocated mother and child priority parking spaces at all operation sites. In response to the amendments to Regulations Regarding Management of Parking Spaces for Pregnant Women and Drivers with Children Aged under 6 enacted by Ministry of Transportation and Communications in June, 2018, all FEDS branch stores have designated a total of 147 parking spaces near car park elevators, exits, management offices, and other areas that are safe and convenient. Clear directional signs, identification marks, and more are also drawn for easy identification. To ensure the parking spaces are indeed occupied by vehicles ferrying expectant mothers or children under six, we will patrol car parks. Should any vehicles be spotted to not have identifications clearly displayed on the windcreens, we will immediately issue warning tickets to remind respective customers so as to protect the rights of intended users.

Nominated as a friendly business for five consecutive years; promoting development of friendly cities

FEDS PaoChing Store, situated near the tourist hot spot Ximending business district, has actively provided various friendly services, playing an important role in bolstering the friendly image of Taipei City and in the promotion of development of friendly cities. For five consecutive years, it has been recognized as a "friendly business" by Taipei City Office of Commerce. FEDS PaoChing Branch warmly provides 15 friendly services, including foreign language tourism service, free WiFi, mobile device charging, barrier-free environment, bicycle pump, and more so that both tourists and consumers can enjoy friendly and convenient services as at home.

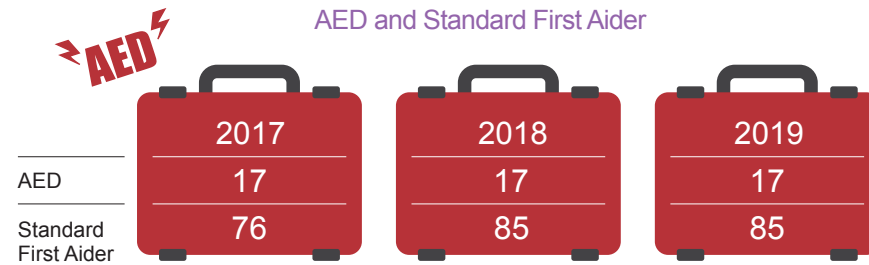


2.3.4 Ten Stores with AED Certification

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.

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 conduct fire safety assessments and drills at various business locations quarterly or every six months 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.



	Head Office	PaoChing Store	Mega City BanQiao	FEDS BanQiao Store	FEDS Taoyuan Store	FEDS Hsinchu Store	Top City Taichung	FEDS Chiayi Store	FEDS Tainan Store	FEDS Kaohsiung Store	Yuanbai Hualien Store
Statutory Number	4	3	8	3	2	5	9	1	3	4	2
Actual Number	9	4	8	4	16	11	13	2	5	7	6

Regular Inspection Items

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

Five initiatives to ensure no blind spots for mall safety

Shopping mall security inspection No lapses in problem-solving

FEDS conducts patrol inspections and audits on cleaning, maintenance, parking, stockrooms and other mall management operations of branch stores to ensure that all operations are carried out without lapses so as to heighten safety of shopping. In 2019, a special review was conducted on the stationed manpower deployed for cleaning and security operations to thoroughly check the number of sentinels and utilization of manpower at each branch store. We hope that through this consolidated review and planning, there would be common set of principles when planning the utilization of stationed manpower.

Fire and disaster prevention education Onsite safety drills to allay safety fears

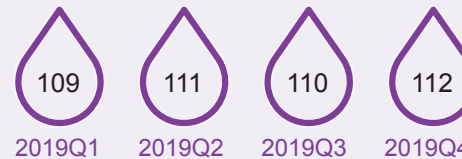
In 2019, all operation sites completed respective annual checks for fire safety equipment, fire drills and training (once half of a year), and audits of public safety for buildings. Declarations were filed and all were qualified after re-inspection. On September 25, 2019, FEDS Kaohsiung Store successfully collaborated with the Fire Bureau to co-organize a mass fire drill, first aid training, and simple life-saving skill lessons. Fire engines were specially mobilized for the exercise to allow all employees to have a real-life experience of aiming the fire engine cannon and propelling water under the assistance of professional fire fighters. Building management personnel turned into fire heroes whilst enriching their fire prevention knowledge and reinforcing disaster relief capabilities.

Regular environmental testing

Environmental protection and water safety

FEDS regularly commissions external professional and qualified monitoring agencies to perform environmental carbon dioxide concentration monitoring every six months in accordance with the Regulations for the Implementation of Environmental Monitoring of Labor Operations. Additionally, drinking water quality tests are carried out once every three months complying with Regulations for the Implementation of Use and Management and Maintenance of Fixed Equipment for Continuous Water Supply of Drinking Water. The monitoring (inspection) test results are in line with the standards stipulated in the law.

Water quality inspection points



Amendment to management specifications Improving the safety of using electricity in shopping malls

In July 2019, in order to improve the safety of using electricity in shopping malls, FEDS revised the management specifications for the use of power supply, electrical appliances, sockets, wiring, and more at each counter in shopping malls. A checklist has also been devised for floor management personnel to use to conduct daily electricity safety checks when patrolling counters. Once items on the checklist are recorded, the checklist will be handed to labor safety and property management departments for review. The review records will be compiled by the administration deputy store managers who, in turn, will randomly spot check the reviews from time to time. This shall be subsequently reported monthly at the administration deputy store manager meetings and will also be listed as one of the KPI assessment items for the performance of the deputy store managers.

Strengthening equipment management

Maintaining the operation safety of instruments

In November, 2019, FEDS established the "Directions for Management of Rental of Property Management Equipment" which set out the management procedures for borrowing and renting of tools, equipment, and appliances that are more than NTD10,000 owned by each branch store. Emphasis is placed on the operation safety of leased equipment hence it is clearly defined that vendors or personnel who lease equipment that pose safety risks must appoint a professional and qualified contractor with relevant certifications in accordance to the law, and such equipment shall not be used until safety inspection and construction control are in place. In addition to fortifying the management of occupational safety and health in the mall, the establishment of the "Directions for Management of Rental of Property Management Equipment" can also ensure the normal maintenance, correct use, and effective use of the Company's assets.

Power Safety Management Process of Shopping Malls

- STEP 1** A daily inspection according to the checklist by the building management personnel
- STEP 2** Review by management units
- STEP 3** Supervision and review by the administration deputy store manager of each branch store
- STEP 4** Random spot checks by the Labor Safety Department and Construction Department of the Head Office

Chapter 3

Highly Efficient Environmental Protection Operations

- 3.1 Green Energy-saving Intelligence
- 3.2 Real-time Smart Property Management
- 3.3 Green Actions

3.1 Green Energy-Saving Intelligence

With stakeholders paying more attention to issues such as environmental protection, ecological environment, and other related issues, as the chieftain of the retail industry, FEDS has led by example, upholding the spirit of "Green Operations, Friendly Environment". Leaving no stones unturned, we rolled out various environment protection initiatives that will enhance green value such as electricity conservation, water conservation, management of waste, and more. We have been actively creating a culture of green operations and actualizing our environment protection spirit through low carbon operations in an attempt to create green value for the society and sustainable yet fashionable department stores for consumers.

3.1.1 Sustainable environment with implementation of energy management

Energy conservation, carbon emission reduction and green intelligence are the unwavering commitment of FEDS to environmental sustainability. We have instituted the Energy Policy and formulated initiatives revolving on three key thrusts, namely "Implementing Energy Management," "Creating Green Value," and "Progressing Towards Environmental Sustainability." We endeavor to create win-win relationships between business operations and environmental sustainability to fulfill our corporate citizenship responsibilities. In the face of environmental sustainability, we are committed to contributing to the following efforts, striving to create green and sustainable department stores, and doing our part for global warming and climate change:

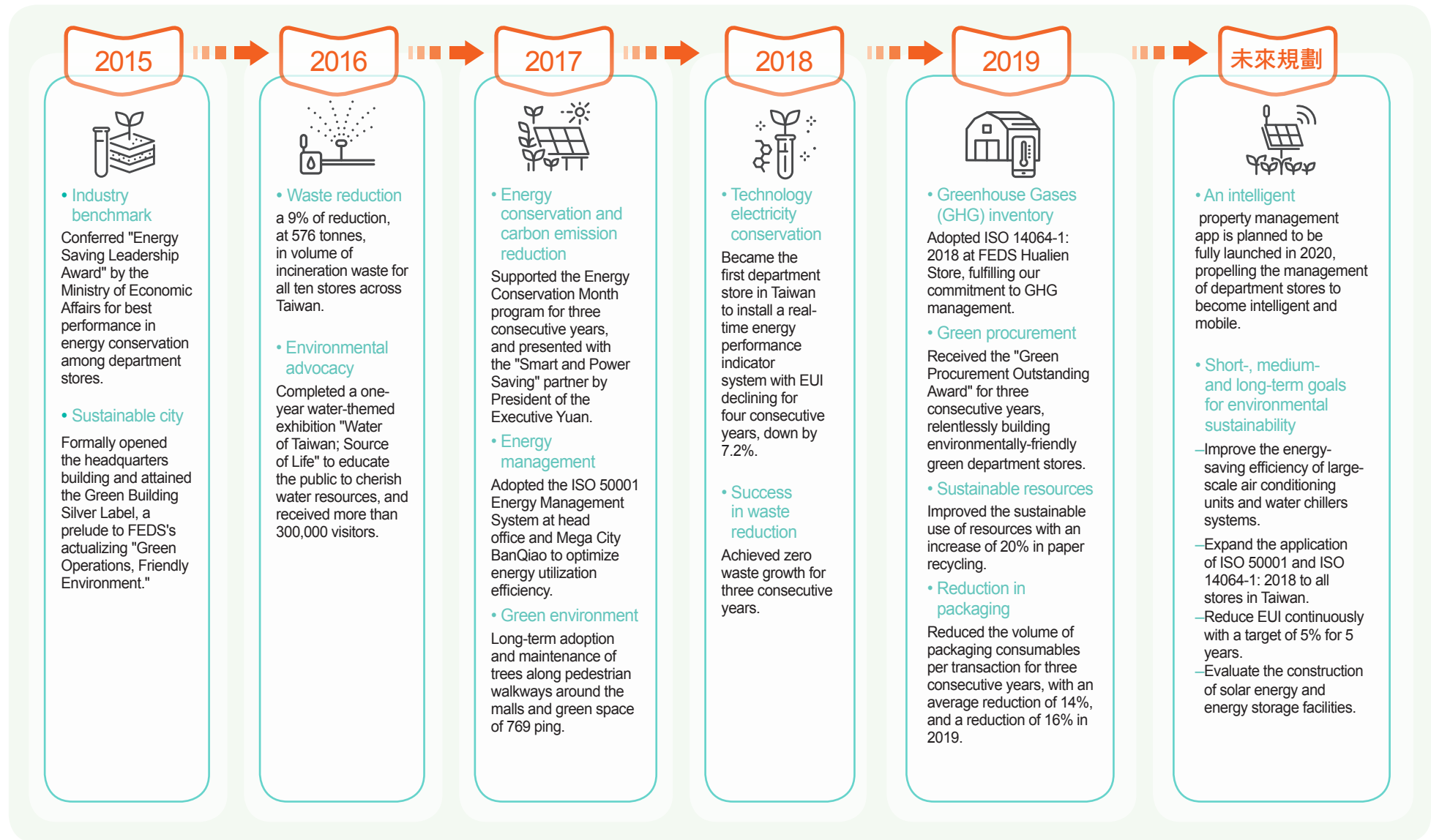
1
Strive to improve energy conservation and enhance energy efficiency

2
Continuously improve the system to enhance energy management performance

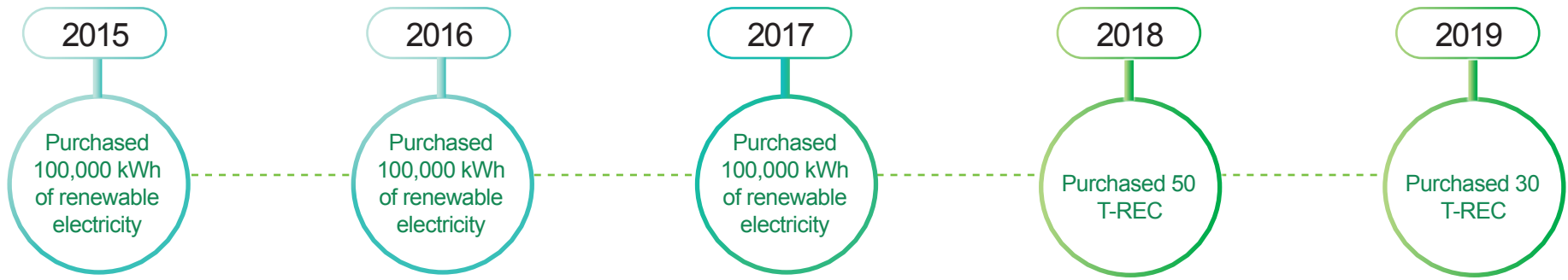
3
Promote green consumption experience and establish a low-carbon shopping environment

4
Maximizing innovative smart technology to build trendy and environmentally-friendly shopping malls

Environmental Sustainability Key Achievements



Investments in Renewable Energy over the Years

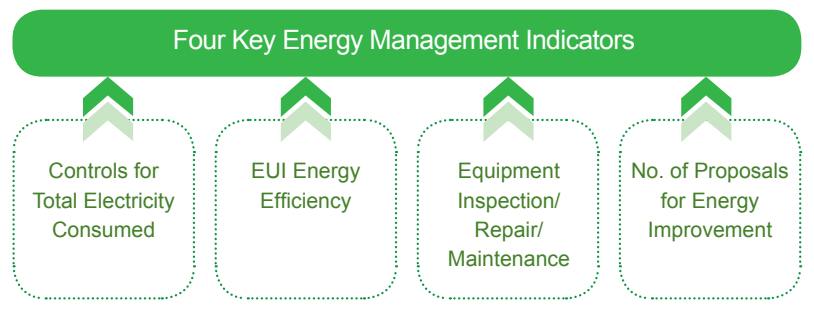


Note: Taiwan Renewable Energy Certification (T-REC) is the identification of renewable energy equipment and power generation as renewable electricity verified by an impartial third party, with the aim of increasing the use of renewable energy and promoting GHG emission reduction. The T-REC that FEDS purchased is at 1,000 kWh each.

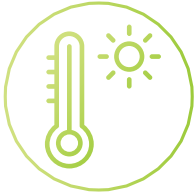
3.1.2 Manufacturing-industry-oriented Management for Energy Efficiency in Service Industry

FEDS is considered to be a high energy consumption user in non-productive industries. The operating hours of each branch store is between 10 to 11 hours a day. The nature of long operation hours resulted in energy management being an important issue for FEDS. We manage the energy utilization efficiency of a service industry with a manufacturing industry mindset and set up the Energy Conservation Team with the Construction Department as the core to formulate comprehensive KPI management indicators and to drive various energy conservation initiatives. During the monthly meeting of administration deputy store managers, performance of each energy indicator will be tracked. For indicators that fall behind expected targets, branch stores would be requested to propose improvement plans while branch stores with good performance would be invited to share best practices. Through mutual learning and continuous improvements, we can maximize the efficiency of energy utilization to collectively meet the Company's energy conservation goals.

Due to global warming, the annual average temperature has been gradually rising. In 2019, Taiwan's average annual temperature was a record high of 24.56 degrees. In the face of rising temperatures, in order to maintain a comfortable temperature in the department store space without excessive use of energy, in July, 2019, the Construction Department devised an "Indoor Air Conditioning Temperature Limit Internal Control Table" and the "Air Conditioning Unit On-Off Schedule Internal Control Table." According to the climate and temperature of each season during the year, as well as the different conditions of each branch's daily business hours, business areas, business types, and more, standards for indoor temperature control range and the time to switch on/off the air conditioning units have been set. Colleagues who are responsible for energy-related tasks would thus have clear execution indicators. We hope that by ceaselessly addressing daily operations processes and details, we will be able to continuously achieve our goals of better energy performance.



Indoor Air Conditioning Temperature Limit Control Standard



Temperature > 26 degrees and humidity < 85%

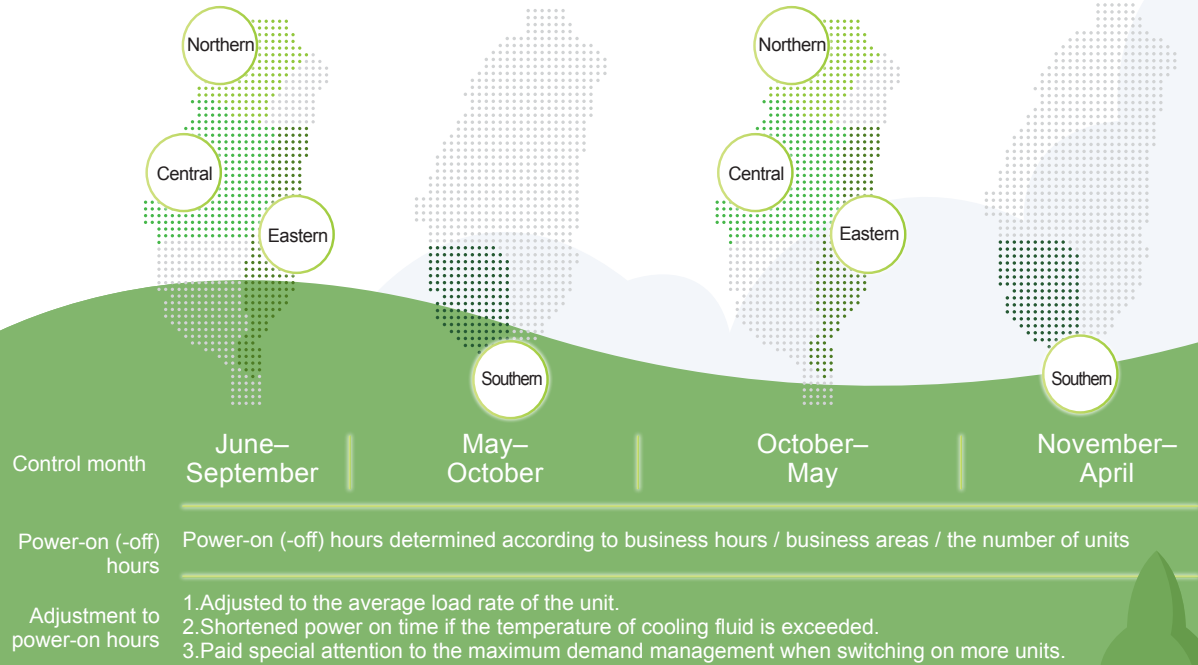


Temperature < 26 degrees and humidity > 85%

Temperature control for the following periods

- Dining hours at specific counters such as F&B
- Business hours other than dining hours at specific counters such as F&B
- Business hours for other counters

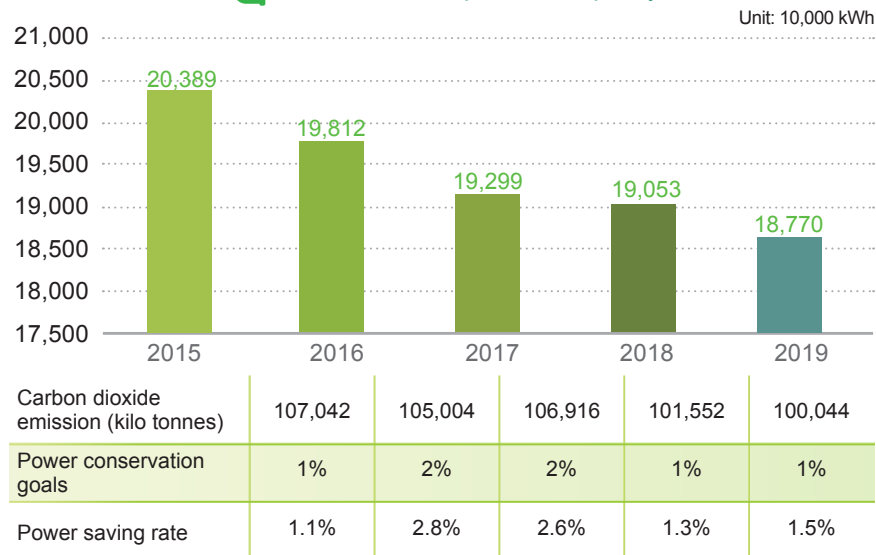
Air Conditioning Unit On-Off Schedule Control Standard



3.1.3 Being a role model for the department store industry with power consumption declining for seven consecutive years

FEDS has been unceasingly putting efforts into various energy planning and management initiatives and has achieved remarkable results for energy efficiency. Since 2012, power consumption has maintained a downward trend for seven consecutive years, with a cumulative power saving of 38,500,000 kWh and a cumulative power saving rate of 18.3%. Although Taiwan's average temperature reached a record high in 2019, kudos to the Energy Conservation Team, FEDS actively drove various energy conservation measures and continued to achieve the power-saving target. In 2019, the total electricity consumption for all ten stores in Taiwan was 187,696,000 kWh. Compared to 2018, the power consumption reduced by 1.5%. In 2020, FEDS will continue to aim to save 1% of electricity.



 Power consumption in the past years



Note:

- FEDS has yet to conduct relevant verifications for GHG emission; currently carbon dioxide emissions are calculated by electricity consumption.
- The carbon emission was not reduced in 2017 due to the increase in the coefficient of electricity emissions despite the decrease in electricity consumption.
- We referred to official notices from Bureau of Energy for coefficient of electricity emissions. The figure for 2019 has yet to be announced; calculations are based on 2018 coefficient of 0.533 kg CO₂e accordingly.
- The total power consumption excluded FEDS XinYi A13 that commenced trial operations at the end of 2019.

Key Energy Conservation Measures and Execution Results for 2019

Category	 Measures	Results	 Tracking Details
Air conditioning energy	<ul style="list-style-type: none"> • Replacement of new magnetic suspension air conditioning units • Monthly monitoring of water chiller units • Annual inspection of the volume of refrigerant in units • Monthly cleaning of air conditioning system filters • 1-2 times of annual cleaning of air conditioning system cooling towers • Changing to external air wet bulb control for cooling towers • Additional installation of timers to control sewage aeration 	Executed in accordance with regulations	<ul style="list-style-type: none"> • Installed new magnetic suspension air conditioning units at FEDS BanQiao Store. • Raised the temperature of water chiller units for all 10 stores in Taiwan.
Energy-saving lighting	<ul style="list-style-type: none"> • Changing lighting in car parks to intelligent controlled ones • Installing sensor lighting • Walls and ceilings to be painted in lighter colors • Continuing to replace with new energy saving lighting • Adjusting brightness of illumination according to weather 	Executed in accordance with regulations	<ul style="list-style-type: none"> • Installed intelligent controlled lighting at four branches, Mega City BanQiao Store, Hsinchu Store, Top City Taichung Store, and Hualien Store. • Replaced a total of 747 LED lighting units at three branch, BanQiao Store, Mega City BanQiao Store, and Hsinchu Store.
Elevator energy saving	<ul style="list-style-type: none"> • Installing variable speed drives onto escalators • Controlling some of the escalators during off-peak hours • Installing automatic switches for lighting and fans in elevators • Controlling ventilation fans in elevator machine rooms by thermostat switches 	Executed in accordance with regulations.	<ul style="list-style-type: none"> • Adjusted controls for four escalators at Mega City BanQiao Store; adjusted controls for two elevators and five escalators at Hsinchu St
Power system	<ul style="list-style-type: none"> • Placing transformers in well-ventilated locations • Reviewing reasonable contractual set value of capacity and power factor 	Executed in accordance with regulations.	<ul style="list-style-type: none"> • Completed power reasonableness assessments for all ten stores.
Office equipment	<ul style="list-style-type: none"> • Switching to the energy saving mode for office equipment • Switching off all unnecessary office equipment during lunch time • Disconnecting power supply for electrical appliances that are not used for a long period of time 	Executed in accordance with regulations.	<ul style="list-style-type: none"> • General Administration Department is responsible for inspections and advocacy at management meetings.

Power Consumption and Volume of Carbon Dioxide Emission for Branch Stores in the Past Years

Unit: 10,000 kWh, kilo tonnes

	2017 年	2018 年	2019 年	
city'super	Power consumption	822	808	758
	Carbon dioxide emission	4,554	4,307	4,040
愛買 amar	Power consumption	9,295	8,892	7,954
	Carbon dioxide emission	51,494	47,394	42,395
The Mall 遠企購物中心	Power consumption	632	630	628
	Carbon dioxide emission	3,501	3,358	3,347

Note:

- We referred to official notices from Bureau of Energy for coefficient of electricity emissions. The figure for 2019 has yet to be announced; calculations are based on 2018 coefficient of 0.533 kg CO₂e accordingly.
- As there were errors in 2018 report for carbon dioxide emissions, the carbon dioxide emission figures of 2017 and 2018 are updated herein.

Description of Improvements to Address 2019 ISO 50001 Regular Audit Observations

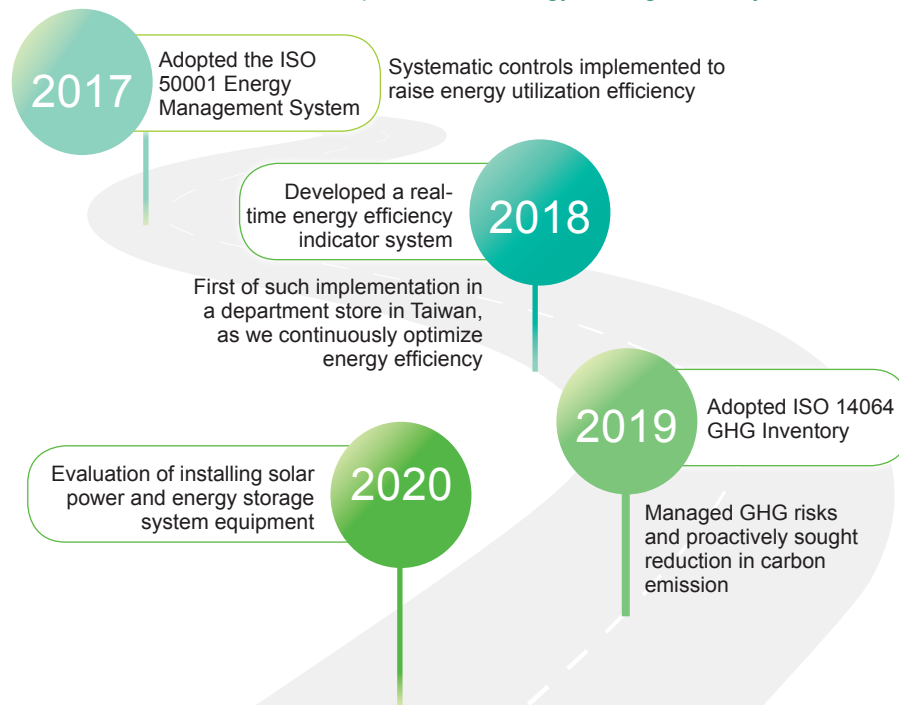
Improvement Items	Description of Improvement
Establishment of energy performance indicators Energy consumption standards of energy equipment Analysis of power variance	Integrate the existing management system of the Group to set energy performance indicators Collate relevant energy consumption standards of energy equipment for procurement reference Note where analysis of power consumption variance is more than +/- 3%

To reduce corporate energy consumption and alleviate the problem of climate change, in 2017 the FEDS head office building and Mega City BanQiao Store both adopted the ISO 50001 Energy Management System. We seek to lower GHG emission and reduce the corporate energy cost by upholding the spirit of referencing ISO management systems and following PDCA principles to continuously improve energy utilization efficiency, and will progressively expand the practice to all branch stores. The regular audit for the energy management system was completed in December, 2019. FEDS also implemented improvements with reference to the verification recommendations. Through establishing a robust management system, conducting systematic monitoring, continuously optimizing energy utilization, carbon emission is thereby reduced.

In 2019, a total of 35 major energy conservation projects were carried out across various branch stores, with a commendable result of an average ROI of about one year. In particular, the Kaohsiung Store had installed timers to reduce operational time for fans thus saving about 370,000 kWh, whilst Mega City BanQiao Store had adjusted the fans at the car park to activate once every half hour, saving about 310,000 kWh. The management meeting in August, 2019 made special arrangements for the outstanding results of these two branch stores to be presented for discussion and sharing of best practices, and to be the role models for mutual learning between branch stores.

In 2019, in order to manage GHG risks and to seek opportunities for carbon emission reduction, FEDS Hualien Store demonstrated a proof of concept where GHG inventory was carried out in accordance with ISO 14064-1:2018. The verification will be completed in March 2020. This will be the benchmark in the future when action plans are being drawn to reduce carbon emission, raise energy efficiency, and set targets for carbon emission reduction in order to reduce GHG emissions during operation processes.

Timeline of Adoption of the Energy Management System



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

The electricity use intensity (EUI) is an important energy management KPI of the Company. The Company aims at ensuring 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 324 in 2019 with a 8.7% decrease, showing an excellent result. However, energy intensity in 2019 was slightly higher than the industry average, mainly because the daily business hours for FEDS are longer than industry peers, and more than half of the branch stores have large-scale cineplexes that operate until the early hours of the morning. In the future, we will continue to strive for energy conservation, with the goal of a 5% saving over 5 years.

Electricity Use Intensity Has Declined for Five Consecutive Years

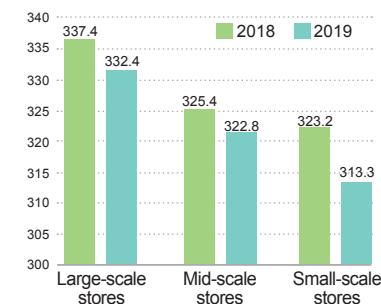
(Unit : Kwh/m² · year)

		2015	2016	2017	2018	2019
FEDS	EUI	354.7	344	333	329	324
	Annual variance	(2.6%)	(3%)	(3.2%)	(1.3%)	(1.5%)
Department store industry	Average EUI	358.3	368.1	349.0	334.1	315.4
FEDS surpasses the department store industry (%)		1.0%	6.5%	4.6%	1.5%	(2.7%)

Note:

- Figures in brackets () denotes negative figures; EUI calculation does not take into account the area of car parks.
- EUI data used every year takes reference from the "Energy audit annual report for non-productive industries" published by Bureau of Energy, Ministry of Economic Affairs, with the year of publication as the reference year.
- Total EUI excluded FEDS XinYi A13 that commenced trial operations at the end of 2019.

The average electricity use intensity of all types of stores has progressively reduced



Note: The store scale is defined based on a combination of considerations on turnover and area.

EUI of Branch Stores

(Unit : Kwh/m² · year)

	citysuper	a.mart	The Mall
2017	570	349	346
2018	546	367	368
2019	532	368	307

3.2 Real-time Smart Property Management

With development of intelligent technologies, in addition to the previous considerations of scale, location and market share, the operation of department stores has also gradually placed emphasis on leveraging on technologies to operate shopping malls. FEDS has played a trendsetter role, forming project teams to methodically implement digital technologies to enhance the technical capacity of malls while phasing out traditional operation models that were labor intensive and boosting the efficiency of mall environment management with new technologies, which reduces the consumption of environmental resources and paves the way for department store operations to real-time and technological "intelligent malls."

3.2.1 Boosting mall technology capabilities and driving intelligent inspection

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.

3.2.2 Mobile-enabling inspection to increase reliability of equipment

The intelligent property management app platform is segregated into two constituents, namely equipment maintenance and asset management. The Intelligent Property App Team conducted discussions on requirements of the inspection function in 2018, and in 2019, completed assessment of detailed requirements of inspection and system development design etc. The app is expected to be implemented at Mega City BanQiao, Top City Taichung and FEDS Kaohsiung Store in 2020, and then extended to other branch stores progressively. The equipment maintenance app comprises of three main components, namely machine room management, intelligent inspection, and abnormalities alert, all of which undergo datafication through the management platform. The equipment management app is capable of generating a variety of visualization reports including trend analysis tables, inspection execution statistical tables, inspection criteria analysis tables, on-site inspection timetables, and more, for management personnel to analyze and use, effectively improving management operational efficiency while maintaining the equipment availability rate.

Intelligent Property Management App Team



Main Features of the Equipment Maintenance APP



3.2.3 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 April, 2019, the General Administration Department requested for a demo for the system prototype and discussed system requirements and development directions with the technology developers. After 5 months of discussions on details to communicate requirements and development amendments, the function list and content for the asset management app was finally completed in November 2019. In January 2020, the Procurement Department has commenced procurement process, and the estimated date of completion of development and delivery is in the third quarter of 2020.

Smart asset management APP adds asset management functions to drive schedule

2019

April

- System prototype demo
- Planned development directions and requirements

June - November

- Discussed details
- Communicated requirements
- Evaluation of development
- Quotation amendment

December

- Completed project planning
- Approval granted by President to carry out development

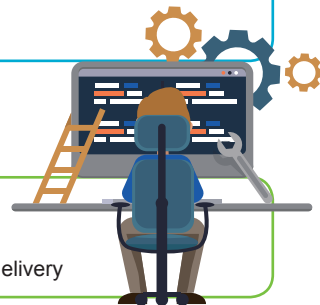
2020

January - June

- Appointment of the technology vendor to develop the system

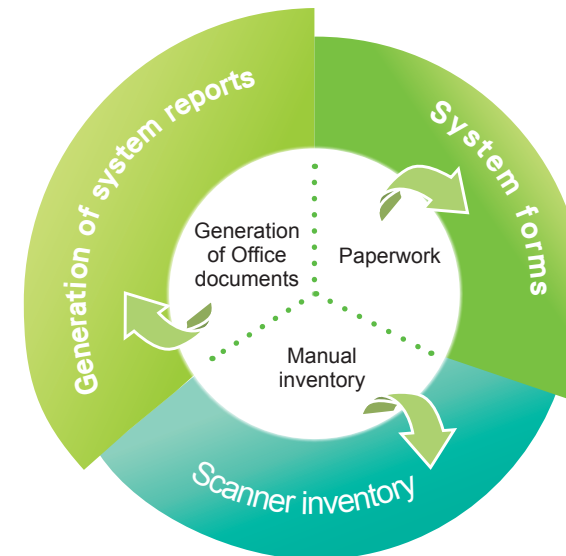
June - September

- System testing
- Complete development and delivery



Facing the era of smart retailing, FEDS has integrated new technologies to enhance the efficiency of mall environment management. Through the establishment of digital intelligent app, in addition to improving the efficiency of managing the Company's assets and equipment, it also significantly heightens the accuracy of the management's information control and tracking, and catalyzes the progress of logistics management in department stores towards being intelligent mobile-enabled.

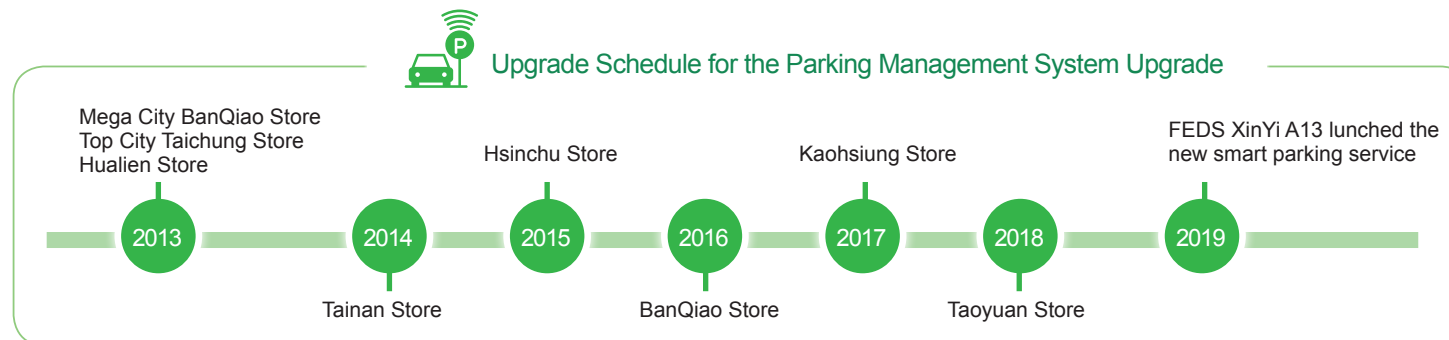
Benefits of Adding the Asset Management Function to the Intelligent Property Management App



3.2.4 Intelligent car park management; reducing parking queuing time

The Company has gradually upgraded the parking lot management system to a paperless, intelligent management to achieve energy saving and waste reduction. Since 2013, all branches in Taiwan have gradually replaced the parking tickets with token in the parking system, which significantly reduced the amount of paper used 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 further introduced the smart parking system to reduce waiting time and carbon emission through plate identification and improve traffic in 2017.

On December 25, 2019, the trial operation day, FEDS XinYi A13 launched a new intelligent parking service that uses car license plate recognition for entry, eliminating the need to request for parking tokens after parking. Prior to arrival, consumers can use the FEDS app to find out the number of vacant lots, parking promotions, and navigate to the mall via the fastest route using Google Maps. Upon arrival, consumers then can register their car license plate information, and confirm time of entry and parking details. Consumers can then offset parking fees by showing their respective member barcode after completing transactions. Consumers can also pay for parking fees directly on their mobile phones without having to approach service desks or toll machines. This process allows parking at department stores to be more convenient and also applies digital technologies in a thought-out manner to consumers' shopping process.



The Company has upgraded the car management system and those environmental benefits are expected in 2019: the reduction of 3.852 Million parking coupons per year, the height equivalent of 16.7 Taipei 101 buildings, will save 4,264 trees as well as 9,497 kilos of carbon emission caused by cars at idle speed while waiting.

3.2.5 Strengthening sorting management; reducing occurrence of environmental hazards

Reducing resource consumption and pollution is a goal of FEDS for environmental management. We started off working on the daily operation and management of the stores and let that influence permeate throughout the whole society. The focal points of FEDS on waste disposal are garbage, kitchen waste and waste oil generated from daily operation of department stores. FEDS implemented the sorting system in its office premises and operating malls, while garbage removal, waste cooking oil recycling, and kitchen waste removal are all in line with relevant Environmental Protection Administration regulations. In 2019, the total amount of kitchen waste was 805.5 tonnes, and general business waste incinerated was 6,576 metric tonnes, which is a growth of 660 metric tonnes compared to 2018. The main reason for the increase was due to the opening of FEDS XinYi A13, and the number and proportion of customers at various F&B counters had also increased. In the process of production, sale, and consumption of food items, waste packaging bags would inevitably be generated, which resulted in an increase in the total amount of waste. In terms of kitchen waste management, we have placed reminders in theme restaurants to avoid wasting food ingredients as attempts to curb the increase in the total amount of kitchen waste.

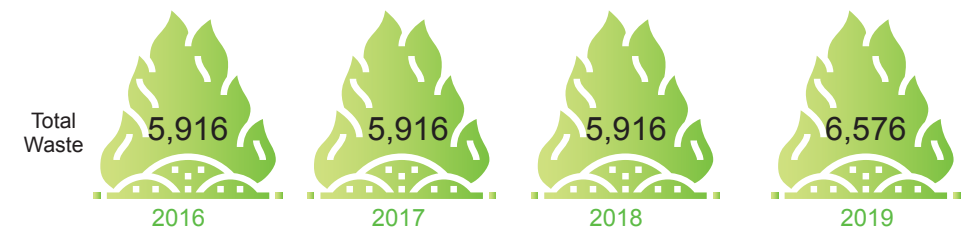
Waste treatment process



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, since 2018, 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 2019, the total tonnage of paper resource recycled in FEDS was 931 tonnes; the annual recycling volume growth rate was 20%, and the target achievement rate was 73%. In 2020, the paper resource recycling target tonnage is set as 1,351 tonnes, with a recycling volume growth of 45% and an increase of 420 tonnes in the total tonnage of recycling. The plan was announced in December 2019 for all branch stores to execute, and performance will be monitored on a monthly basis.

General Waste Incineration

Unit: Tons



Note: • The figures represent the volume in the contract signed with waste disposal vendors
• The waste of Feds Hualien Store will be disposed by A Mart Hualien Store

Resource Recycling Tonnage and the Growth Rate

Unit: Tons

	Large-scale stores	Mid-scale stores	Small-scale stores	Total
2018 volume of resource recycled	429.6	228	116.4	774
2019 volume of resource recycled	445	348	138	931
2019 growth rate for resource recycled	3%	53%	18%	20%
Target for Volume of Resource Recycled in 2020	552	540	259	1,351

Note: The store scale is defined based on a combination of considerations on turnover and area.

Volume of Paper Resource Recycled in Past Years

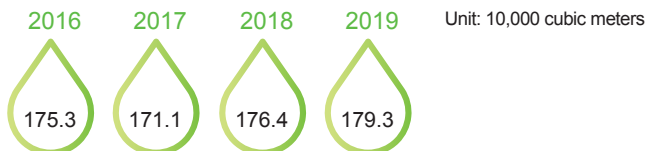
Unit: metric tonne



3.2.6 Water conservation performance tracked regularly for water resource management

According to the global risk report issued by the World Economic Forum, the lack of water resources in the next 10 years is one of the top ten threats to global stability. In view of this, FEDS began to disclose information about water resources in 2019. Tap water is the main water source of FEDS head office and branch stores. The water mainly originates from local reservoirs and is mainly used for domestic water consumption. In order to effectively save water consumption, FEDS head office and branch stores have all installed water-conservation equipment such as sensor taps and water-conserving toilets, carried out pipe leakage detection, and reduced the volume of water discharge from air conditioning cooling towers. New generation stores, such as Top City Taichung and Mega City Banqiao, have installed rainwater recycling systems. In 2019, the total water consumption of branch stores was 17.93 million cubic meters, an increase of 1.64% compared with the previous year. The main reason for the increase in water consumption was because FEDS had new large scale F&B establishments joining the malls, which resulted in the increase in the proportion of F&B in each branch store. For 2020, we have set water management indications and reported these at the administration meeting to all branch stores in November, 2019. The water consumption of each branch store will be tracked on a monthly basis to collectively achieve the goal of conserving 1% of water.

Total Water Consumed in Past Years.



Note: Total water consumed excluded FEDS XinYi A13 that commenced trial operations at the end of 2019.

Water Conservation Measures at Each Branch Store

Branch store	Installation of water conserving taps	Installation of water conserving toilets	Installation of rainwater recycling systems	Pipe leakage detection	Reduction in air conditioning cooling tower water discharge
PaoChing Store	✔	✔		✔	✔
Mega City BanQiao	✔	✔	✔	✔	✔
BanQiao Store	✔	✔		✔	✔
Taoyuan Store	✔	✔		✔	✔
Hsinchu Store	✔	✔		✔	✔
Top City Taichung	✔	✔	✔	✔	✔
Chiayi Store	✔	✔		✔	✔
Tainan Store	✔	✔		✔	✔
Kaohsiung Store	✔	✔		✔	✔
Hualien Store	✔	✔		✔	✔

3.3 Green Actions

FEDS upholds the belief of environmental sustainability to build malls that are both fashionable and environmentally-friendly. We also undertook three major initiatives to realize environmental sustainability, including promoting energy conservation and carbon reduction through green transportation, building green landmarks to create sustainable cities, and promoting green consumption through products and services. Each green initiative is reflective of how FEDS has deliberately embedded green environment protection elements into every operational process. We take an inward-out approach, which covers core operation activities and other ancillary activities, and also take a step further to regard the stakeholders in each process stage as partners critical to FEDS to actualize green value.

3.3.1 Green Action ① : Supporting Green Transport and Promoting Energy Conservation and Carbon Reduction

More than 70% of employees take public transportation, accelerating reduction in carbon emission

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. It can be observed from statistical figures in the past three years that, on average, more than 70% of employees are used to taking public transportation when they are on official duties. In 2019, the number of employees who had business travel was 7,824, of which 75% used public transport. Additionally, FEDS also reduced the potential carbon emissions of traffic through conference call. In 2019, for just Administration Division alone, 659 meetings and 47 recruitment interviews were held via conference call instead of face-to-face to reduce the carbon footprint of transportation.

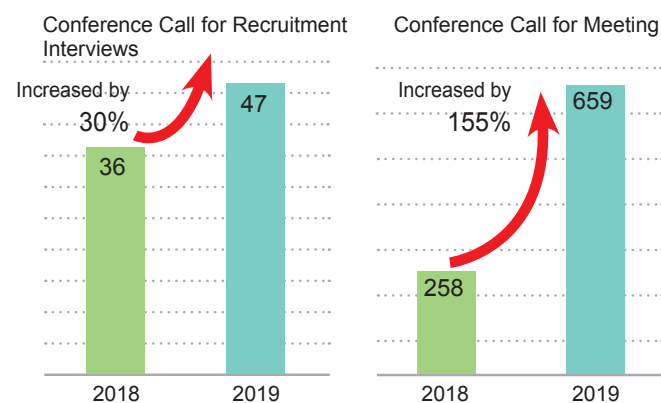
Offering shuttle bus services for customers; taking the lead in energy conservation

With the idea of environmental sustainability and thoughtfulness for customers in mind, FEDS has arranged for shuttle bus services at FEDS BaoQiao Store, Mega City BanQiao, and FEDS Hsinchu Store. 100 trips are scheduled on weekdays and 158 on weekends. The shuttle buses run between MRT stations, train stations and across major routes within the vicinity, bringing convenience to shoppers and alleviating environmental impact from the process of shopping, thus providing a more environmentally-friendly, convenient, and comfortable environment for the surrounding communities. In 2019, owing to observations that ridership had been decreasing over time, we adjusted the shuttle bus schedules, and shuttle buses leave based on the queue such that the shuttle buses, in general, do not run empty. About 3 trips are reduced daily for New Taipei City and 13 for Hsinchu; in 2019, the ridership was 603,000, a decrease of 48% compared to the previous year.

Using Public Transportation for Business Trip

Year	2017	2018	2019
Number of Passengers	7,580	8,144	7,824
Usage Rate	74%	78%	75%

Conference Call for Meeting and Interview



Shuttle Bus Passenger

Unit: ten thousand people

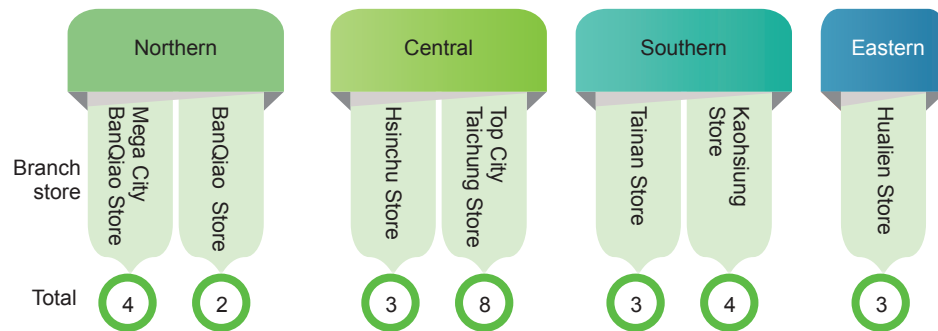
Year	2017	2018	2019
Amount	104	117	60.3

Installation of charging stations for electric vehicles to protect the Earth

In response to the global trend of energy conservation and carbon reduction, more and more consumers are choosing electric vehicles as a mobility tool. According to research, electric vehicles can reduce GHG and particulate matter (PM) emitted by gasoline vehicles, thus reducing the effects of air pollution and slowing global warming and benefiting environmental protection. FEDS has installed 27 electric vehicle charging stations at 7 sites, joining forces with consumers to respond to the government's call on green transportation policy and to build a sustainable low-carbon emission life.



Branch Stores Where Electric Vehicle Charging Stations Are Installed and the Number of Charging Stations



Anticipating and managing traffic flow during events to efficiently ease congestion

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: During the 2019 store anniversary celebrations for FEDS Taichung, we had banned u-turning at intersections, simplified the driving route from Huizhong Road to Shizheng North 7th Road, erected directional signs, and adjusted the routes and frequency of the shuttle bus service. We also cooperated with the Transportation Bureau of Taichung City Government and the police station to deploy more voluntary traffic wardens to direct the traffic, so as to jointly reduce the impact of increased traffic to the local community. According to the observation of the Head of Huilai Village of Xitun District, the traffic congestion issue had improved by more than 20% as compared to the situation in previous year.

3.3.2 Green Action ② : Creating a Green Landmark to Contribute to a Sustainable City

Friendly environment with head office as a Silver Label green building

FEDS has been a bellwether in the department store industry that started incorporating the concept of green buildings into department store designs since a long while ago. Ecology, energy saving, waste reduction, and health are the four pillars upon which new environmentally-friendly and energy-conserving concept malls were built on, so that department stores are no longer just malls but a beautiful landscape of a city.

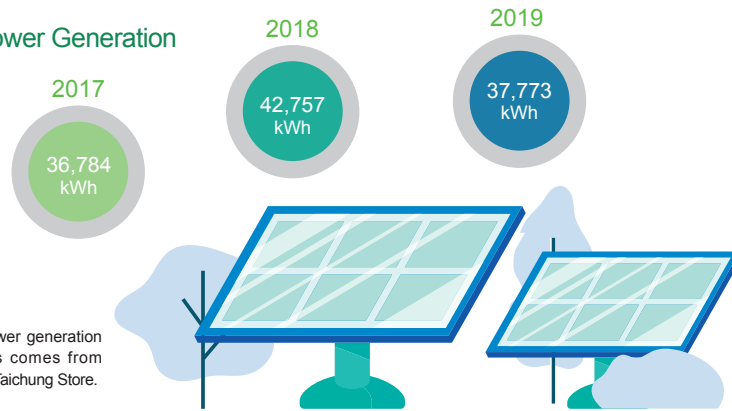
Portfolio of FEDS Green Buildings



Low carbon-emission operations for a trendy and environmentally-friendly green mall

FEDS has embedded the spirit of environmentally-friendliness into details of every corner in our malls, and our new generation stores are all new shopping malls that are environmentally-friendly and energy conserving in nature. Take Top City Taichung, for example, in addition to creating a large area of natural lighting to conserve energy for lighting, the air conditioning in the mall is also FEDS's first ice storage energy-conserving air conditioning system. The ice storage air conditioning system is operated during the off-peak period at night to avoid the peak time power load, effectively reducing carbon emissions. In addition, the mall is installed with a solar power generation system and a rainwater recycling system to bring low-carbon emission operations to fruition and reduce the impact of shopping mall operations on the environment.

Solar Power Generation



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

New cleaning technologies of air conditioning equipment; saving energy and water and being cleaner

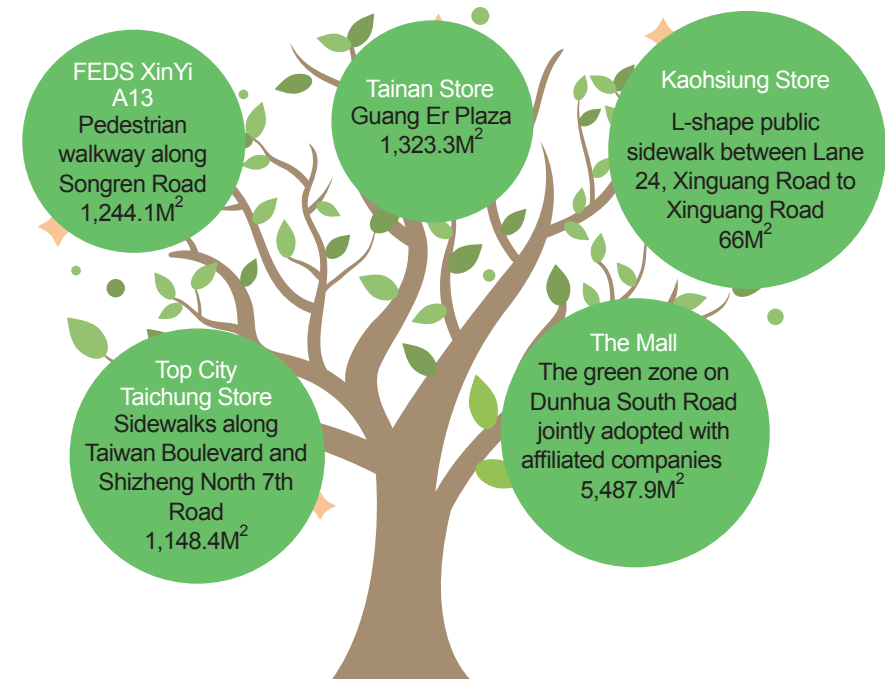
Minerals in tap water often cause scaling in cooling towers, resulting in the decline of equipment efficiency. In 2019, Top City Taichung implemented physical water treatment to break up calcium carbonate that easily forms scales around the inside of cooling towers into smaller molecules. This can prevent scales from forming and increase effectiveness of regenerator thereby reducing energy consumption and water consumption to achieve the effect of energy conservation and water conservation. In comparison to traditional chemical water treatment, this can significantly reduce secondary pollution to the environment.

FEDS XinYi A13, the latest fifth-generation store under FEDS, was completed and operated in December 2019. The development of main building of the store was spearheaded by Kris Yao's architectural team. With silver glass massing that radiates a sense of technology and fashion, exterior walls reflect adjacent buildings and the sun color at dusk to connect the mall to the hardscape and complement the landscape, creating a new look for department stores. In collaboration with architectural design teams from internationally renowned firms Foster+Partners and Gensler, we further created the only water feature piazza with Taiwan scenery elements in the Xinyi district where an inch of land is worth an inch of gold, lighting up the atmosphere of the urban oasis for the bustling Xinyi district.

Adopting Green Space to Preserve a City's Green Scenery

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 about 1.3M in adopting a total of 3,781.8M² of roadside trees and green space in the surrounding areas every year. FEDS as a whole has adopted an area of 9,269.7 M², consisting of Songren Road pedestrian walkways adopted by FEDS XinYi A13, which opened in 2019, and parks along Dunhua South road that was jointly adopted with affiliated companies. The adopted pedestrian walkways and green spaces are cleaned and maintained by FEDS personnel, and plants are pruned whenever necessary. Through this, we hope to provide the surrounding neighborhood a more comfortable neighborhood and contribute to the urban landscape greening.

Adoption of Pedestrian Walkways and Green Spaces



3.3.3 Green initiative ③ :

Promoting Green Consumption through Products and Services

FEDS has been endeavoring to actualize the principles of "three Rs, three Es" in the consumption process of department stores, namely consumption Reduce, Reuse, Recycle, Economic efficiency, Ecological compliance, and Equitability practice. We strive to work hand in hand with consumers to collectively reduce the impact of consumption behavior on the environment and ecology, improve the sustainable use of resources, and change the world with consumption power.



A Responsible Retailing

Sales of fair trade organic coffee to implement responsible retailing

Starting in 2016, FEDS has introduced Italian fair trade coffee, which has attained the EU organic agricultural product certification mark, through the independent "World Gourmet" counter, as an attempt to protect the profits of the lowest-tier coffee farmers in developing countries from exploitation by profiteers such as multinational coffee companies and middlemen, as well as to encourage environmental protection. The sales rate for fair trade coffee in 2019 increased by 58% compared with 2018.

Small-scale farmers' market to promote local production and consumption

Diets in everyday life can affect carbon dioxide emissions, and shortening food mileage and reducing carbon footprint would be the most environmentally-friendly way of consumption. FEDS supports local agriculture and leverages our channel resources and strength to enable consumers to purchase high-quality agricultural products in close proximity. In 2019, all 10 branch stores in Taiwan organized a total of 99 agriculture bazaars, gathering 953 small-scale farmers selling 3,381 products. Through promoting the concept of "local production, local consumption," we are also spurring the most effective consumption mode in response to global climate change.



Offering 50,000 environmentally-friendly gifts during promotional activities to implement an environmental protection lifestyle

FEDS procured gifts for shopping promotions with the core concept of "practice green lifestyle." In 2019, we carefully selected gifts that are fashionable and environmentally-friendly for shoppers who visited our stores, including 50,000 pieces of environmentally-friendly items such as glass food container with cutlery, cutlery sets, foldable shopping bags, fashionable thermos bottles, and more. Customers would then be able to protect the environment while using these products to fulfill the concept of environmental protection and sustainability.





B Environmental-Friendly Operations

Three consecutive years of winning the outstanding performance award as a recognition for support for green procurement

In November 2019, FEDS attended the "Green Consumption and Outstanding Environmental Protection Volunteer Award Ceremony" organized by New Taipei City Government. FEDS has won the Outstanding Performance of Green Procurement Award for three consecutive years as a recognition for an amount of more than NTD5 million for green procurement, joining 26 other private enterprises and organizations to receive the accolade. FEDS will not rest on our laurels and will continue to create green department stores to fulfill corporate social responsibility.

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 2019, more than 2,618 environmentally-friendly uniforms have been produced and issue. The number of uniforms issued increased by 7% from the previous year.

Reducing 33% of Printed Advertising Leaflets 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 2019, the printing volume of paper catalogues was decreased by 33% compared to 2018. The Company plans to continue reducing the volume of printed advertising and increasing the percentage of digital advertising to achieve targeted marketing.

2018 Reduction ratio 9.5% | 2019 Reduction ratio 33%

C Low-Carbon Service

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.



Reducing 16% 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 2019. 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 2019 decreased by 16% compared to 2017. Packaging materials have been reduced for three consecutive years, demonstrating our commitment of environmental protection and resource conservation.

Year	2017	2018	2019
Reduction ratio	19%	10.8%	16%

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. In July 2019, the Tainan Store invited a teacher from Tainan Environmental Protection Bureau to hold "Resource Recovery DIY" for 50 children to paint environmental protection bags.



Setting up Recycling Bins for Pre-owned 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 pre-owned books that to share with other customers. For donating more than 5 books, Far Eastern Department Stores provides HAPPY GO points as a reward. By sharing books, reading resources can be maximized.





Chapter 4 Highly Efficient Environmental Protection Operations

4.1 Strictly Selected
High-quality
Merchandise

4.2 Safe and Delicious
Food

4.3 Comprehensive Supply Chain Management

4.1 Strictly Selected High-quality Merchandise

To enable consumers to shop with ease, FEDS strictly adheres to relevant regulations to conduct testing, labeling, and management on thirteen categories of merchandise sold. Internal regulations have also been formulated as supplement specifications to enforce the rigor of merchandise management and ensure merchandise are of high quality. Notably, FEDS is the only department store among industry peers to have established its independent "World Gourmet" F&B counter. In 2016, we introduced fair trade coffee to promote the concept of responsible retailing, so as to change the world with consumers using the power of consumption.

4.1.1 Merchandise Safety Committee- Offering Safe Product

FEDS has set up the Merchandise Safety Committee responsible for management of merchandise safety and driving related projects to reduce operation risk. The assortment of merchandise sold at FEDS can be segregated into thirteen categories, each of which is tested in accordance to relevant legal regulations and specifications before being made available for sale. This ensures that merchandise meets safety standards and that consumer rights are also protected. In particular, for three-tenths of the merchandise that inherently has higher risks, for example F&B, food items, cosmetics and any other merchandise that has a shelf life or would inevitably affect consumer health, contracts with vendors will stipulate that vendors must comply with government laws. In addition, regulations have been set and sampling inspections will also be conducted to improve internal management.

For merchandise labeling management, FEDS continuously takes strides in the direction of establishing good labeling management right at the onset of manufacturing. This includes production batch numbers, dates of manufacture, dates of expiry, and other labels for cosmetics and testers. Proper communication and coordination with vendors is imperative so as to effectively manage traceability systems, reduce unnecessary consumer-to-business disputes, and achieve a win-win-win effect between vendors, consumers, and FEDS. In addition, if the audit unit were to discover any deficiencies in operational process details, responsible units will be alerted to make rectifications. Meanwhile, the departments concerned will strengthen publicity and guidance, and store supervisors will conduct daily sampling inspections and work with vendors to actualize improvements. In 2020, FEDS shall persevere to execute merchandise labeling management processes to strive towards the target of "zero defect product labeling."

13 Merchandise Categories



Regulations and Management of Merchandise

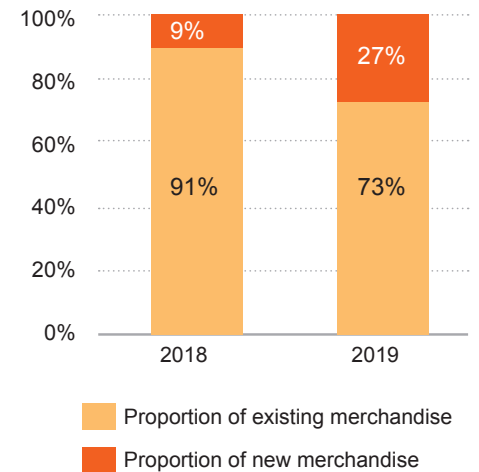


4.1.2 The Only Self-run Food Counters in the Department Store Industry Offering Curated Foreign Food

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 the last twenty five 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. In 2019, FEDS World Gourmet carried a total of 437 items, of which 118 were newly introduced in the year, with a new merchandise introduction rate of 27%, a two-fold increase compared to 2018.

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. For example, the parallel imported Italian olive oil has consistently been a safe product that is popular among consumers because of its high quality.

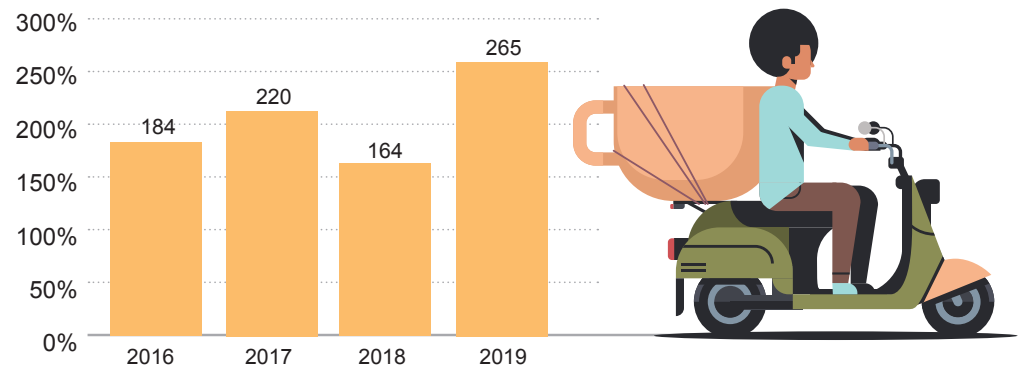
Proportion of New Merchandise Introduce



4.1.3 Importing Fair Trade Coffee to Implement Responsible Retail

Since 2016, FEDS has promoted the concept of "Responsible Retail" by introducing coffee with the "FAIRTRADE" and "ECOCERT" logos. 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 2019, World Gourmet featured self-imported products such as fair trade organic coffee from MOKAFLOR 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.

Sales of Fair Trade Coffee in Past Years



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

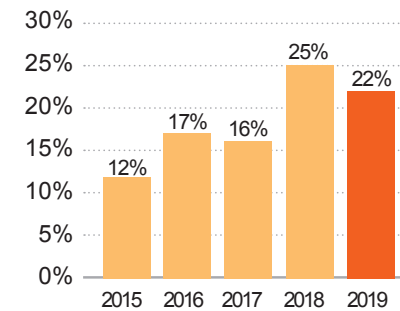
FEDS continues to explore Taiwan's local food ingredients, support quality local agricultural and fishery specialties, and promote the concept of food with lower miles. The proportion of local procurement for the self-operated food counter has risen year by year, from only 12% in 2015 to 22% in 2019. In other words, every NT\$1 out of NT\$5 of procurement amount is spent on local products. FEDS will draw upon our operational core capabilities of merchandise curation to increase the proportion of procurement of domestic high-quality products, thereby offering consumers a wider array of domestic agricultural products, reducing the carbon footprint from merchandise deliveries, and supporting environmentally-friendly agriculture through concrete actions.

4.1.5 Stringent Checks for Merchandise Safety to Safeguard Consumer Rights

The Merchandise Division, Operation Division, and Administration Division are regularly updated on the status of merchandise safety and management at each branch store through branch store manager meetings and operation meetings. This information is in turn reported to the president, and the Merchandise Safety Committee will also be in control at all times and keep abreast of the latest information. Should there be any suspected incident related to merchandise, it will be rapidly responded to and dealt with to reduce impact and damage to consumers so that consumers can shop without a worry.

FEDS has established comprehensive "Procedures for Handling Merchandise Disputes" and "Procedure for Handling Problematic Merchandise and Lapses in Merchandise on the Market" as precautionary measures. A total of 27 key operation control points have also been established for independent merchandise management in internal control procedures. On an annual cadence, responsible departments also review and control the appropriateness of various operational procedures to ensure merchandise safety and protect the rights and interests of consumers. On top of Merchandise Division, Operation Division and Administration Division reporting the status of merchandise management to the president through regular monthly meetings, the Merchandise Safety Committee would also grasp the latest developments at all times. Once a suspected incident related to merchandise occurs, the relevant handling procedures will be activated immediately. Responsible departments will formulate response plans with follow-up actions completed accordingly to reduce the impact and damage to consumers. Drawing on experience from the incident, advocacy will be intensified or specifications will be instituted to prevent recurrence of related events. In 2019, there were no disputes regarding problematic merchandise on the market.

Proportion of Domestic Procurement for Independent Counters in Past Years

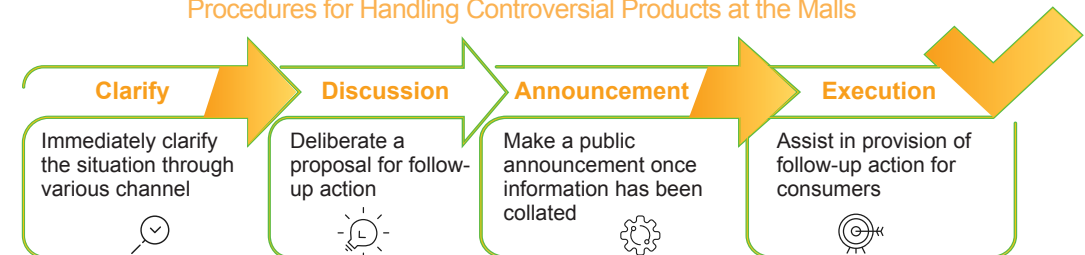


Procurement Amount

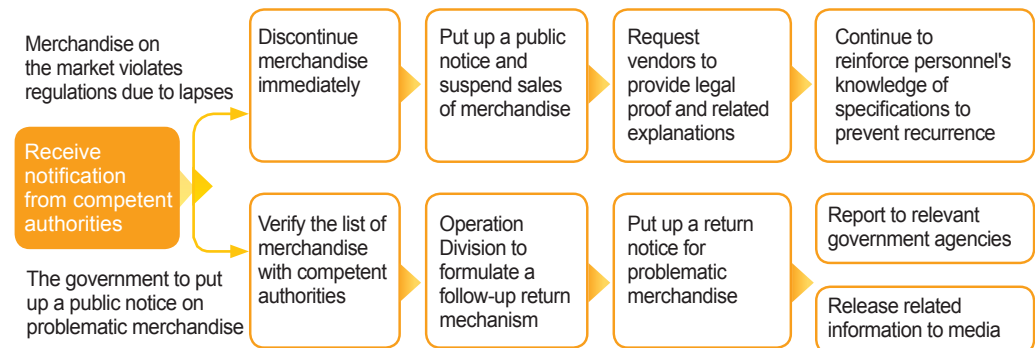
Local procurement accounted for 20% of the total procurement amount, i.e. for every NT\$5 of procurement, NT\$1 was committed towards local agricultural and aquacultural merchandise.



Procedures for Handling Controversial Products at the Malls



Procedures for Handling Problematic Products



4.2 Safe and Delicious Food

FEDS strives to provide consumers with the finest dining experience to become an indispensable place for social gatherings that e-commerce cannot provide. We enacted a "clear regulations, independent management, and regular inspections" management system to be on the front line of defense for food safety and dining safety for consumers such that consumers are provided with healthy and delicious high-quality food that they can have with peace of mind. For a long period of time, FEDS has also infused festive gift packages with public welfare actions. Charity gift boxes from social welfare organizations are made available for sale to the public to encourage consumers to share the love, together with FEDS, during festive seasons.

4.2.1 Food Safety Management Committee - Ensuring the Food Safety Mechanism

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.

In the latest push for policy on restriction on plastic, the Environmental Protection Administration of the Executive Yuan banned the use of single-use plastic straw from July 1, 2019, stipulating that four major places, namely all government agencies, public and private schools, department stores, and shopping centers, and fast food chains, are not to provide single-use plastic straws. Since the middle of 2018, FEDS supported the restriction on single-use plastic straws through multi-prong policies, including active promotion to vendors and banning disposable cutlery. Counter vendors and restaurants were also requested to engage in public promotions to encourage consumers to bring their own reusable straws or to drink directly from the cups. Currently, all branch stores have campaigns such as "single-use plastic straws will not be provided for dine-in" to ceaselessly advocate the use of reusable straws. For example, Katsumasa has swapped single-use plastic straws for bamboo straws, and paper straws are also provided over F&B counters.



PaoChing Store passed the inspection on the first day where restriction on single-use plastics kicked in

In line with the policy for restriction on single-use plastic straws taking effect on July 1, 2019, the Department of Environmental Protection, Taipei City Government conducted three consecutive days of comprehensive inspection starting from July 1. The inspection on the first day was led by Assistant Commissioner to FEDS PaoChing Store at Ximending to inspect F&B establishments. The findings revealed that all had fulfilled requirements; fast food operators, coffee chains, and more, have all provided "adult sippy cup lids" as a replacement for single-use plastic straws, and paper straws were only provided upon consumer request.

4.2.2 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.

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.

3-tiered Food Safety Management

- ① Set specified regulations
- ② Make self management
- ③ Conduct regular inspections

Requirements and Specifications for FEDS's Catering Companies

Dining Environment

- Banned Melamine tableware.
- Stop using plastic straws
- Food ingredients and tableware are not allowed to touch the floor.
- Tableware must be thoroughly cleaned every day before the store closes.
- Chipped tableware is replaced immediately.
- Damaged tables and chairs shall be addressed immediately.
- Thorough disinfection is conducted every month.
- Ventilator filter is cleaned every month.

Ingredient Management

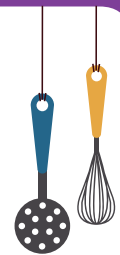
- All food ingredients are in line with food safety and health regulations.
- Properly store food products, semi-finished products and ingredients.
- Seasoning and food are covered when stored.
- Fridge (freezer) has to be clean with raw and cooked food effectively separated.
- Daily testing of frying oil.
- Ensure clear and compliant labeling of expiry dates for food and additives.
- Water and ice cubes must meet the drinking water quality.

Kitchen Safety and Sanitation

- Kitchen staff must receive necessary professional training.
- Ensure the safety and regular inspections of all equipment.
- Staff are in good physical health with no risk of contaminating foods.
- Kitchen utensils are required to stay clean with no disease vector breeding.
- Meal-serving staff wear clean uniforms and keep hands clean.
- No behavior that could contaminate food is allowed.
- Regular cleaning of ventilators.

Vendor Self-Management

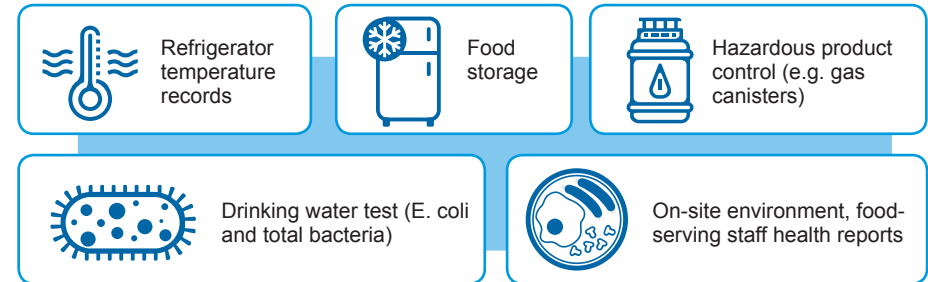
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| <ul style="list-style-type: none"> • Cleaning and disinfecting supplies should be clearly marked, stored in a fixed place and kept by dedicated staff. | <ul style="list-style-type: none"> • Disinfection is conducted every day with kitchen and general waste properly disposed of. | <ul style="list-style-type: none"> • After the store closes, waste containers should be sealed and disposed of. |
| <ul style="list-style-type: none"> • The ventilation / stove / gutter / oil trap should be thoroughly cleaned before the store closes. | <ul style="list-style-type: none"> • Kitchen waste bins should be covered. | <ul style="list-style-type: none"> • Kitchen should be kept clean. |
| | | <ul style="list-style-type: none"> • Product liability insurance is mandatory. |



Management Mechanism 3 Regularly performing audits and making improvements

FEDS endeavors to provide excellent food sanitation and conducts regular monthly checks to ensure compliance with Regulations on Good Hygiene Practice for Food, Drinking Water Regulations, and Regulations on Maintenance of Drinking Water Equipment. Improvement logs are filed to remind F&B operators of matters that need attention. Every year, the Supermarket F&B Department and Merchandise Development Department also conform to internal control procedures. With high-quality food safety as the execution goal, the departments would, in accordance to food safety processes instituted by the Company, verify that F&B counters have submitted product test certifications and letters of commitment for merchandise safety. In 2019, more than 99% of the F&B counters were inspected, and the findings are reflected in the table below.

Regular Inspection Items for Catering Counters



Audit Results of Food Safety Inspections

Audit object	Number of audited counters	Frequency of audit	Audit items	Audit results	Improvement measures
Catering counters	162	One inspection each half of year 2019	<ul style="list-style-type: none"> Expiry dates are indicated on labels for food and food additives. Cleanliness is maintained for kitchen equipment and appliances. Placement of food and food ingredients are proper. Status of vector breeding in kitchen Oil testing and change of oil F&B operations personnel are fitted with caps and masks. Quality of ice cubes and drinking water 	<ul style="list-style-type: none"> Reasons for abnormalities included not indicating the date of repacking or the expiration date for food ingredients, improper placement of kitchen equipment and appliances in kitchen workplace, and more. 	Improve education and conduct sampling inspections by branch store management personnel
Supermarkets and food counters	253	One inspection each half of year 2019	<ul style="list-style-type: none"> Expiration date for merchandise Packaging specifications F&B counters have taken up product liability insurance. 	<ul style="list-style-type: none"> Number of audits increased by 48% compared to the previous year The rate of abnormalities found in audits on counters did not increase. Reasons for abnormalities included packaged food not labeled in accordance to regulations, damaged packaging, and more. 	Counters have proposed rectifications for packaged food not labeled in accordance to regulations.

Full passing rate for food sanitation management assessment and certification by Department of Health, Taipei City Government

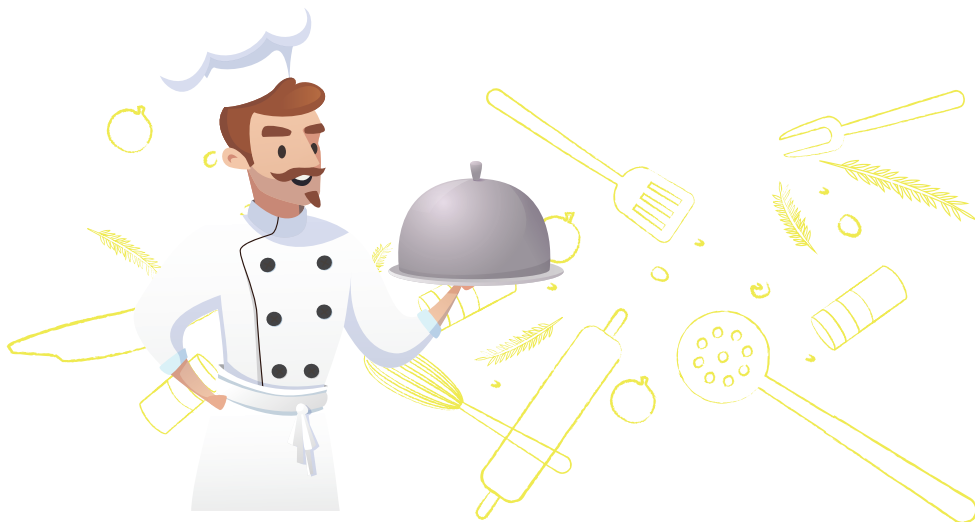
In accordance to Taipei City Self-Governing Regulations for Food Safety, the Department of Health, Taipei City Government completed a grading assessment for 17 food street operators in Taipei City in 2019. The assessment covered five key scopes, including personnel management, operational environment management, equipment and facility management, material and storage management, and process and quality control. All 18 F&B establishments in FEDS PaoChing Store passed the assessment, of which 14 received Excellent Label and 4 received Good Label.



4.2.3 Introduce Specialty F&B Services and Maintain Food Safety

FEDS has long been dedicated to the business of F&B counters, introducing specialty cuisines, exotic dishes, and theme restaurants, establishing the popularity index for the department store F&B market. We also adjusted the proportion of F&B counters and rearranged distribution of F&B across floors so as to harness the "destination economy" effects of department store F&B.

In order to provide consumers with the finest F&B quality, counter contracts stipulates that F&B counter vendors must ensure that the food ingredients and quality of the food items are safe, all raw materials for the manufacturing of the products are also approved by Taiwan Food and Drug Administration, in compliance with national standards and relevant food safety and sanitation regulations, and there is no illegal addition, illegal use, or other non-compliance with the law. At the same time, if the F&B counter is defined as the catering category under the Regulations on Good Hygiene Practice for Food, the proportion of cooking practitioners holding a Chinese food cooking technical certificate and chef certificate must comply with the regulatory requirements. Through stringent regulations, FEDS and F&B counter vendors will jointly provide safe and delectable food quality.



Retrofitting 535 ping of the F&B floor at BanQiao Store

We observed that residents in New Taipei City are particularly fond of buffet style dining. In 2019, FEDS BanQiao Store, which had thrived for two decades in Banqiao, underwent an extensive makeover costing some NTD40 million. Veggie To Go, New Mala Hotpot, and Kushi-ya joined the ranks of buffet restaurants on the 11th floor alongside the existing restaurants Eat Together, Syabuyo, and Gyukayu. The restaurants can seat 600 in total and attract different customers. A differentiated dining character between each restaurant is thus created while the proportion of F&B in the mall increased from 21% to 26%.

Carefully selected products directly delivered to home; performance for delivery services hitting new heights

As the lifestyle of consumers has changed, we have partnered delivery platforms to enable consumers to have one more channel to buy our carefully curated merchandise. a.mart Nanya Store collaborates with foodpanda to offer 500 kinds of products for consumers to choose from, including fresh ingredients, snacks, daily necessities, and more, while city'super Tienmu store partnered with Uber Eats to provide fresh produce, dry goods, cooking sauces, baby food, and other items.

Launching professional live cooking stations to elevate F&B services

Our portfolio companies, a.mart hypermarket and city'super supermarket, expanded their range of services in 2019 to offer live cooking services. The service was extended to a.mart Nanya and a.mart Hsinchu, while city'super set up freshly-made counters and a "standing bar" zone where fresh meat and other ingredients can be cooked on the spot for customers to consume, satisfying their needs for choosing their own ingredients, open kitchens to guarantee freshness and hygiene, and instant freshly prepared food. Taking a.mart, for example, the store currently attracts an average of 7,000 visitors a month; the sales performance of fresh food has increased by 10 times compared with that before the launch of the service, indicating that the live cooking station service indeed met the needs of consumers.

78 year-old Honolulu Cafe marching into Mega City BanQiao Store

In 2019, Mega City BanQiao Store, with its excellent brand image and crowds of shoppers from surrounding business districts, successfully enticed the portfolio brand of DaChan Great Wall Groups, Honolulu Cafe, to set up a takeaway store. This is also the first store in New Taipei City. DaChan Great Wall Group's dedication to food safety and taste coincides perfectly with FEDS's principle of "healthy delicious food." The ingredients used at Honolulu Cafe are selected under stringent conditions, following through from farm to table to safeguard consumers.

4.2.4 Love by FEDS conquers food safetyconquers food safety

FEDS has a comprehensive mechanism to enforce food product and dining safety for customers. This dedication has not only protected customers at our stores but also integrated with public welfare care in two aspects—the selection of charity gif boxes from social welfare organizations to ramp up the exposure of these organizations, and donation of festive gift boxes to vulnerable communities so that disadvantaged families can enjoy the gift boxes safely and have a happy new year.

Healthy and high-quality new year dishes and gifts

For FEDS' 2019 new year festive packages "May the Good Foodtune Be with You," President Ms. Nancy Hsu personally participated in the food tasting and selection, and emphasized "food safety" as the top priority so that consumers would be able to delight their taste buds with high-quality food and indulge in happiness and warmth. FEDS's "May the Good Foodtune Be with You" new year festive packages featured three selecting criteria that the new year soup was the most popular, hotpot dish was the talk of the town, and new year gifts were the most eye catching. 394 high-quality, distinctive new year dishes and gifts were meticulously selected to offer consumers a plethora of epicurean delights. At the same time, FEDS also tirelessly contributed to public welfare through the new year gifts, adding 5 choices of new year gift boxes from Syn-Lu Social Welfare Foundation and Children Are Us Foundation and invited consumers to spread their love during festive gifting so that more can enjoy a happy new year.



Collection of new year dishes to give warmth to disadvantaged families

a.mart, a portfolio hypermarket under FEDS, has been upholding the corporate philosophy of "A better life for every family," and has organized the collection of new year dishes for 6 consecutive years. In 2019, a.mart joined forces with the Garden of Hope Foundation and consumers to collect 1,362 portions of new year dishes within 43 days. Before the Lunar New Year's Eve, a.mart and social welfare organizations delivered the new year dishes to 450 families across Taiwan to give warmth to the reunion dinners of these disadvantaged families.

Donation of new year festive gift boxes to Lien Hsin Yuen Foundation

As the lunar new year drew closer, FEDS Tainan Store steadfastly upheld our commitment to public welfare. This year, we once again melded the love from counter sales assistants and collected the Peninsula Original Flavor and Osmanthus Flavored Rice Cakes, Formosa Ambrosia Eight Treasure Sticky Rice Dessert, Buddha Jumped Over the Wall, Ding Tai Fung Steamed Chinese-Style Layer Cake gift set, Longan Cake, Happy Circle Spring Flowers gift box, and other new year gift boxes. Under the introduction of Council of Agriculture ex-Deputy Minister Mr. Lee Tuey Chih and TJFCA President Ms. Louisa Kuo, the gift boxes were donated to Tainan Lien Hsin Yuen Foundation as care for children with intellectual disabilities and disadvantaged families.

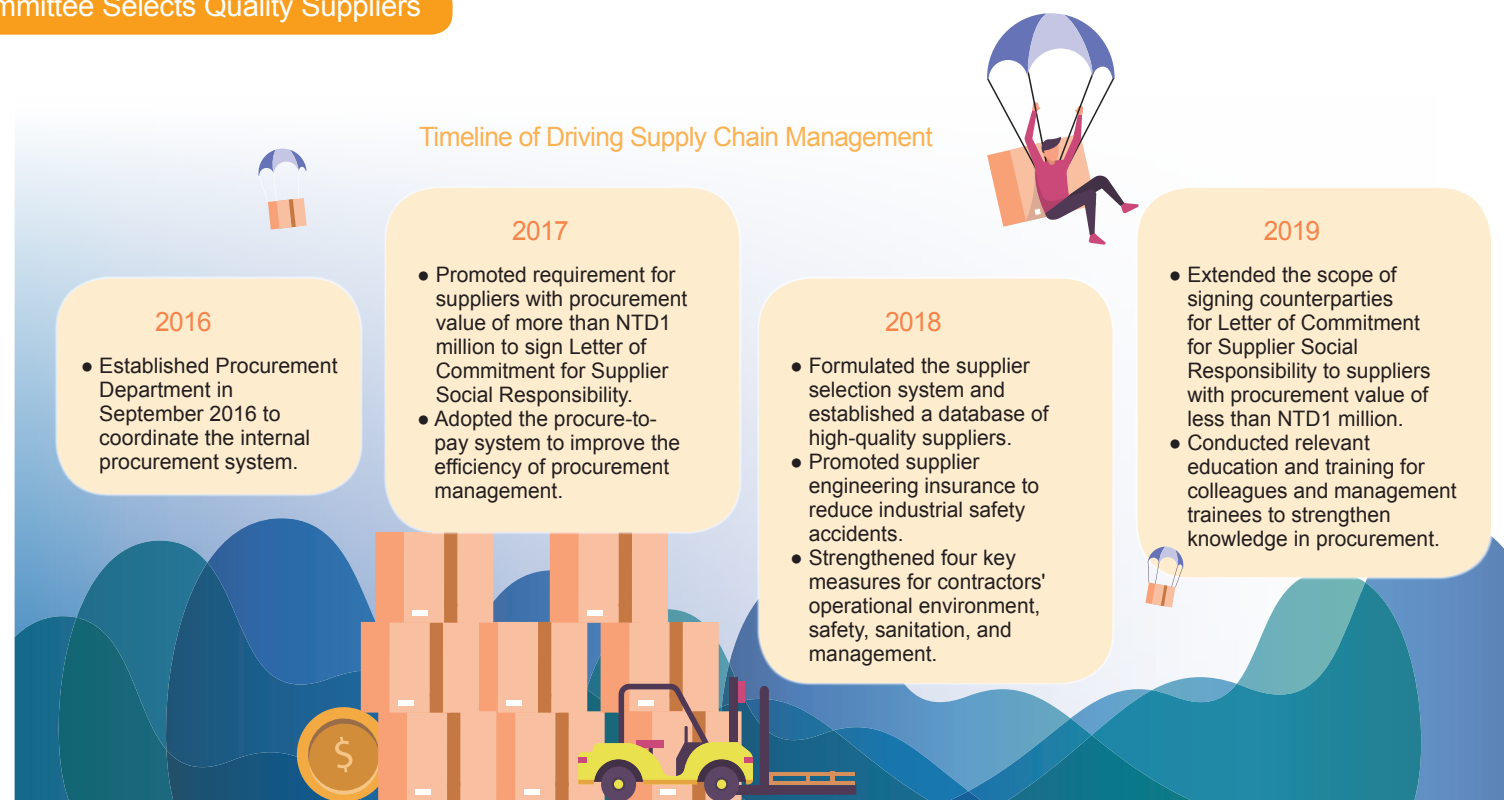


4.3 Comprehensive Supply Chain Management

The suppliers of FEDS mainly comprised of five categories, namely construction, administration, information, advertisement, and labor, and we view our suppliers as important partners. Through the supplier management and evaluation system, we ensure that when suppliers are providing products and services, the processes are in accordance to laws and regulations, and that they also place high importance to social responsibilities such as health and safety, labor rights, environmental protection, and ethical requirements. In order to establish a sustainable supply chain for the Company, on an annual basis, FEDS organizes a vendor networking session, inviting more than 100 vendor partners to share the growth results of the year and the vision for future developments. In conjunction, counter vendors with outstanding results would be commended. We hope to create a symbiotic relationship with vendors in order to create innovative products and services, to deliver novel shopping experiences to customers, and to bring the business model of department stores to new heights.

4.3.1 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. From 2019 to 2020, we will progressively conduct education and training for our colleagues in the Supplier Management Department, Procurement Department, and management trainees. After relevant personnel have completed the procurement training, we will roll out the next phase of the supplier management plan.



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

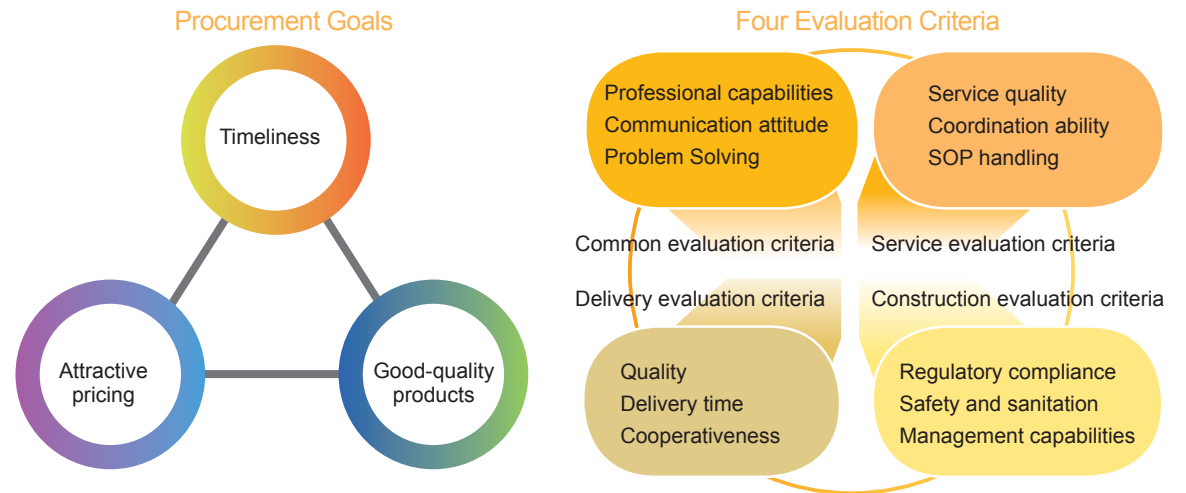
10% of the Procurement Evaluation Committee was randomly selected as members of the "Supplier Project Selection Committee" by a computer program. For the second stage of the evaluation, the committee selected quality suppliers in a fair, impartial and open manner based on the "Suppliers' Five Selection 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.

All suppliers have been collaborating with FEDS for many years; we carefully select suppliers that conform to environmental sustainability and labor laws and standards and that meet the standards of quality. In order to fortify the supplier sustainable management mechanism, we adhere to the requirements by Far Eastern Retail Group Joint Procurement Center for credit checks on suppliers, and concurrently, suppliers are required to sign social responsibility commitments and clearly state actions that would be followed regarding labor human rights, health and safety, and environmental protection. In 2019, the proportion of new suppliers screened according to this principle was 100%, and no deficiencies were found.

Evaluation Criteria and No. of Suppliers

	Health and Safety	Labor and Human Rights	Environment	Ethics
Total suppliers screened	106	106	106	106
No. of suppliers with (potential) negative impacts identified	0	0	0	0
No. of suppliers that have made rectifications	0	0	0	0
No. of suppliers with partnership terminated	0	0	0	0

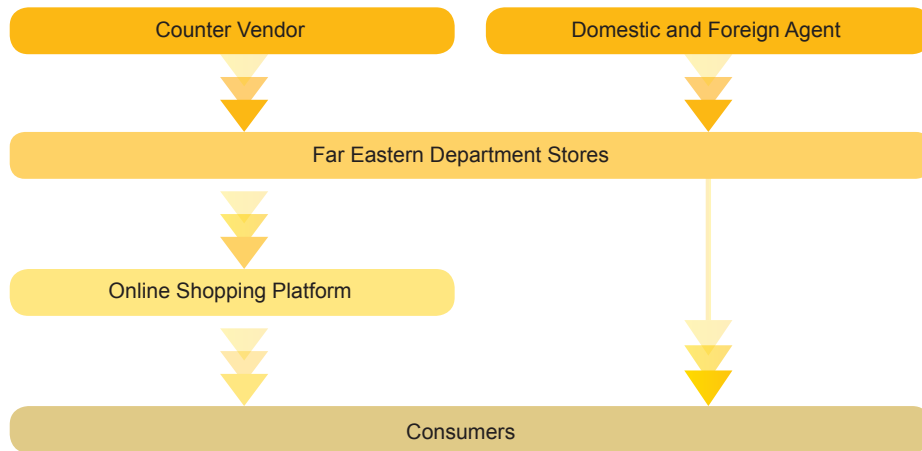


Tighten eligibility checks to confirm qualified suppliers

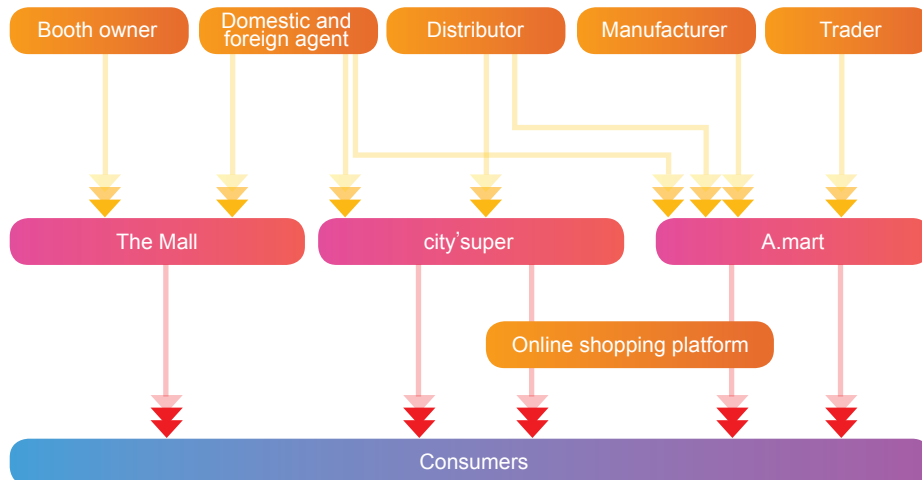
In order to achieve the procurement goal of attractive pricing, good-quality products, and timeliness, in 2019 FEDS took a step further and requested procurement personnel from each branch store to tighten checks and tenderers for procurement cases of less than NTD50,000. The measure was to prevent incidents of multiple bids submitted by the same supplier as different capacities to disrupt price comparison and negotiation during the procurement process. Simultaneously, FEDS has also added new verification check settings in procurement management systems and requested procurement personnel to tick off the verification check list after confirmation of eligibility of tenderers.

4.3.2 Obtaining the 224 CSR Commitment Letters from Suppliers

Supply Chain Diagram of FEDS



Supply Chain Diagram of FEDS's Subsidiary

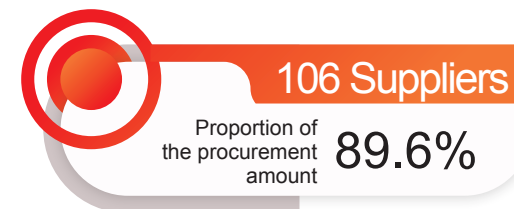


In 2017, the “Supplier CSR Commitment Letter” came into effect. It was stipulated that all suppliers who contracted the Company’s business and procurement for over NT\$1 million should sign the “Supplier CSR Commitment Letter” at the time of signing the contract, promising to work with FEDS in 32 fields of sustainability including labor and human rights, health and safety, environment and ethics.

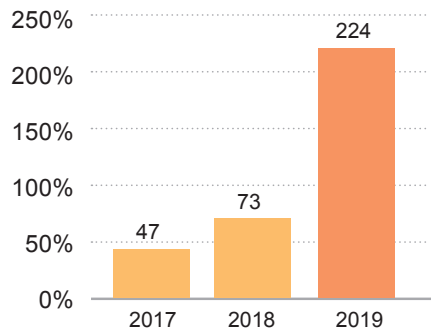
The CSR Commitment Letter is one of the selection criteria for suppliers. The four procurement phases of “requisition, purchasing, quality control and payment” is completed through an information management system to achieve timely, collaborative and effective procurement management. Suppliers who failed to fulfill their commitment will be handled according to the contracts (for example suspension or termination). In 2019, we continued to require supplier signatures on the “Supplier CSR Commitment Letter”, expanded the procedure to suppliers with procurement amount below NT\$ 1 million, and, at the same time, set “green environmental protection and social responsibility” as indicator of the supplier evaluation, in order to build a sustainable supply chain.

In 2019, FEDS successfully obtained 224 signed CSR commitment letters from vendors, of which 200 were of procurement value above NTD1 million. The total procurement value for all 224 cases was NTD1.57 billion. In 2019, we had 17 new suppliers that all signed respective commitment letters, achieving a 100% signing rate. To ensure our suppliers comply with FEDS requirements and regulations, on a regular basis annually, the Procurement Department would conduct sampling checks and visit key contractors, suppliers, and construction and manufacturing sites. Upon discovery of deficiencies resulting in violations against our regulations, we will discuss with suppliers to resolve the issue in an appropriate manner to improve deficiencies, and the suppliers will also be dealt with in accordance to the contract. In September, 2019, colleagues from MIS Center visited the manufacturer for Uninterruptible Power Supply equipment in southern Taiwan to conduct assessments. No major deficiencies were detected after evaluation, and the procurement process of equipment proceeded.

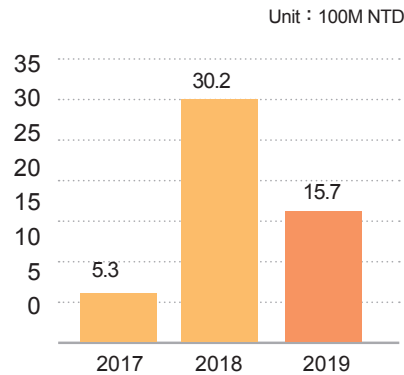
No. of suppliers that signed Commitment Letters and the proportion of the procurment amount



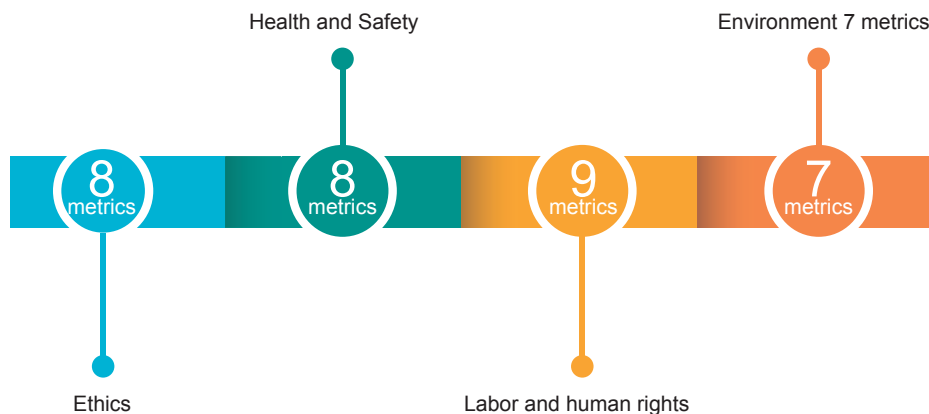
Number of CSR Commitment Letters for Suppliers



Supplier Social Responsibility Commitment purchase amount



Supplier Social Responsibility Commitment Indicators



4.3.3 Establish Assessment Systems to Enhance Supplier Management

In August, 2018, in order to enhance service quality of suppliers, the Procurement Department, Construction Department, General Affairs Department, and other departments jointly planned the Approval Control Coordination Process to be reported at management meetings. The report covered procurement cases where approval is delayed or where there is violation of labor safety and health regulations by the supplier. The Procurement Department shall provide feedback to the property management unit of the head office in accordance to the Supplier Evaluation Form. The supplier, head office and branch store property management units, and relevant business units shall convene a cross-functional meeting to review the deficiencies and devise improvement measures and disciplinary action, including suspensions, fines, and other measures.

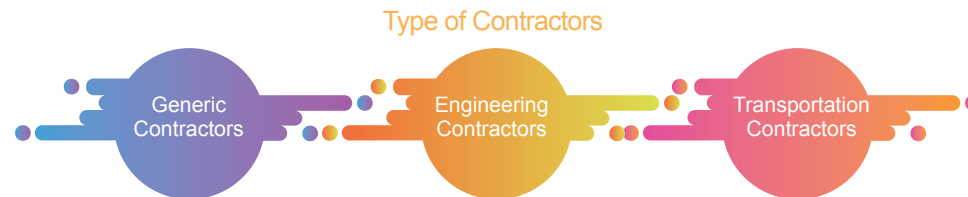
Insurance for Construction: Reducing Work Safety Incidents

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 2019, there were 79 construction procurement cases, 100% of which were covered by construction insurance.

The Company 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 ensured 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.

4.3.4 Revising Contractor Regulations to Improve On-site Safety Management



FEDS has instituted Regulations for Contractor Management, Regulations for Operational Environment Monitoring, Automatic Inspection Plans, and other management methods to establish clear management and operation specifications for the common floor modification works carried out by department stores, including the noise pollution and dust pollution that may be generated in the process of renovation, material shifting, waste disposal, and more, so as to heighten the environmental safety within the mall and to reduce the impact on nearby residents and surrounding environment.

In March, 2019, in order to further reinforce the high safety of contractors of FEDS during renovations within the mall, the Labor Safety Department established "Regulations for Contractor Management," where possible types of hazards that the contractor may have in the company's construction environment are divided into 16 categories. Various potential hazards in operational activities or methods and safety measures to be taken are subsequently detailed in the "Hazard Notice" and sent out in writing to clearly inform all contractors of the safety practices that should be in place. Through detailed and comprehensive reminders, we ensured that all safety details are addressed during the contracting process.

The safety and security regulations and countermeasures that contractors should abide by

Operational activities	Potential hazards	Necessary safety measures
Electric welding, gas welding, hot melting	Burns, radiation hazards, electric shocks, combustion, fires and explosions	Seven items incl. personal protective equipment and etc.
Suspension works	Overtuming, bending of the boom, falling objects, and electric shocks	Eight items incl. crane certificate and etc.
Servicing and maintenance	Impacts, stabs, falls	Eight items incl. work gloves and etc.
Elevated works	Falls, collapse of construction frames, falling objects	Eight items incl. ladders and etc.
Electrical works	Electric shocks, fires	Six items incl. standby leakage circuit breakers and etc.
Confined space	Hypoxia, poisoning, electric shocks	Nine items incl. confirmation of space hazards and etc.

FEDS Embraces Innovation and Marches Ahead with Vendors

Prior to the commencement of annual anniversary celebrations, FEDS will organize a business partner networking session to promote exchanges, reaffirm collaborative relationships, and thank vendors for their cooperation and support. In 2019, the event was held on October 7 at Far Eastern Plaza Shangri-La, and 500 esteemed vendors were invited. Themed "Retail, Reimagined," Chairman Mr. Douglas Tong Hsu's opening address briefly reviewed the global economic environment and retail market in Taiwan, and with a focal point of the future of the new consumption era, guests were brought along the development trail of the retail industry in the past decade, to reimagine the future of retailing.

Chairman Mr. Douglas Tong Hsu specially shared eight fundamental building blocks to the sustainable development of an enterprise, namely Good Products/Services, A Fantastic Team, Best in your Class/Technology, Large Market with Paying Customer, Sustainable Business Model, Good in Execution, Process & Financial Discipline; Ability to Move Quickly, Adapt to Change; Understand: Big Data, AI/Analytics, Clouds, IoT, Security, and Environmentally Friendly.

In the conclusion of his speech, Chairman Hsu quoted the French author and winner of the Nobel Prize in Literature Andre Gide, "One does not discover new lands without consenting to lose sight of the shore for a very long time" to encourage everyone that to create new business opportunities, we must leave our comfort zones and be prepared to move forward, even if the future is full of unknowns.



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

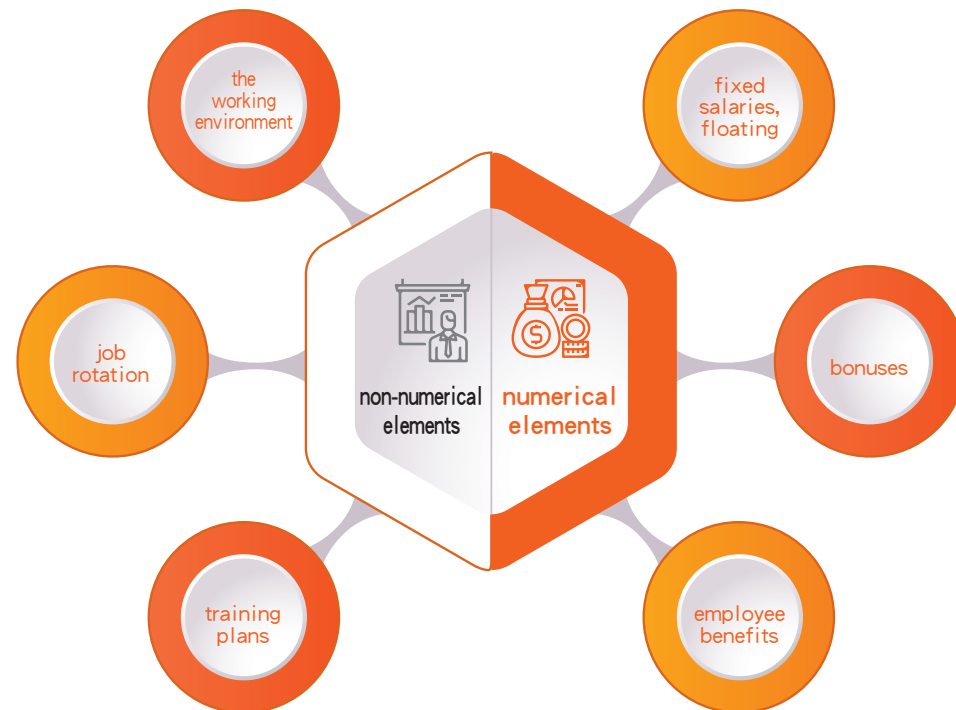
5.1 Superior Compensation and Benefits in the Industry

FEDS actively recruits and attracts retail incumbents with potential as part of succession planning for a dynamic cadre ready to take on intelligent retailing. Attractive and wide range of compensation and benefits are offered to maintain the stability of our human resource structure. In 2019, the number of employees increased by 8% compared with the previous year; fresh blood were brought in for our plans to extend store networks. Employee benefits have also been adjusted for two years in a roll, with a cumulative increase of 30%. That is why we are continuously taking care of the health of our employees, fostering a sense of team identity, and creating excellent working environments so as to become the ideal happy workplace employees envisioned.

5.1.1 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. FEDS adjusts employees' salaries annually to remain employees in the position. 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. Aside to that, starting from 2019Q4, with the intent to boost efficiency for internal operations and to improve processes, FEDS implemented the Regulations Governing the Rewards for Creative Proposals, presenting colleagues with a variety of awards for creative proposals drawn up. In this way, we can spur overall organizational progress and also lay a solid foundation for the future development of FEDS.

Comprehensive Remuneration Package



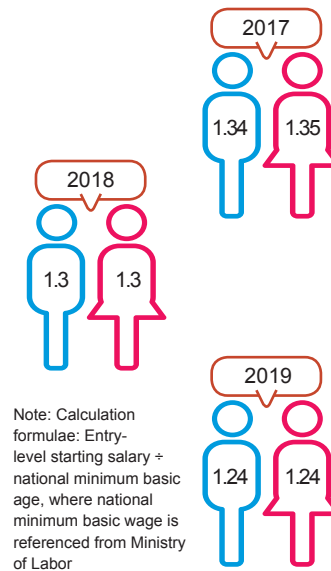
5.1.2 Break away from equality to offer competitive packages

At FEDS, we recognize each employee's educational background, work experience, contribution at work, position, strengths, and other factors to set pay ranges regardless of gender, age, and ethnics. The average salary—basic wage plus compensation—of females to males is about the same as previous years. In response to the rapid changes in the department store industry and the business climate, FEDS actively rewards employees with outstanding performance, discarding formal equality for elimination of the last to catalyze healthy rejuvenation of the human resource structure within the organization and to create a conducive environment for talents of the right fit. We also have formulated compensation plans that reflect the true value of our employees to retain the best fitted talents. In 2019, the basic wage ratio of females to males across all ranks in FEDS was 1:1, and the starting salaries of entry-level jobs was 1.24 times higher than the minimal basic wage set by Ministry of Labor. We truly value and retain our talents and and disrupt the stereotype of low starting salaries for the service industry by actual practice.

5.1.3 Comprehensive benefits to keep employees happy at work

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. The Employee Welfare Committee meets regularly to plan a wealth of benefits, such as, including annual bonus, birthday gifts, family care, leisure activities, etc. At the same time, the Company also cooperates with manufacturers to provide various types of merchandise shopping discounts for employees. 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 2019 increased by 7% compared with the year before. The anniversary sale incentive has also been added to reward the employees' hard work during the sales period.

Comparison of Starting Salary for Entry-Level Personnel against National Minimum Basic Wage



Comparison of Average Salary across All Level in the Past Years

	2017		2018		2019	
Supervisory positions	0.90	1	0.88	1	0.85	1
General employees	0.98	1	0.98	1	0.96	1
Sales personnel	0.99	1	1.03	1	1.10	1

Note: •Average salary = Basic wage + Compensation
 •Supervisory positions are personnel holding supervisory roles or in positions ranked as supervisors; sales personnel are colleagues responsible for marketing, customer service, and cashiering, and all other personnel are defined as general employees.

Average number of non-supervisory full-time employees and salaries

	2017	2018	2019
Number of Non-Supervisory Full-Time Employees	1,308	1,253	1,265
Average Salary (thousand dollars/person)	718	693	713
Median Salary (thousand dollars/person)	672	647	659

Benefits

- Work Benefits**: Labor Insurance/National Health Insurance./Group Insurance/Periodic Health Checkup/Work Injury Relief/Major Disease Relief/Lucky money for Spring Festival, cash gift for Dragon Boat Festival/cash gift for Mid-Autumn Festival, and cash gift for the year-end party/Birthday Cash Gift/Anniversary Sales Incentive Bonus/Meal Subsidy/Employee Uniforms
- Retirement Benefits**: Allocation for Employee Pension Fund/Retirement souvenir
- Family Care**: Wedding Cash Gift/Funeral/Burial Subsidy Employee Nursing Assistance/Education Allowances for Children/Childbirth Allowance
- Shopping Discount**: Employee Shopping Discount/Exclusive Offers Affiliate Product Discount
- Leisure and Personal Development**: Company Trips/Club Activities/Subsidies for language proficiency tests

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. In 2019, the number of individuals insured under National Health Insurance comprised of 1,388 employees and 1,040 family dependents, at a company expense of NTD30.18 million. The number of individuals insured under healthcare insurance was 1,453 employees, at a company annual expense of NTD2.23 million.



Arranging professional medical services by the health checkup team of Far Eastern Memorial Hospital

The medical checkups for employees were conducted during July to September in 2019. A total of 1,164 employees from the head office and branch stores received the checkups. For the first time, the health checkup team from Far Eastern Memorial Hospital was appointed to provide professional services for employees on-site at the Company's premises, bringing convenience to colleagues and saving commuting time to and from the hospitals. The health checkups covered items in compliance with laws and regulations, and additional packages such as ultrasound, cancer, cardiovascular were also offered so that employees could choose the necessary items based on individual health conditions. Upon receiving health reports, the Labor Safety Department also arranged for professional medical practitioners to be on-site to explain the results to colleagues one-to-one, facilitating employee consultation.

Clear and transparent retiring plans to safeguard benefits

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 2019 Annual Report. (<http://www.feds.com.tw/shareholder.aspx>)

Employee interest group activities to foster warm team atmosphere

FEDS has instituted the Administration Regulations for Employee Societies to encourage employees to set up LOHAS, health, service-oriented, and other interest groups with a view to help employees ease the pressure from daily work and life, and to improve employee morale. Through these interest group activities, leisure development and emotional communication between employees are augmented, which enhances their centripetal force and sense of identity towards the Company. This, in turn, would inject joyous harmony to their daily work and forge the camaraderie of the Company.



Pledging ceremony during anniversary celebrations to build consensus among employees

The anniversary celebration marks the department store's busiest activity period. In recognition of the hard work and contributions from employees, FEDS has added anniversary bonuses into compensation packages. On top of that, through pledging ceremonies, employees are pepped up to galvanize all efforts towards hitting targets during the anniversary celebration. Each branch store would also launch localized versions of public welfare activities to integrate operations with public welfare. In this way, employees would be more driven at work, and a sense of corporate identity will deepen at the same time.

First wave of anniversary celebrations with the idol pop band at Top City Taichung

The anniversary celebrations commenced on September 26, 2019 at Top City Taichung. Timed to launch in tandem with the 70th anniversary for Far Eastern Group, employees from Top City Taichung assembled an idol pop band and integrated elements from the latest fad of talent shows and live media to amass hundreds of participants to the pledging ceremony. It was truly a morale booster for all to achieve the targets set for the period and to generate buzz around the anniversary celebrations of FEDS, propelling sales figures through the roof.

Three consecutive years of doing good while doing well at FEDS Kaohsiung Store

For three consecutive years, FEDS Kaohsiung Store had centered its preamble to anniversary celebrations on the theme of "health and care." In October, 2019, a group of employee volunteers spent a day at Huashan Social Welfare Foundation as "housekeepers," taking care of administrative duties at the elderly community station, arranging donated items received, and providing care and warmth to the seniors. In November, prior to the anniversary celebrations, colleagues once again gathered as one-day cleaning volunteers to spruce up the surrounding neighborhood and maintain cleanliness of Singuang Park Avenue, such that immediate surrounding community needs are also taken care of while the business operates.

Coupling anniversary celebrations with the Cloud Invoice Competition Award Ceremony at FEDS Hualien Store

In 2019, as the sole department store chain in Hualien, in conjunction with the 10-year anniversary of FEDS Hualien Store, the store specially embedded environment protection elements to organize a 10-Year Anniversary Pledging Ceremony cum Taxation Administration Cloud Invoice Competition, Local Tax Bureau Cloud Invoice Competition Award Ceremony. Through the campaign, we aspired to inculcate the habit of using cloud invoices to reduce usage of paper invoices. Latching on to the theme of 10 years, a blue room resembling the dream room of a 10 year-old boy was installed. Entitled "Dreams of a 10-Year-Old Boy," the creative space took customers through an interactive, enchanting world they can take photos of, while promoting the idea of using cloud invoices to protect the environment and for greater convenience.

Daycare services allow employees to concentrate on work

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. Total 105 female employees have applied for parental leave in the past three years. The retention rate of female employees for childcare stays has increased year by year. In 2019, the retention rate of female employees for childcare leave has increased by 6% compared with 2018.

Parental leave status for FEDS and its subsidiaries

	2017		2018		2019	
	Male	Female	Male	Female	Male	Female
Number of Qualified Employees	13	106	57	180	69	168
Actual Number of Applicants	2	40	0	42	0	23
Application Rate	15	38	0	23	0	14
Number of Employees Subject to Reinstatement (wA)	5	26	0	24	0	23
Actual Number of Reinstated Employees (B)	4	26	0	17	0	12
Reinstatement Rate (%) (B+A)	80	100	0	71	0	52
Number of Reinstated Employees Last Year (C)	1	20	0	32	0	17
Number of Employees Who Had Been Reinstated for One Year Last Year (D)	1	13	0	21	0	12
Retention Rate (%) (D+C)	100	65	0	66	0	71

Note:

- Reinstatement rate = Actual no. of personnel who applied to be reinstated in the year ÷ No. of personnel who should be reinstated in the year
- Retention rate = No. of reinstated personnel who completed one year of employment in the previous year ÷ No. of reinstated personnel in the previous year

Regular shopping benefits to enjoy life's pleasures

Besides partnering counter vendors on an ad hoc basis to launch Family Sale and offer priority discounted shopping to employees via coupons or display of employee passes, FEDS also has regular employee shopping discount days at each branch store. Employees would be notified via emails on the month's promotional brands and merchandise and via the internal EIP platform. Employees would, thus, be able to purchase merchandise needed and desired for themselves and loved ones on a regular basis and enjoy pleasurable shopping every month.



5.1.4 A healthy labor structure allows the Company to take on challenges of the retail industry

As of the end of 2019, FEDS had 1,349 employees, including 1,402 full-time employees and 37 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. In 2019, the rate for newcomers was 17%, 8% higher than that of the previous year, and the turnover rate was 12%, 3% lower than that of the previous year, indicating an improvement in personnel stability.

FEDS Manpower Structure

Employment Contract

	2017				2018				2019			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Number of Persons	%	%	%	Number of Persons	%	%	%	人數
Full-time employees	34.7%	63.3%	98.0%	1,363	34.6%	63.4%	98.0%	1,307	34.9%	62.5%	97.4%	1,402
Contractors	0.2%	1.8%	2.0%	28	0.7%	1.3%	2.0%	27	0.5%	2.1%	2.6%	37
Total employees	34.9%	65.1%	100%	1,391	35.2%	64.8%	100%	1,334	35.4%	64.6%	100%	1,439

Note: 1. Full-time employees include employees with non-fixed term contracts and contracts that have to be renewed annually.

2. Contractors include temporary, seasonal short-term personnel, industry-academic cooperation, interns and other personnel with short-term contracts.

Employee' Age Range

	2017				2018				2019			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Number of Persons	%	%	%	Number of Persons	%	%	%	人數
Under 29	8.3%	19.3%	27.6%	384	7.9%	18.9%	26.8%	358	9.2%	21.1%	30.3%	436
30-49	19.2%	38.0%	57.2%	796	20.3%	38.7%	59.0%	787	19.1%	35.9%	55.0%	791
Over 50	7.4%	7.8%	15.2%	211	7.0%	7.2%	14.2%	189	7.1%	7.6%	14.7%	212
Total	34.9%	65.1%	100%	1,391	35.2%	64.8%	100%	1,334	35.4%	64.6%	100%	1,439

Gender and Age Distribution for New Hires

	2017				2018				2019			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Number of Persons	%	%	%	Number of Persons	%	%	%	人數
Under 29	3.7%	9.1%	12.9%	179	2.5%	5.0%	7.5%	100	4.4%	9.7%	14.1%	203
30-49	0.4%	0.6%	1.0%	14	1.5%	0.3%	1.8%	24	1.7%	1.5%	3.2%	47
Over 50	0.1%	0.1%	0.1%	2	0%	0%	0%	0	0.1%	0%	0.1%	1
Total	4.2%	9.8%	14.0%	195	4.0%	5.3%	9.3%	124	6.2%	11.2%	17.4%	251

Note: Turnover = Number of New hires ÷ Number of employee in the year

Gender and Age Distribution for Employee Resignation

	2017年				2018年				2019年			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Number	%	%	%	Number	%	%	%	Number
Under 29	2.7%	8.2%	10.9%	152	2.2%	4.4%	6.6%	88	1.7%	5.1%	6.8%	98
30-49	1.1%	3.2%	4.3%	60	1.9%	3.1%	5.0%	67	1.3%	2.6%	3.9%	56
Over 50	0.5%	0.4%	0.9%	13	1.6%	2.1%	3.7%	50	0.8%	0.4%	1.2%	17
Total	4.3%	11.8%	16.1%	225	5.7%	9.6%	15.3%	205	3.8%	8.1%	11.9%	171

Note: Dimission Rate = the Number of resignations ÷ total employee in the year

Gender Distribution of FEDS's Senior Executives

	2017年				2018年				2019年			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Number	%	%	%	Number	%	%	%	Number
VP and above	0.4%	0.1%	0.5%	7	0.4%	0.1%	0.5%	6	0.3%	0.1%	0.4%	5
Jr. VP	0.6%	0.3%	0.9%	13	0.8%	0.3%	1.1%	15	0.7%	0.4%	1.1%	16
Manager and Deputy Manager	2.2%	0.4%	2.6%	36	2.3%	0.4%	2.7%	36	2.4%	0.4%	2.8%	40
Total	3.2%	0.8%	4.0%	56	3.5%	0.8%	4.3%	57	3.4%	0.9%	4.3%	61

Note: Proportion of supervisors = number of supervisors in the year ÷ total number of employees in the year



5.2 Integrated Talent Cultivation

FEDS has an all-encompassing talent grooming system where the training blueprint starts from recruitment of interns to be nurtured into department store retail talents. Existing employees are provided with different training courses depending on their rank and function, and training hours would be progressively raised over years. We have also specially devised a management associate training program in anticipation of the talent need in operation development in the future. In addition, FEDS views counter personnel as vital collaboration partners; specialized training courses are devised to enhance their service quality so as to provide excellent services to customers.

5.2.1 Management trainee program trains talents systematically

Management trainee program

To nurture talents needed for the Company's development, FEDS organized a FEDS Management Associate (FMA) program. Management trainees will undergo three stages of fair selection, comprehensive training workshops on management, operations, and foreign languages, and professional skills tests and business management project reporting. Through the process, management trainees are groomed in terms of capabilities and capacity for business management so as to form a robust team with a strong fighting spirit and centripetal force.



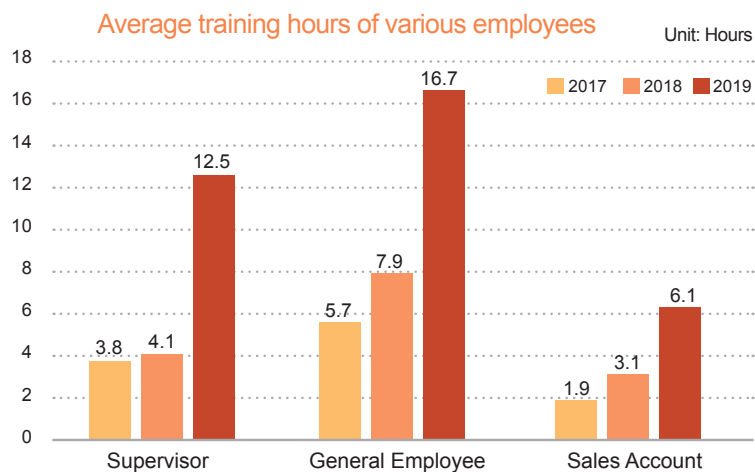
Motivation	1. Establishing standardized department store operations management courses	In order to respond to consumption trends and changes in department store marketing models, the Company has re-examined the personnel learning map and defined courses into 9 categories to include over 50 courses in 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.

Methods	1. Selection	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 and development

FEDS has mapped out comprehensive curriculums that match with the skills required for different positions. In 2019, the average numbers of hours of training for supervisory roles and general employees all increased, and the total number of hours of employee education and training was 15,620 hours with 9,312 employees trained. The scope covered three areas, including basic staff training, career core training, and development training. Moving forward, we will continue to increase the investment and design of education and training resources to help employees realize their full potential and grow steadily together with FEDS.



Employee Training Hours Unit: Hours

	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Supervisor	6.0	2.6	3.8	6.8	2.6	4.1	12.4	12.6	12.5
General Employee	4.3	6.5	5.7	8.2	7.7	7.9	21.7	19.6	16.7
Sales Account	0.6	2.6	1.9	2.6	3.4	3.1	10.5	5.9	6.1

Special employee training to coincide with the opening of new stores

FEDS conducts basic training for newly recruited employees on company regulations, corporate culture, attendance information, labor safety, and more. In 2019, as part of lead-up to the inauguration of FEDS XinYi A13, a one-month special training program was conducted for newly recruited employees, which covered vendor communication, business promotion, shop floor management, marketing activities, and more. The new hires were also assigned to different branch stores for training to integrate learning with actual practice and to have the best employee training and preparations for the store opening.

Driving E-learning in the era of digital learning

Facing the trend of digital learning, FEDS has converted standardized and system-oriented work processes such as cashiering process, company regulations, store service etiquette, and more into words, pictures, videos, sound etc. to produce multimedia audio-visual training materials. In 2019, nine courses were made available on the FEDS digital learning website and was assessed by 2,026 individuals. Digital learning can reduce the commuting time for employees when they undergo training, hence solving the challenge of gathering employees stationed at different locations. Digital learning also has the benefit of allowing employees to review the training content at their own pace, own time, which shapes an "Any Time, Any Where" learning atmosphere within the organization.

Convening an occupational safety session to augment labor safety training

In July, 2019, the Labor Safety Department organized an Occupational Safety Session at the head office. A total of 22 labor safety & health managers from each branch store attended the session to share their respective implementation status of labor safety and health plans, and to discuss the management priorities and issues that should be paid attention to. In November, with the intent to bolster the occupational safety and health education and training for employees, the Labor Safety Department further organized a 3-hour Labor Safety and Health Train-The-Trainer Workshop that was attended by 25 employees. These employees shall become the trainers within their respective units for labor safety to raise the quality of labor safety and health management.

Broadening career horizons with periodical overseas market study trips

FEDS successively sent 64 supervisors on mission trips to Korea, Thailand, China, and other locations during March to October in 2019 in an effort to cultivate management capabilities, broaden international horizons, and learn from the experience of international department store industry. The trips provided insights to the organization of overseas large-scale shopping malls, business model of department stores, trends in consumption changes in business districts, and more. At the same time, the trips also provided reference points for future planning of expansion of our store network.

No. of Employees on Overseas Market Study Trips

2018

51



2019

64



Rising Star Program

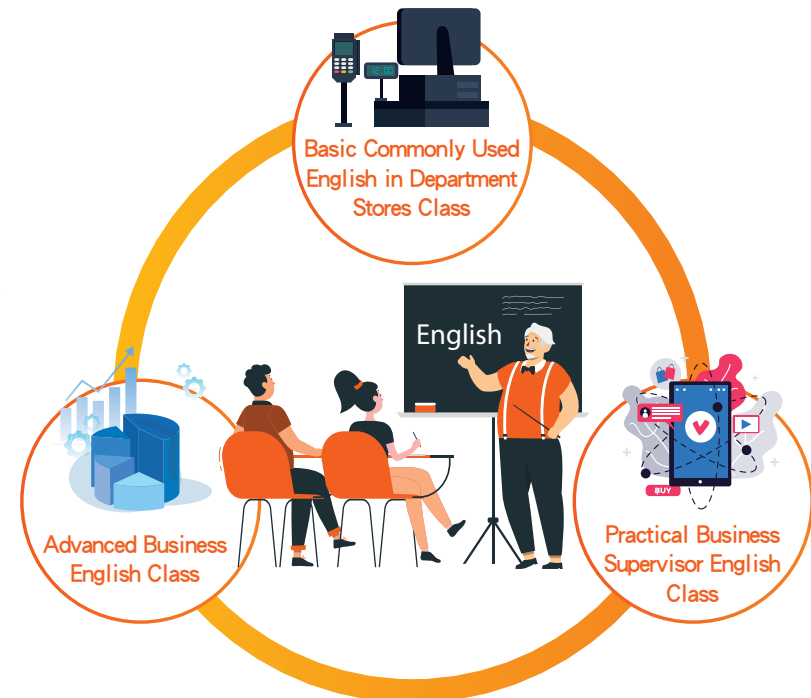
With the purpose of uncovering good performing and promising future talents in the Company, in 2019, FEDS launched the "Rising Star Program." The evaluation panel was helmed by the Vice President of Administrative Division and four cross functional unit heads. Based on five criteria of "participation, presentation, content depth and breadth, expression ability, and spontaneity" colleagues were graded on a scale of 0 to 5. At the end of each topic, based on overall performance, outstanding colleagues would be commended. In 2019, a total of 20 outstanding young employees were awarded.

Promotion of business English workshops to elevate English proficiency

In order to improve the English ability of corporate talents and build an international retail service and management team, FEDS rolled out the "Yes, FEDS Can Language Training Program," where foreign professional teachers were invited to design corporate English training courses. Through customized thematic teaching and lively delivery of classes, colleagues were coached to speak in English naturally. Colleagues would be able to express themselves fluently in English, regardless in the introduction of department store facilities or when answering shopping inquiries from customers. The professional image of department store service will be enhanced while workplace English capabilities of colleagues will also be effectively honed.

The FEDS business English courses were designed to be practical and were based on the business needs of different categories of personnel such as shop floor management associates and customer service as well as the business needs of different departments such as administration, merchandise, operation. Different series of courses, including Basic Commonly Used English in Department Stores Class, Practical Business Supervisor English Class and Advanced Business English Class were offered in small-scale classes on a weekly basis. Each individual student would be provided feedback on learning progress and enhanced coaching services. After the course, students must complete an assessment where students conducted a 5-15 minute presentation to supervisors according to the selected or designated topics in each stage. The assessment results would be included in the work appraisal.

In 2019, a total of 60 individuals participated in the English courses, and all had passed the assessment tests. Notably, 5 colleagues had scored full marks in their assessments. FEDS has been actively strengthening the English capabilities of employees to build a professional and high-quality talent team, and comprehensively elevate the soft power of operation and management of Taiwan's department stores.



Sales Account Training

In 2019, the training courses FEDS laid out for counter personnel included routine labor safety education training, personnel attendance and dress code, and other training courses, as well as large-scale training for cash register operations (one cash register per counter, on-site training at counter, cash register errors, etc.), instructions on various gift vouchers, Line Pay, carrier apps, gift systems, instant coupons, FEDS app, and other training topics. This has facilitated counter personnel to be more familiar with the wide range of mobile payment tools and increased the convenience of customer consumption. The aggregated number of training hours across all branch stores was 30,780 hours.

Average training hours of Sales Account

Unit: Hours

	2017	2018	2019
Total training hours	26,954	143,304	39,096
Numbers of SA	9,276	11,542	11,214
Average training hours	2.87	12.4	3.5

Training Content for Counter Staff



Basic training for newly recruited counter personnel

With the objective to enable the new counter personnel to quickly understand the corporate culture, attendance, safety and sanitation, store service specifications, and more, each branch store would conduct education and training for new counter personnel on an ad hoc basis to provide new counter personnel with basic knowledge as required by law.



Core competency training

To equip counter personnel with professional skills necessary for their stationing period and facilitate the operation of a wide array of mobile payment tools, gift vouchers, etc., training courses including cash register training (one cash register per counter, on-site training at counter, cash register errors, etc.), instructions on various gift vouchers, FEDS app, and more are conducted.



Personal upgrading training

In order to provide counter personnel with information beyond their job-related skills during their employment, we will conduct health seminars, seasonal fashion information, seminars on stress relief, and more to diversify their development.

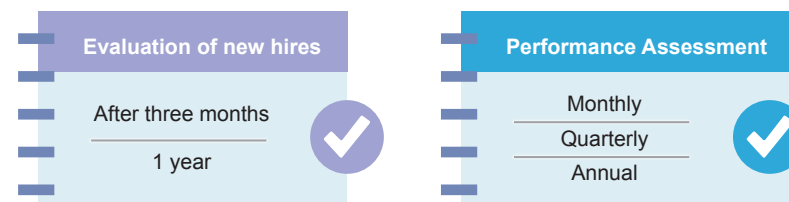
5.2.2 Comprehensive performance appraisal system promotes excellent employees

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. In 2019, the total number of staff transferred was 233, and the transfer rate was 17.9%. 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.

Percentage of Employees' Performance Assessment

	2017		2018		2019	
Supervisor	100%	100%	100%	100%	100%	100%
General Employee	100%	100%	100%	100%	100%	100%
Sales Account	100%	100%	100%	100%	100%	100%

Execution Time of the Performance Evaluation System



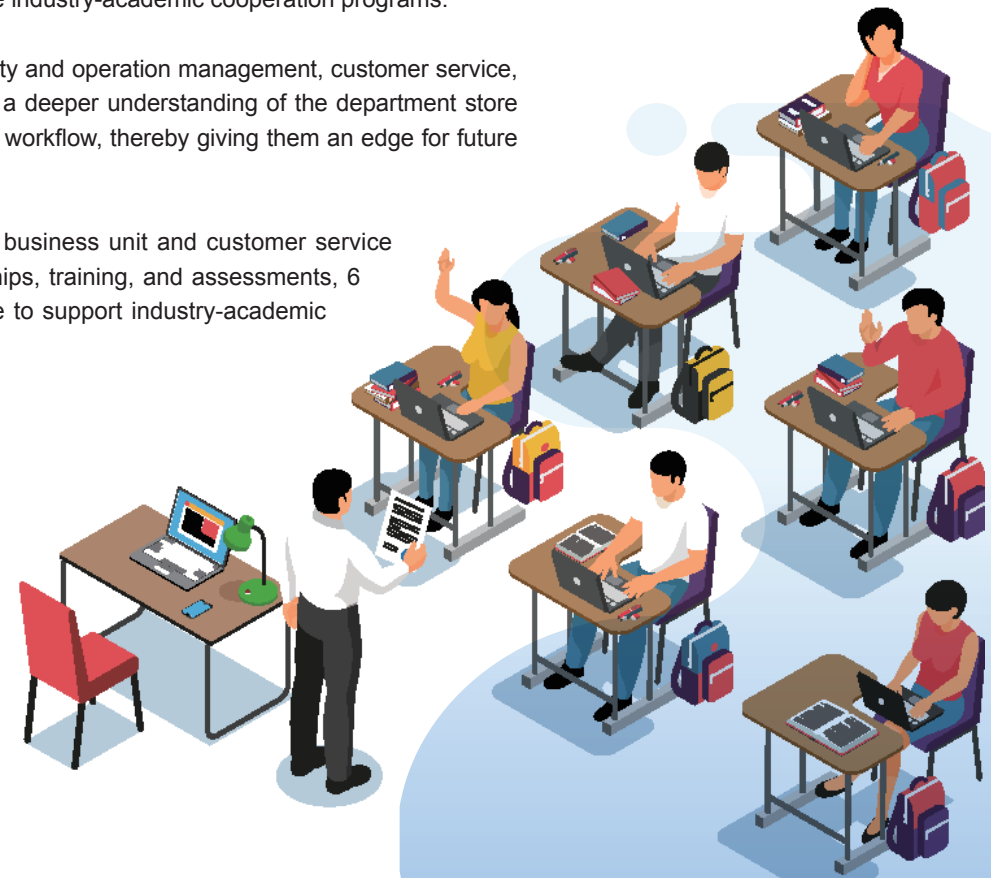
5.2.3 Industry-academic cooperation programs to groom talents needed by the industry

"Leverage on the sources of the department store industry to groom service and design talents for the Company and industry" is one of the social strategies of FEDS's CSR. To that end, since 2014, FEDS has been working through Far Eastern Group's Industry-Academic Management Associate Talent Grooming Plan and collaborating with Yuan Ze University and Oriental Institute of Technology to implement industry-academic cooperation programs. As a means to discover talents to join FEDS, we have been assisting outstanding students from the schools to have practical training during summer and winter vacation. Further, through the integration of resources between schools and affiliated companies, the comprehensive effect of cultivating talents can be brought into play. FEDS also partnered with Yu Chang Technical & Commercial Vocational Senior High School to host the Employment-Oriented Vocational Courses Cooperative Plan, focusing on practical skills learning to improve practical skills and employability of students. As of end 2019, a total of 165 interns had been recruited through the industry-academic cooperation programs.

FEDS has a series of 24-hour functional courses, covering content such as shop floor responsibility and operation management, customer service, and more, and we adopt an OJT (On-the-Job Training) method to train interns. Interns can gain a deeper understanding of the department store industry and learn working skills through on-site explanation by supervisors, peer interaction, and workflow, thereby giving them an edge for future employment and an early kick start to plan for future career development.

In 2019, FEDS took in 24 students to intern at different branch stores, whose duties included business unit and customer service categories, so as to groom a new generation of retail talents. In 2019, after a series of internships, training, and assessments, 6 students joined FEDS as full-time employees after graduation. In the future, FEDS will continue to support industry-academic cooperation to meet the needs of nurturing department store industry talents.

Number of Total Students in the Industry-Academic Cooperation Program



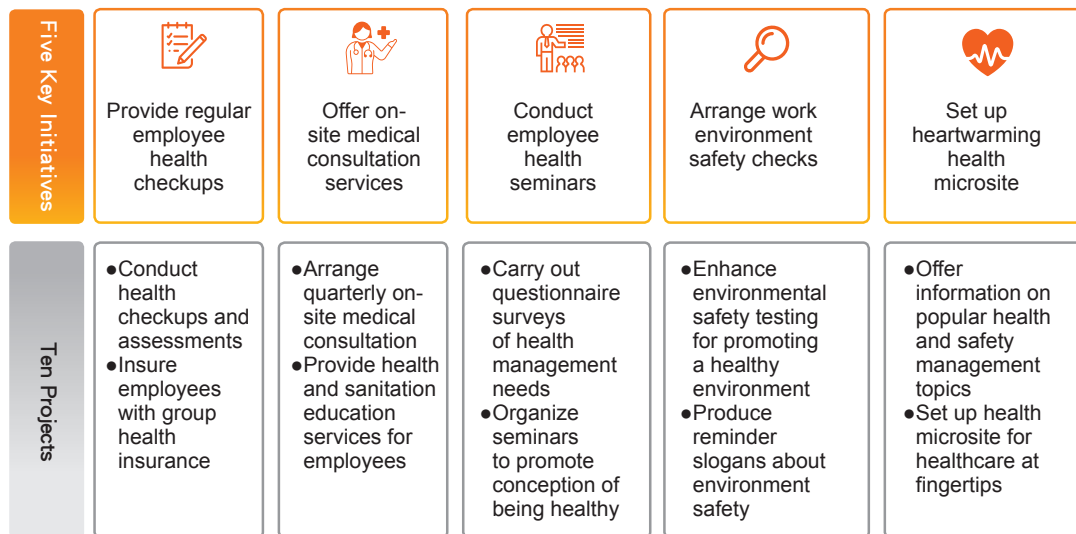
5.3 Thoughtful and Friendly Workplace

FEDS has been endeavoring to build friendly workplace, help employees create happiness, and let employees work with peace of mind. We have formulated 10 action plans to create a "warm, healthy, happy" workplace, so that every employee can work in an equal, respectful environment, and unleash their full potential to create excellent business performance for the Company. This will achieve a win-win situation for both the Company and employees, and let us progress towards a healthy and sustainable workplace.

5.3.1 Promoting a healthy workplace plan towards a happy enterprise

Healthy employees are an important asset of the Company. FEDS is committed to creating a healthy, safe, and supportive working environment, allowing employees to improve work efficiency in a positive and pleasant working atmosphere. We have been implementing the "Employee Health UP" program comprising of 5 key initiatives and 10 projects in the hope that every employee can become a happy worker in a friendly work environment to "Work Hard & Work Happy"!

Employee Health UP Program

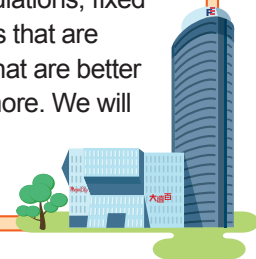


5.3.2 An equal and respectful working environment for the protection of the employees' rights

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. It also establishes an inclusive and sustainable workplace environment for FEDS and our employees.

Nominated as Happiness Enterprise by 1111 Job Bank

In 2019, in a poll of thousands of workers, FEDS was elected as one of the 2019 "1111 Job Bank Happiness Enterprises" for the benefits that are superior than legal stipulations, fixed salary adjustment systems, competitive salaries that are better than industry peers, and leave benefits that are better than stipulations in Labor Standards Act, and more. We will persevere to shape FEDS in creating the best workplace for our employees to thrive in.



Labor-management meetings to forge a harmonious relationship between employers and employees

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. No relevant events occurred in 2019. Since 2015, the FEDS Employee Welfare Committee has established the Administration Regulations for Employee Associations to encourage employees to set up LOHAS, health, and service-oriented networking interest groups to protect the freedom of association and collective negotiation of all employees accordingly.

Allowing the employees to work with peace of mind by eliminating discrimination

In order to proactively eliminate and prevent any incidents of discrimination, bullying, and sexual harassment, FEDS has instituted the "Measures of Prevention, Appeal, and Punishment of Sexual Harassment" to ensure all employees are safe and secure in the environment they work in. The measures are also published on the intranet, HR portal, and posted on prominent public places such as pantries for advocacy on sexual harassment prevention issues. In addition to regularly emphasizing during orientation for newly recruited employees, in November 2019, we invited professional lawyers from Formosa Transnational Attorneys at Law to deliver a workshop on prevention of sexual harassment in the workplace with the purpose of elevating awareness among all employees on gender equality. A total of 61 individuals attended the workshop with 61 hours of training. Should there be a sexual harassment-related appeal, the Human Resources Department of the head office, the business management office of the branch store, and other responsible units shall handle the appeal and set up a sexual harassment appeal review committee for follow-up.

Moderate working hours without forcing 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.

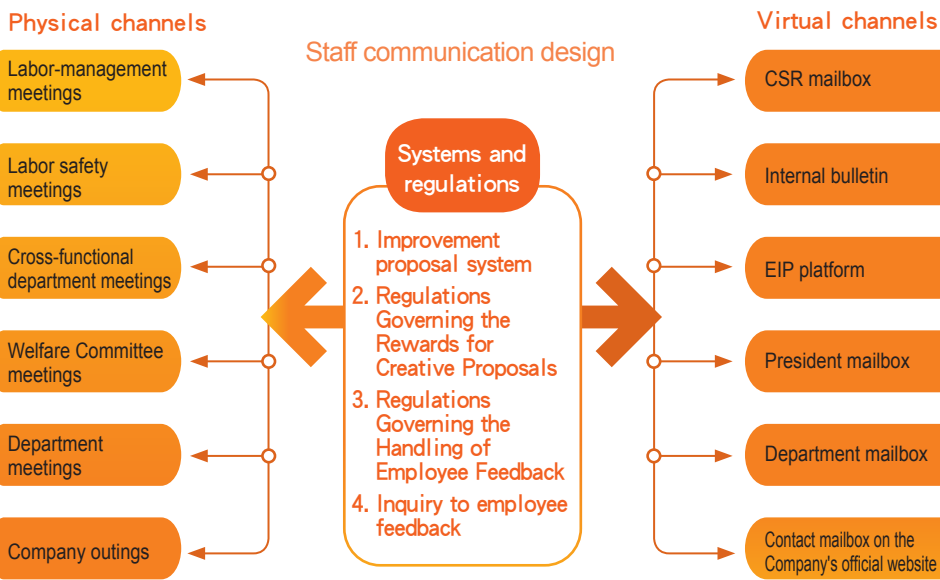
Joint maintenance of counter personnel rights

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, 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.

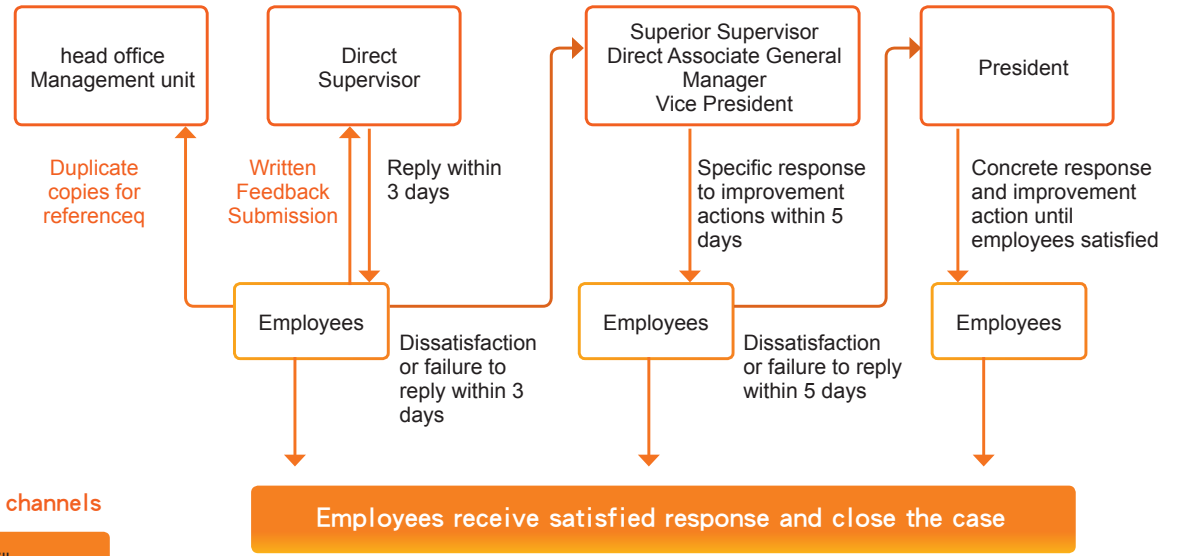


5.3.3 Diversified channels allow for smooth communications and feedback from the employees

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. In mid-October, 2019, the FEDS Enterprise Information Portal (EIP) system was officially launched, providing a more complete communication platform for employees. With the refreshed platform, communication is now more efficient and smooth.



Employee opinion processing method flow



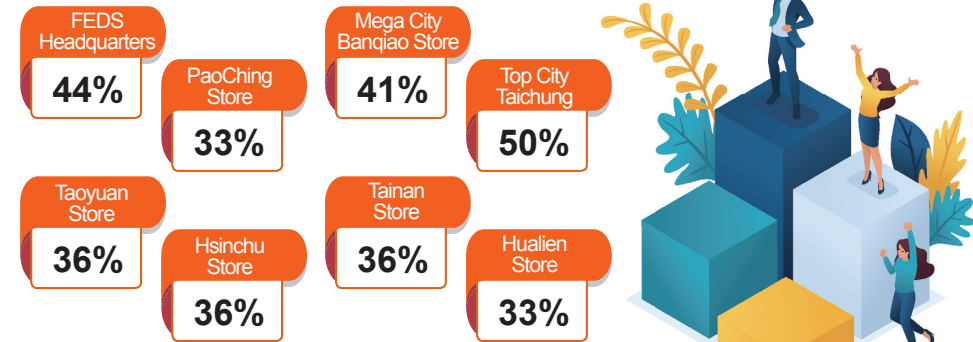
5.3.4 Receiving the healthy workplace certification for promoting employee health

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. There are five labor representatives in this term's Committee, accounting for 44% of the total number of the Occupational Safety and Health Committee. This proportion exceeded the stipulated requirement that labor representatives must hold more than one-third of the seats. The term of office is from July, 2018 to July, 2020.

FEDS Occupational Safety and Health Policy

1. Compliance with national laws and regulations: Implement regulations of the domestic occupational safety and health regulations.
2. Good safety management: Implement employee education and training to reduce the risks of incidents.
3. Employees health protection: Strengthen employee health management and create a high-quality and healthy workplace.
4. All employee participation: provide a good communication platform for all employees so that they are involved in safety and health measures.
5. The Manager takes the lead: Fully support safety and health implementation to prevent occupational disasters.
6. Achievement of the Company's performance targets: Implement the PDCA management model to achieve zero-work disaster.

Labor Representatives in OSH Committee



Note: 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

		2017	2018	2019
Injury Rate (IR)	Male	0.622	2.745	0.3945
	Female	0.223	0.736	0.3239
	Total	0.362	1.438	0.3489
Absence Rate (AR)	Male	0.1319 %	0.5344%	0.2193%
	Female	0.1323%	0.5282%	0.2885%
	Total	0.1322%	0.5304%	0.2640%
Lost Day Rate (LDR)	Male	13.48	35.23	18.74
	Female	2.34	12.76	38.65
	Total	6.23	20.61	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 2019. Therefore, the GRI occupational disease rate (ODR) and the number of employee fatalities were 0.

Workplace labor safety affirmed with three certifications



Health certification: Safeguard physical and mental health of employees

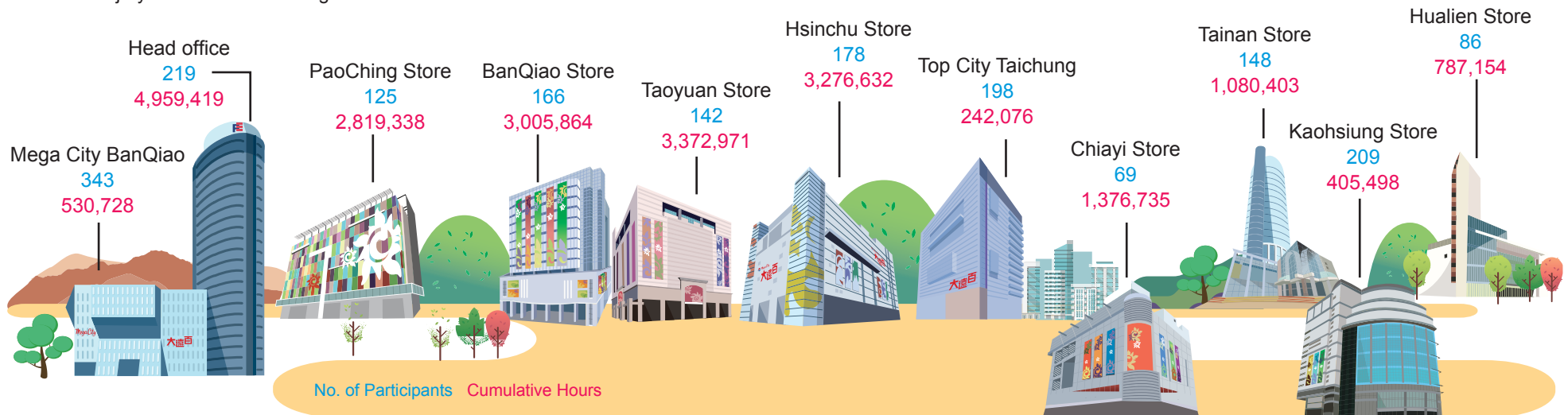
FEDS and all ten branch stores across Taiwan have been endeavoring to build healthy workplaces. We have engaged medical personnel, arranged health management, occupational disease prevention, health promotion, and other labor health protection matters, and independently made efforts in health promotion works so that all our employees will have good health protection. In 2019, the head office and ten branch stores in Taiwan all won the "Healthy Workplace Certification" mark conferred by the Health Promotion Administration, Ministry of Health and Welfare.

Certification for AED installations to offer reassurance for shopping environment

In accordance to Regulations Governing Compulsory Provision of Emergency First Aid Equipment In Public Places, FEDS has installed Automatic External Defibrillators (AED) and regularly trains more than 70% of employees to complete the CPR + AED training courses. In 2019, all ten branches in Taiwan obtained certifications for installations of AED from their respective city governments, thus creating a safe shopping environment for employees and consumers.

Zero employment injuries at workplace to continuously maintain a record of disaster-free work hours

In response to the policies of the Occupational Safety and Health Administration, Ministry of Labor, FEDS has been promoting independent management of safety and health, setting zero injuries in the workplace as the goal of challenge. In 2019, the head office and all ten branch stores were awarded Record for Injury-Free Work Hours Certificate with an accumulated number of injury-free hours exceeding 21.85 million hours.





FEDS PaoChing Store conferred double awards by "Taipei Labor Safety Award"

At the 2019 Taipei City Award and Recognition Ceremony for Labor Safety, FEDS PaoChing was presented "Taipei City Labor Safety Award" for the first time, and received double recognition for "Excellent Unit" and "Excellent Employee." FEDS view occupational safety and health as one of the important missions of corporate social responsibility. Therefore, the creation of a healthy and safe work environment is an overriding priority at each branch store to take strides towards the target of zero occupational hazards, manage and maintain workplace health and safety, and protect employee labor safety such that employees can work with peace of mind to deliver the finest shopping environment and service to customers.

FEDS Hsinchu Store awarded the "Excellent Indoor Air Quality Place" badge

The Environmental Protection Bureau of Hsinchu City established an Excellent Indoor Air Quality badge standards in 2019 to encourage public spaces to maintain indoor air quality so as to provide citizens with a good indoor activity environment. After two phases of assessments by industry experts, in recognition for the comprehensive system improvement planning, efforts made to maintain cleanliness and tidiness of the environment, and prioritizing indoor air quality, FEDS Hualien Store was awarded the "Excellent Indoor Air Quality Place" label.

Four acts of care for employees to safeguard a healthy workplace for employees



On-site medical services
Fortify employee health prevention

In 2019, the Labor Safety Department invited specialists and professional nurses from Far Eastern Memorial Hospital to the head office to perform on-site medical health services for employees in January, April, July, and October. A total of 33 employees participated in the consultation with professional doctors on their own health problems.



Advocacy for health and safety
Promote health concepts to employees

The Labor Safety Department will gather information related to daily diet, illness, health, and other news events, and occasionally send health education information and health maintenance promotional information to stir and promote a deeper awareness of health and safety among all employees. In 2019, a total of 30 health, safety, and sanitation educational information were sent to employees.

From June to August, 2019, as a means to promote employees' health, the Labor Safety Department organized a quit-smoking campaign with 11 employees participating, and in collaboration with the Department of Health, New Taipei City Government, employees attempting to quit smoking were assisted to undergo CO tests. According to the test results, most of the colleagues achieved the level of reducing or even quitting smoking. Three colleagues with the greatest decrease in the CO level were also presented attractive prizes in the hope that these colleagues will continue to maintain a smoke-free or smoke-less lifestyle.



Environmental safety inspection
Create a healthy and safe environment

In accordance to Regulations for the Implementation of Environmental Monitoring of Labor Operations and Regulations for the Implementation of Use and Management and Maintenance of Fixed Equipment for Continuous Water Supply of Drinking Water, inspections on operational environments and quality of drinking water are conducted once every half a year and once every three months, respectively. All inspection results met the standards stipulated by laws and regulations.



Occupational disease prevention
Assist employees in managing their health

From July to August, 2019, the Labor Safety Department conducted an occupational disease hazard assessment plan and carried out an employee health survey. A total of 444 questionnaires were issued, of which 391 were returned at a response rate of 88%. The results of the survey revealed that about 60 employees have higher risks in four categories, namely musculoskeletal pain, overwork, unlawful infringement at workplace, and maternal health protection. These cases will be followed up and provided with health consulting services. Concurrently, discussions were held with supervisors and human resource departments on the need to adjust workload distribution to reduce the occurrence of occupational hazards.

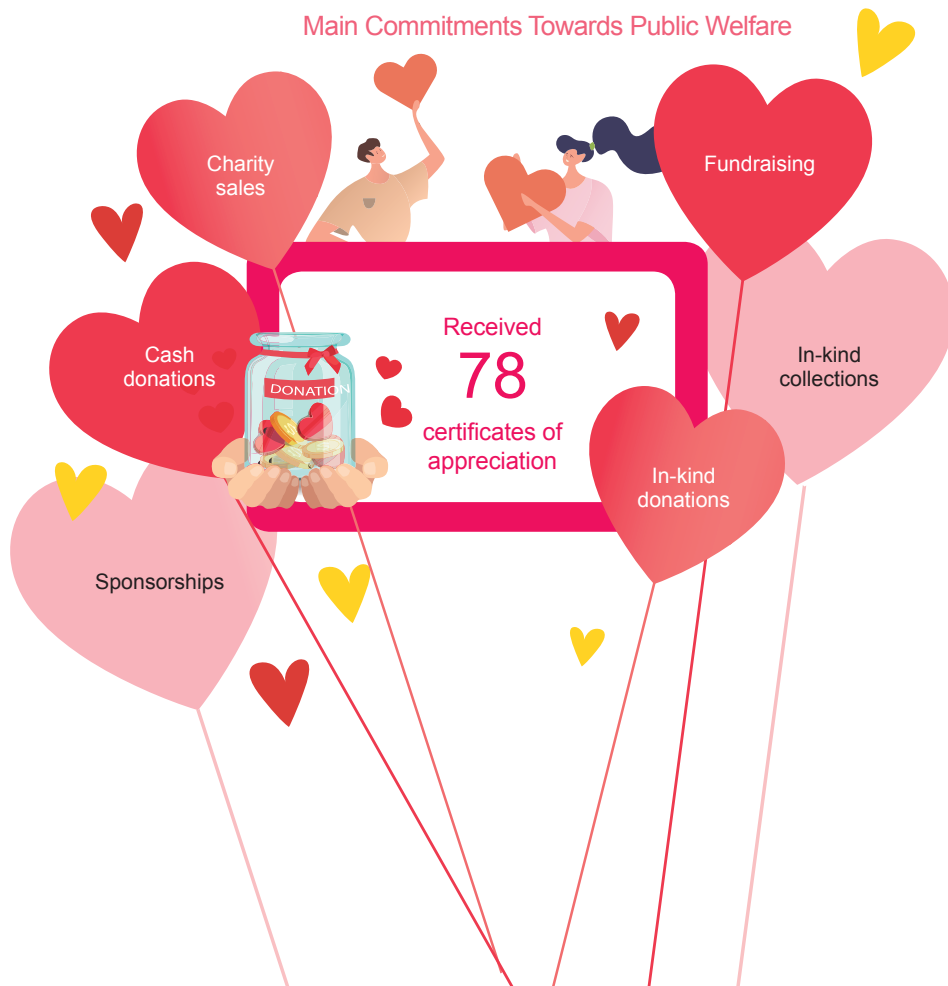


Chapter 6 Heart-Warming Social Care

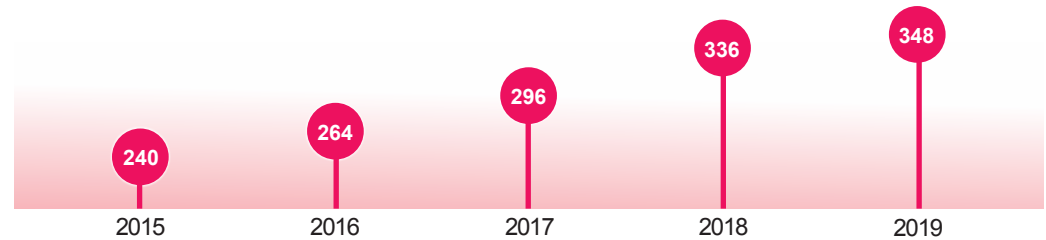
- 6.1 Response to Global Initiatives
- 6.2 Cross-border Cultural Windows
- 6.3 Local Social Welfare

In the past 53 years, FEDS had stayed true to and upheld the philosophy of paying it forward. While pursuing robust business operations, FEDS had focused on unwavering promotions of public welfare activities and accentuated the fulfillment of commitment and care that a corporate should have towards the society, striving to become the changemaker making a positive difference for the society and to co-create a better sustainable life with consumers. Besides long-term cash and in-kind donations, FEDS also long placed emphasis on support for disadvantaged, care for women and children, international initiatives, environmental protection, rural education, and other issues. In 2019, a total of 348 public welfare events were held, and nearly 1,500 public welfare activities have been organized in the past five years. With an average frequency of one public welfare activity a day, resources from all walks of life were galvanized to leverage on synergies for public welfare. The care for society, service for communities and unceasing building of bonds that hold encapsulated our ethos of love; FEDS mobilized each operating site as the localized public welfare platforms and received 78 certificates of appreciation for our commitment to public welfare activities in 2019.

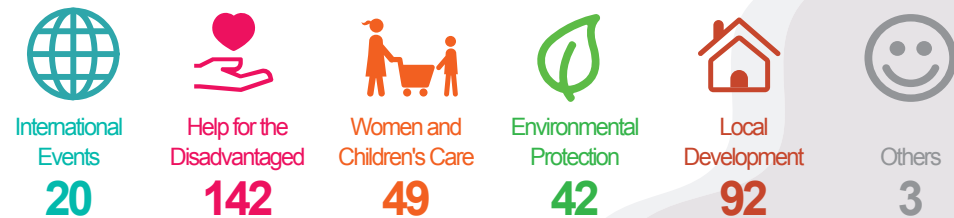
Main Commitments Towards Public Welfare



Social Welfare Events in the past year



2019 Social Welfare Activity Categories and Sessions



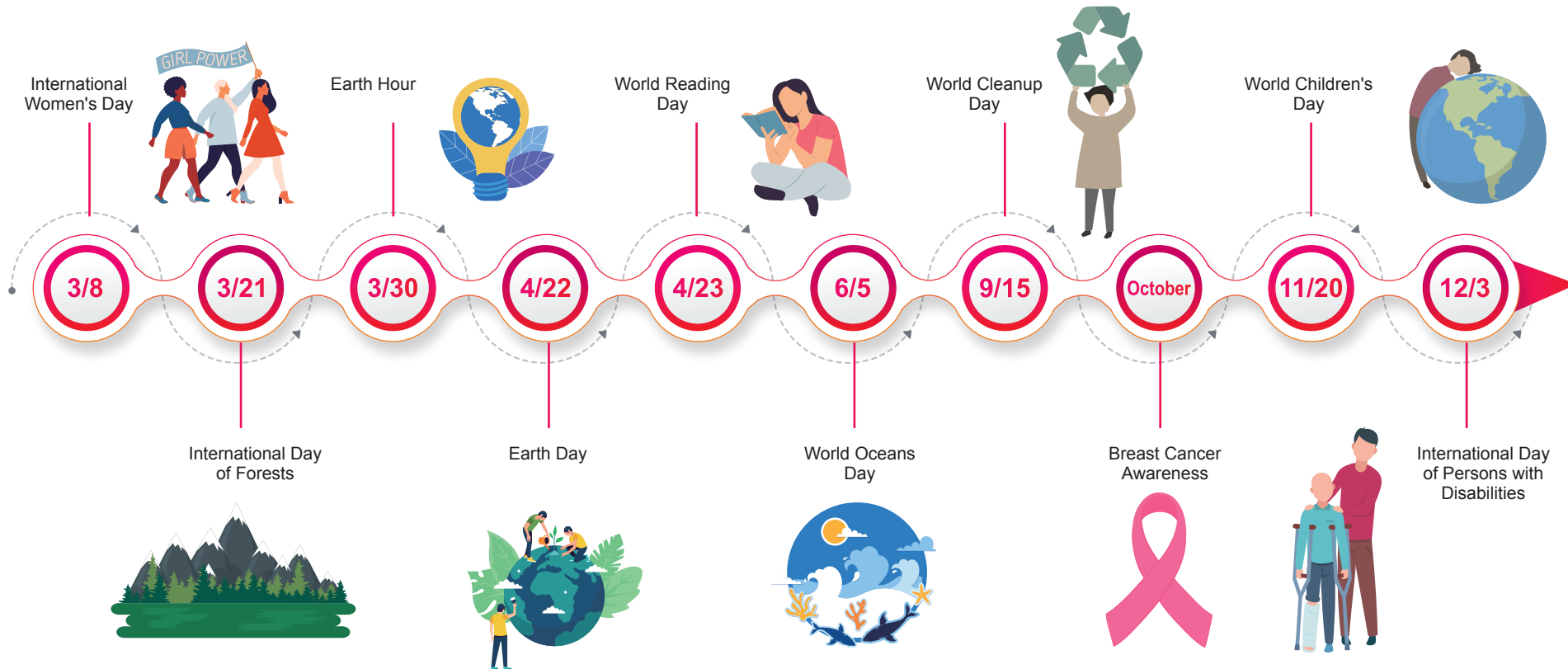
2019 Charity Cooperation



6.1 Response to Global Initiatives

The 2015 United Nations Conference on Sustainable Development (Rio+20) adopted the 2030 Agenda for Sustainable Development, with the purpose of guiding the world to achieve 17 Sustainable Development Goals to further realize the Agenda 21 action plan and to enhance the environment and society through international cooperation. FEDS, as a part of the global village, has also responded positively, giving full play to the power of corporate citizenship and constantly doing our part for society and the environment.

In 2019, FEDS branch stores jointly responded to ten international sustainable initiatives and promoted concepts of cherishing water resources, being environmentally-friendly to protect the Earth, switching off the lights to reduce carbon emission, gender equality, and more to the public. We were one unified voice advocating for sustainability for the Earth, and we leveraged on activities to urge the public to join forces with FEDS to take a serious view on environmental protection, health and happiness, care for public welfare, and other issues, and to show love and care to those in need so that lives can change for the better.



World day

Ten Highlights Action

Promoting gender equality on International Women's Day

The United Nations marked March 8 every year as International Women's Day to commemorate the movement for women's rights and to celebrate the important contributions by women in economic, political, social, and other arenas. FEDS Taoyuan Store collaborated with Taipei Women's Rescue Foundation to organize a special exhibition on women's human rights and peace at the Art Space on the 12th floor. Through photographs and architectural models displayed complemented with text explanations, the public can have an understanding of the historical context and the process of women's rights, and give due respect and care for women. Consumers were invited to contribute NTD500 to NTD1,500 towards funding for cultural and creative merchandise by victims of gender violence. All proceeds went to covering daily care and other expenses for the granny creators.

Tree planting and protecting the forest on International Day of Forests

For the fifth consecutive year, FEDS Hualien Store has scheduled March as the tree planting month in response to the United Nations International Day of Forests. In 2019, the tree sapling exchange campaign initiated by Hualien Forest District Office of Forestry Bureau had centered on extending the green life on the island, and popular seedlings such as osmanthus, jasmine, and rose were made available for exchange by the public. In total, 750 plants were distributed as reminders for the public on the importance of forests and trees to life on Earth.

Switching off the lights for an hour during Earth Hour

On March 30, 2019 between 8:30 p.m. to 9:30 p.m., all ten FEDS branch stores across Taiwan switched off the lights for an hour to show care and support for Earth Hour organized by World Wildlife Fund (WWF), and to call on everyone to take urgent action to further protect our environment from climate change. According to statistics, in 2019, the amount of electricity saved during the lights-out reached a record high of 110,000kWh, reducing approximately 61,000kg of carbon dioxide emissions, which is equivalent to planting more than 5,000 trees.



Earth Day "Protect Our Species"

The theme for 2019 Earth Day was "Protect Our Species." In support of Earth Day, FEDS Chiayi Store collaborated with I Plant for Life Corporation Aggregate, Kaohsiung and Genesis Social Welfare Foundation to co-organize "Protect the Earth, Bring Home a Charity Tree." The public were able to exchange for a pot of Nageia nagi with every donation of 20 receipts. A total of 800 pots of Nageia nagi were made available to entice the public to join the planting of trees to protect the Earth and at the same time let the plants brighten up spaces at home.

Books to light up every reading soul during World Reading Day

FEDS Taoyuan Store celebrated World Reading Day by rolling out a children's book charity collection campaign. Partnering Taiwan Toy Library Association, book lovers can donate their used children's books to children in need. For every children book donated, shoppers can redeem 10 HAPPY GO points. Books collected were sent to reading corners that Taiwan Toy Library Association set up at elementary schools, libraries, community centers, and other public spaces to allow children in rural areas to gain access to reading resources.

Striding towards a plastic free ocean during World Oceans Day

The United Nations General Assembly has designated June 8 every year, since 2009, as the World Oceans Day. FEDS Tainan participated in the "2019 World Oceans Day—Vibrant Ocean Happy Ocean Beach Cleaning" event organized by Tainan City Government, joining forces with Southern Branch, Coast Guard Administration, Ocean Affairs Council and other organizations to carry out activities such as beach cleaning, sharing of experience, documentaries on oceans, the ocean protection bazaar, and more with a view to let the public learn more about plastic pollution in oceans and to contribute towards World Oceans Day.



Cleaning the world together on World Cleanup Day

For many years, driven by the goal of community integration, FEDS Hsinchu Store has been tirelessly committing to various public welfare activities in Hsinchu. In October, 2019, FEDS Hsinchu Store co-organized an autumn beach cleaning activity with Environmental Protection Bureau of Hsinchu City, cleaning a 17km stretch of beautiful coastline along Hsinchu. FEDS Hsinchu also gifted 1,500 sets of NTD200 anniversary celebration discount coupons to participants. A total of 1,574kg of floating trash was collected, comprising of 1,498.1kg of generic waste (including 1,260kg of oyster racks) and 75.9kg of recyclable waste (plastic, metal, and glass). The Environmental Protection Bureau converted oyster racks, tree branches, and driftwood collected from this event into a Mandala vegetable garden as an edible landscape, essentially converting trash into useful resources as a form of continuous recycling.



Showing care and concern for females during Breast Cancer Awareness Month

Breast cancer is the most common cancer for women in our country. Mammography is currently the most scientifically proven effective screening method for early detection and subsequent improvement for prognosis; the earlier the detection is, the higher the survival rate is. To this end, FEDS Chiayi Store partnered the lingerie and underwear brand, Wacoal, to organize a “Pink Ribbon Breast Cancer Prevention” campaign, where females between 45–69 years old and females with family history of breast cancer could receive a free screening mammogram. Participants were also offered a commemorative lucky bag.

Loving children the way they should be loved on World Children's Day

The United Nations General Assembly adopted the Convention on the Rights of the Child to call on countries to protect the rights that children should enjoy. FEDS Taoyuan Store got together with Taoyuan City Government and ECPAT Taiwan to organize a World Children's Day advocacy event to promote and advocate for children's rights including their rights to live, health, equality, play, participation, education, and more. Meanwhile, Top City Taichung collaborated with World Vision to be the voice for children's rights through a photography exhibition to draw attention to suffering children around the world.



Towards vision of common good with International Day of Persons with Disabilities

FEDS Kaohsiung held a series of activities in conjunction with International Day of Persons with Disabilities, attracting around a thousand wheelchair-users, individuals with cerebral palsy, individuals with intellectual disabilities, and their family members to be on a runway show on stage, all dressed up and applied with bright makeup. In addition, cooperating with local physical disabilities associations and passionate enterprises, booths were set up for activities, such as obstacle games, talent shows, and more, so that people with disabilities can fully integrate into society. It was also a good opportunity to enable the public to grasp the Convention on the Rights of Persons with Disabilities and learn to respect the differences between every individual.



6.2 Cross-border Cultural Windows

FEDS is a frontrunner of Taiwan department stores in the promotion of cultural exchange and localizing international cooperation. Since 1973, we took the unprecedented step among the department store industry to co-organize the first US merchandise promotion exhibition with United States Department of Commerce. On an annual basis since then, FEDS regularly holds cultural relics exhibitions, international merchandise fairs, and other activities to introduce international cultural elements. With international fashion that connects with life as the backdrop, the events pull in the crowds, create buzz, and propel sales figures.

In 2019, FEDS broadened the scope and orchestrated a Japan and Korean dual-themed cultural product fair that toured different stores. Masters from Japan and Korea were invited to conduct live demonstrations of preparing tantalizing local food complemented by traditional dances. Japanese artisans with amazing craftsmanship also brought along exquisite handicrafts and representative products such that shoppers could get a taste of Japanese and Korean culture without air travel. The fairs also promoted cultural exchanges between Taiwanese and people from other countries. In addition, the promotion of local culture is also an important goal for FEDS when it comes to fostering cultural exchanges so that domestic and foreign consumers can learn more about superior products from Taiwan through FEDS.

Japan products fairs with in-depth experiences of five themes



Japan Fujieda, Shizuoka Prefecture Product Fair



Japan Kagoshima Product Fair



Japan Ehime Prefecture Pearl Fair



Japan Morioka Apple Fair



Japan Hirosaki Product Fair

In 2019, FEDS further planned a series of Japanese cultural product fairs with richer themes covering three categories of culture, fine products, and agricultural products. For culture, we held the Fujieda, Shizuoka Prefecture Product Fair where the public were invited to play a game of guessing the origins of tea they tasted in an à la T cha. The fair enabled the public to experience the pastime and tea culture of Japanese aristocrats. The Kagoshima Product Fair kicked off with a traditional drum ceremony. Satsuma tin ware and Satsuma Kiriko cut glass went on display while yutaka wearing experiences coupled with game challenges allowed the public to discover Kagoshima culture in depth. For exquisite fine products, FEDS specially targeted the most coveted pearl producing prefecture of Ehime and invited three top-notch pearl appraisers from Japan Pearl Trade Association to share nuggets of information on pearls and pearl appraising. The activity had stimulated exchanges between the two cities and was affirmed by Tainan City Mayor Mr. Huang Wei-Che. In addition, FEDS promoted apples from Morioka and Hirosaki by anchoring the theme of apples as a symbol of peace. We further embedded public welfare elements into international fairs, with Mega City BanQiao and Hirosaki city officials jointly donating resources to elementary schools in rural areas.

The charm of Korean wave, right here at FEDS's Korean culture fairs

FEDS rolled out two Korean fairs in 2019 with the first ever Gyeonggi Korean Culture and Product Fair having more than a hundred Korean style new items available. FEDS also had the first collaboration with renowned Pudage Korean Fried Chicken (Iwon) to offer Korean highway food to our shoppers. During the public holidays, there were fun Korean cultural activities available for free, photo opportunities and check-in spots, magnificent traditional flag dances, and K-POP dances greeting the shopping crowd. At the same time, merchandise was donated to Taichung St. Coletta Catholic Training Center for Special Needs, and students from the training center were also invited to enjoy Korean food culture.



We have organized “The Charm of Korean Wave Right Here at FEDS” Korean food fair for six consecutive years. In 2019, the fair was simultaneously held at all ten branch stores across Taiwan and at The Mall. Korean dance troops performed dances that incorporated Korean traditional musical instruments, showing the diverse styles of Korean culture. For foodies who love Korean food, we also brought in Korean cuisine and street food so that consumers could feast to their hearts' content. Through this, consumers had the most direct interaction with the most distinctive Korean food, products, and culture. Mega City BanQiao also urged vendors at the fair to donate resources to Children’s Hearing Foundation to help children with hearing loss.

Promoting local characteristic cultures at Taiwan Local Product Fair

FEDS supports seasonal non-toxic fresh vegetables and fruits and high-quality agricultural products from different counties and cities in Taiwan. Fused with local cultural elements, various branch stores had held 47 fairs featuring characteristic products from counties and cities. The fairs promoted culture and product exchanges between counties and cities and presented the diversity of high-quality Taiwan agricultural produce while enabling customers to appreciate the abundance of exquisite scrumptious food that Taiwan has. The series of local culture fairs included Kinmen sorghum liquor, New Taipei champion tea, New Taipei Wanli crabs, New Taipei Gongliao abalone, Tainan Pomelo Week, Tainan Xinying product fair, and more. On top of introducing high-quality Taiwanese food to the public, the product fairs also provided edutainment activities with scenery photography exhibitions and lively game experiences, such as Kinmen camouflage clothing, wind lion god painting, and other activities.



6.3 Local Social Welfare

FEDS regards all our operating sites as local public welfare platforms. Each branch store would optimize the use of internal and external spaces to regularly hold five main types of public welfare activities, namely assistance for the vulnerable communities, care for women and children, environmental protection, health and LOHAS, and local development to foster the warmth of human interaction in the city. Every year, FEDS employees also spontaneously assemble volunteer groups to participate in environmental protection beach cleaning, children companionship programs, visits to the elderly living alone, and other one-day volunteering services, putting in physical efforts to public welfare and filling lives with love.

Special edition of Happy 70 public welfare activities in celebration of the 70th anniversary of Far Eastern Group

The Far Eastern Group, which has the widest network in Taiwan's business field, turns 70 this year. For the purpose of caring for Taiwan's society and to fulfill corporate social responsibility, a series of public welfare activities were specially organized to convey the ideology of "Together for a Promising Future," as well as to express deep gratitude to Taiwan and our social commitment to be entrenched on this land.

In consideration that the Group's business roadmap spans across multiple industries such as F&B, clothing, hotels, transportation, entertainment, philanthropy, etc., FEG Chairman Mr. Douglas Tong Hsu hoped that through the connection and cooperation of affiliated companies, the synergy from the enterprise resources would be maximized towards social good. From July to the end of 2019, all listed companies in the Group and 50–60 affiliated companies were galvanized to roll out public welfare activities in seven major aspects, namely arts and culture, environmental protection, advocacy for education, healthy living, social participation, community care, and consumer commitment. The beneficiaries included children across Taiwan, rural villages, long term care, and general public. There were seven major themes including "Far Eastern Children Story Festival," "Far Eastern Environmental Protection Train," "Digital Education Camp," "Love at 70 Far Eastern HAPPY GO," "Check-in for Charity," "Love · Long-Term Care, Zero Distance Companionship," and "Down to Earth, Local Agriculture UP!"

FEDS enthusiastically responded to the series of public welfare activities in celebration of FEG's 70th anniversary. We sent the Asia Cement Stick Insect Traveling Exhibition train to Top City Taichung, FEDS Tainan Store, and FEDS Kaohsiung Store for a tour exhibition to



allow the public, both young and old, to be able to observe the ecology and habits of various special stick insects closely. Concurrently, we also promoted "Love at 70, Far Eastern HAPPY GO" walking challenge activity, with the public invited to clock 7,000 steps a day, and we successfully achieved the goal to amass 5 billion steps in 2020. The steps clocked were converted to up to 7 million HAPPY GO points, which in turn, were donated to welfare organizations that promote children education. FEDS further harnessed our channel resources and brand advantage to work with a.mart, city'super, and other retail enterprises to jointly organize "Down to Earth, Local Agriculture UP!" With the objective to care for Taiwan's local agriculture, we committed to providing consumers the most local and safe food while simultaneously assisting the promotion of sales of local agricultural products and advocating the environmental protection concept of cherishing food. In parallel, FEDS sponsored the publication of Economic Times-Bloomberg Weekly News in Taiwan. Starting from October 6, 2019, the weekly news is published every Monday, providing international economic news and investment information and analysis on the general situation of the financial industry and economy in different regions, and disseminating positive vibes of "accelerating transformation, innovate Taiwan."



Caring for communities in society; stepping towards happiness together

Far Eastern Department Stores is deeply engaged in social welfare, caring for all ethnic groups in society, extending love to every corner where it is needed regardless of distance and using care as building blocks to establish bridges of warmth. As a customer-trusted department store, Far Eastern Department Stores becomes a social welfare platform that congregates stakeholders such as customers, employees, manufacturers, social welfare organizations, etc. by integrating its own sales and marketing resources. Utilizing department store spaces, Far Eastern Department Stores has organized various social welfare activities to raise the public's awareness toward social issues, contributing to those in need. In 2019, we organized a total of 191 social welfare activities related to care for women and children and assistance for the disadvantaged. Among which, the Christmas light up event in support for children living in rural areas entered its 12th year, benefiting more than 1,700 school children. Through a variety of activities and social participation, Far Eastern Department Stores has endeavored to bring about positive and balanced developments to achieve a healthy, mutually supportive, and harmonious society.

FEDS celebrated a loving Christmas with children in rural areas, attaining a SROI of 14.06

On every Christmas eve since 2008, FEDS Tainan Store would hold a Christmas light-up charity event, inviting children from rural areas to spend some happy times with us. To date, more than 1,700 students had participated in the event. On December 4th, FEDS arranged for a one-day program for students and teachers from eight rural elementary schools in Tainan, including Municipal Annei Elementary School, Shin Kang Elementary School, Shengkeng Elementary School, Bo Dong Elementary School, Ersi Elementary School, Cingcao Elementary School, Nan-si Elementary School, and Siancao Elementary School. Activities included visiting the Tainan Waterworks Museum situated at the official county-level historical site of Tainan Shan-Shang Garden that has about a history of around 100 years, viewing the Asia Cement Stick Insect Traveling Exhibition and The Beauty and Life of Craft Exhibition, posting limited edition Christmas postcards at the post office, and a sumptuous buffet lunch at Shangri-La's Far Eastern Plaza Hotel, Tainan. In the evening, the 160 children were treated to an exciting Christmas tree light-up that was topped off with sports shoes presented personally by Far Eastern Group Chairman, Mr. Douglas Tong Hsu. FEDS President; Ms. Nancy Hsu also presented food containers to the children who got to bring home cakes, backpacks, Wenchang pens, stationery sets, and a variety of small gifts. The day was a fruitful one, planned to perfection and sponsored by parties from all walks of life to collectively enable children from rural areas to elevate their sense of satisfaction, pick up new knowledge, receive financial assistance, heighten self-confidence, enhance interpersonal relationships, and more.

FEDS looks forward upping the ante in terms of positive social influence and social benefits, hence we conducted a Social Return on Investment (SROI) analysis on the projects carried out in 2019. The SROI is a concept of return on investment that assesses the impact on different stakeholders and converts the results into dollar values to be presented. The SROI can be used as a management tool to assess the impacts from the inputs of non-profit projects. From there, FEDS can ascertain the impact on society brought about by the public welfare projects. Analyzing the 2019 FEDS Christmas light-up charity event, the SROI value was 14.06, i.e. for every NTD1 put in, NTD14.06 worth of positive social impact was created for stakeholders. For the participating children, it had also brought benefits of elevating the sense of satisfaction, picking up new knowledge, receiving financial assistance, heightenin self-confidence, and enhancing interpersonal relationships, etc. For the parents of the children, teachers, the local government, sponsors, FEDS, and our employees, it brought the positive impacts of an uplifted sense of satisfaction from work, the strengthened corporate identity, the improved corporate image, enhanced family relationships, and tightened relationships between teachers and students.

Feedback from Various Stakeholders

FEDS employees

Planning for the entire event was a daunting task; however, the joy and enthusiasm that we felt exuberating from the children when they were trying out their shoes made every effort worthwhile. I'm glad to have the opportunity to work on such a meaningful project, and look forward to doing more for different children in the future.

Teachers

There were different employees to guide each school through various parts of the activities, so the experience at each segment was very engaging. I got to see a different side of the children, and our relationship with students became closer, too.

Student from rural areas

Visiting the exhibitions had let me learn many new things that I never knew before. I'm very happy to receive the shoes and other gifts, and I'll definitely treasure them. When I grow up and have the capabilities, I want to help others, too.

Sponsors

The event was multifarious and appealing, such that not only can the children receive gifts, it also deepened the interpersonal relationships and had a socialization effect. Employees were responsible and passionate, and I believe that in the future more external resources can be attracted to scale up the event.

Caring for children and youth

While FEDS has not stopped warming hearts, we are also grateful to the public for extending a helping hand all these while and walking with us to fulfill the dreams of children. The "Let's Run! Together, Onwards and Upwards" shoe donation drive has been taking place for a decade, gifting more than 1,500 pairs of sports shoes to children from rural areas. We also held art exhibitions to raise awareness on children's rights and donation drives to collect used books and toys for children from low-income families, translating love into action and proactively responding to various charitable initiatives. In 2019, FEDS further encouraged college youths to adopt green lifestyles through "Vision Engineering Action Video Competition."



"Let's Run!
Together,
Onwards and
Upwards"

Protecting
underprivileged
children,
Supporting
children's, rights

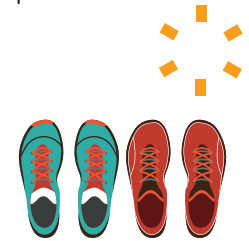
Fulfilling little
dreams,
Toys
"R"ecycled

Sparking a
wish,
Living a
dream

Adopting green
lifestyle+,
Harnessing the
green power



This year marked the tenth year that FEDS Tainan Store had organized sports shoe donation drives for children from rural areas. In November, 2019, 162 pairs of shoes were collected and presented to Tainan Municipal Yanshuei District Annei Elementary School, Guanmiao District Singuang Elementary School, Shengkeng Elementary School, Bo Dong Elementary School, Danei District Ersi Elementary School, Annan District Cingcao Elementary School, Nansi District Nansi Elementary School, Baihe District Siancao Elementary School, and other elementary schools in rural areas.



For two consecutive years, the children's art exhibition "Stop Child Abuse · Paint a Happy Future" was held at FEDS. The exhibition commenced in July, 2019 at FEDS Chiayi Store with ten paintings by children under assistance from Taiwan World Vision on display. The paintings portrayed a future where children had no worries for abuse and violence, and could grow happily. It was a call to action to pay attention to the children in this world who suffer from physical abuse and a call for children's rights.

FEDS BanQiao Store, FEDS Hsinchu Store, and FEDS Chiayi Store respectively initiated used children book and toy (intelligence, sports, and board games) donation drives and rewarded donors with HAPPY GO points in accordance to the number of donated items. FEDS Hsinchu Store provided the collected items to Man Fair Sheltered Workshop for a charity bazaar while FEDS Chiayi Store donated their collection to Yunlin Elementary School toy and book touring vehicle. Through the children's book and toy charity donation drives, we hope to draw the public's attention to the problem of resource gap between urban and rural school children.

FEDS Hualien Store has been collaborating with World Vision for eight consecutive years, and on 2019 Christmas eve, invited 200 children to make a wish at the Christmas tree. The wishes were hung on the FEDS Christmas tree for Hualien citizens to view and to contribute towards helping the children in need to fulfill their dreams.

FEDS partnered UDN to jointly organize "Vision Engineering Action Video Competition," with a champion prize award of NTD200,000. The theme was set at "Adopting Green Lifestyle+" and called upon college youths to participate in the competition. By encouraging youths to join the competition, the youths ultimately became multipliers to share concepts of environmental protection, energy conservation, plastic reduction, and ecological protection and to put these concepts into practice.

Caring for women

According to United Nations statistics, more than a billion women in the world have been subjected to violence including physical violence, verbal violence, emotional domination, and psychological oppression during their lives, causing serious physiological and psychological harm, thus affecting their individual and economic autonomy and making it difficult for them to break the vicious circle of poverty and violence. In view of this, through various activities, FEDS aims to garner the power from the public to jointly push for gender equality and to help disadvantaged female groups.



Glow of light
in May

On heartwarming Mother's Day, FEDS PaoChing Store strung motherly love and affection together, inviting the public to participate in the Garden of Hope Tender Love Charity event to show care and concern for women and children in need. Cookie subscription worth NTD10,000 was made to the Garden of Hope Foundation Sweet Heart Confectionery, helping disadvantaged mothers to celebrate Mother's Day. We also promoted the scanning of receipt codes for the Garden of Hope Foundation to encourage customers to donate their receipts towards a good social cause while shopping.



FEDS spreads
the love

For the fourth consecutive year, FEDS Hualien Store has partnered with the Garden of Hope Foundation to hold a charity carnival, and all proceeds would go to the families that suffered domestic violence and are now taken care of by the Foundation; FEDS BanQiao Store also collaborated with the Foundation to run a preloved clothes charity sale, where the funds collected were channeled towards underprivileged women and children who were victims of domestic violence.

Goddess loves
sports, Mobile
experiential
truck

During the Mother's Day period, in partnership with a mobile gym, FEDS Hsinchu Store encouraged citizens to get moving, seizing the opportunity to emphasize the importance of exercise to females and urge women to start with daily regular exercises through simple stretching to maintain a healthy body and a happy lifestyle. Participants at the mobile gym each received a water bottle.

Protecting
mummies with
mammograms

On May 11, FEDS Kaohsiung Store invited the mobile screening bus from Lingya District Public Health Center, Kaohsiung City to the FEDS Kaohsiung plaza, to provide mammography and x-ray scans for our hardworking mothers and to create awareness that prevention is better than cure. A total of 50 women received a screening mammogram on the event day.

Caring for the elderly

Taiwan is at the brink of becoming an ageing society. Besides having a healthy body and soul and good quality of life, the senior citizens also need to have constant interaction with others in order to live a cheerful and energetic life. FEDS organizes Grandparents' Day and LOHAS senior activities every year, collaborating with local communities to shower more care and assistance on the seniors in need, warming the aging society to create a good atmosphere for different generations.

RUN with me
2019,
Dementia themed
walkathon

To campaign for showing more concern and creating a friendlier social environment for dementia, FEDS Kaohsiung and FEDS Tainan Stores coordinated the power of local communities to organize a dementia themed walkathon in October 2019 with more than 500 participants, and we hope everyone would be able to step up and step out with dementia seniors together.



Stringing hearts
at FEDS,
Grandparents
Gratitude Day

On August 25, FEDS PaoChing Store joined forces with HONGDAO Senior Citizen's Welfare Foundation to arrange for a series of Grandparents Gratitude Day activities, with performances by Nangang Community Theaterworks, a charity sale of handicrafts, and a seminar on "Body Strength Workouts for Seniors." On the same day, FEDS BanQiao, FEDS Hsinchu, and FEDS Kaohsiung Stores each carried out parent-child filial piety activities to encourage the public to show filial piety and to care for the elders in the family together.



Charity sale
offering
assistance to
seniors

On June 2, FEDS Taoyuan Store held a charity sale in support of the seniors and called on the public to care for the seniors living alone and to give them the greatest support. Colleagues also volunteered during the Huashan Social Welfare Foundation Sports Day on June 19, assisting seniors in Taoyuan District to join the games, achieving the goal of exercising to boost a healthy mind and body and to drive local public welfare.

Respect for
the elderly and
children, love in
Chongyang

FEDS Tainan Store and Mayor of Tainan accompanied 20 guardians at a visit to Tainan Home of Philanthropy for volunteering service. The seniors were very enthusiastic and happy to interact and play games with the volunteers. FEDS specially prepared seasonal gifts for the seniors; FEDS Tainan colleagues also actively signed up as volunteers, attesting the value of youth-senior co-creation and cross-generational integration.



Caring for the disadvantaged

FEDS is cognizant that many disadvantaged families are facing a conundrum for a long period of time due to either incapability to make their own livelihoods or environmental factors. Upholding the ethos of "Love is when one sees their own responsibilities on the needs of others," we regularly organize charity sales, free haircuts, fundraising for disadvantaged communities, so as to improve their lives and to raise public awareness of underprivileged communities as a means to providing them with sustainable care and concern.



Indigent
People Hungry
No More 30,
Donation with
love

With the purpose of caring for the homeless, FEDS PaoChing Store partnered with the Zenan Homeless Social Welfare Foundation to run the 30th Indigent People Hungry No More 30, inviting the SongSongMeow illustrator, SECOND, for guest appearance at FEDS PaoChing Store plaza to lead ten volunteers to raise receipts off the streets. In addition, SECOND designed 5 charity-exclusive red packets to invite the public to support the "Indigent People Hungry No More 30" event. A donation drive was also rolled out concurrently at the customer service desk on the 8th floor. Regardless of donation amount, donors could each receive a set of SongSongMeow original charity red packet, and donors who donated more than NTD300 would receive 30 HAPPY GO points.

Bursary
program

FEDS has partnered with Taiwan Fund for Children and Families Chiayi CCF for two consecutive years to organize the bursary project hope charity sale to raise funds for the tuition fees for disadvantaged children. Stationery, daily necessities, and local delicacies were made available for purchase by the public, and through the charity sale and volunteering service, we aimed to create a chain effect starting from the students, to influence more to become active in social welfare. In addition, FEDS Chiayi Store also specially invited the Formosa Free Haircuts for a Charitable Cause Van to be on site to provide free haircuts for children from the West District Welfare Center of Social Affairs Department, Chiayi City Government. There was even a DIY program to let the children have some fun in handicraft making.

"Love in the
Painting" art
exhibition tour

FEDS has been participating in "Love in the Painting" art exhibition tour for 12 consecutive years. From January 21 to February 28, paintings by people with disabilities were exhibited at FEDS BanQiao Store, with the intent to narrow the gap between them and the general public through art. Every painting at the exhibition was vibrant and colorful, reflecting the zest and courage to breakthrough and the resilience in the individuals, letting everyone catch a glimpse of the extraordinary in life.

Prader-Willi
Syndrome Art
Exhibition Charity
Drive

We invited Prader-Willi Syndrome Association Taiwan to hold an art exhibition at Mega City BanQiao on September 21, displaying works by children with Prader-Willi Syndrome and to raise donation funds. Artistes were also invited as ambassadors at the event. We hoped to use this opportunity to apprise the public of Prader-Willi Syndrome and to care for patients who suffer from rare diseases, helping the children to regain their self-confidence and to integrate into society.

Support local agriculture, gathering Taiwan's awesome farmers at FEDS

With the support for small-scale Taiwanese farmers, FEDS has been a long-time supporter of Taiwan's agricultural industry, leveraging on our sales channel networks across Taiwan to market high-quality local produce. For the past 12 years, we have run more than 1,200 farmers' markets and specialty fairs, promoted more than 200,000 agricultural items, and cumulatively created more than NTD1 billion of sales and business opportunities. Whenever there was a bumper crop, FEDS also applies our creativity to immediately activate "Agricultural Product Public Welfare" promotional campaigns, directly procuring produce from farmers as store gifts to customers in the view of assisting the hardworking farmers, promoting local production and consumption, and shortening the distance from farms to tables to drive the sustainable development of Taiwan's agriculture industry.



Leveraging on channel networks
Procurement of agricultural products for public welfare

FEDS takes substantial steps to demonstrate our support for good farming practices and high-quality agricultural produce. Utilizing our extensive FEDS channel networks, in 2019, each branch store had procured local bumper crops in season to be offered as store gifts. In total, 11,440 sets of local quality agricultural products were given away to share delectable Taiwanese agricultural products with customers.



New Taipei Enjoy Bar event series

FEDS and Agriculture Department, New Taipei City Government collaborated on a series of New Taipei Enjoy Bar events, inviting farmers from different counties and cities across Taiwan to deliver agricultural products directly from farms to FEDS BanQiao Store for sale. Items included Sansing spring onions, smoked duck, and vegetables from Yilan, and Sijhou guava, sweet potatoes from Changhua. Response from the public was overwhelming with items promptly sold out.



Illuminating the agricultural cultural and creative economy

FEDS Kaohsiung teamed up with Agriculture Bureau of Kaohsiung City Government to kick off "Illuminating Kaohsiung Rural Agriculture Economy" event. A total of 30 small-scale farmers stalls presented a myriad of agricultural specialties and handicrafts from the community. A yellow duckling area was specially set up on site to allow people to experience the traditional task of ushering ducks, step into a farming community, and feel the joy of rural life.



Formation of agriculture alliance
Small-scale farmer pop-up sale

From September to December, FEDS PaoChing Store ran a series of "Hang Around to Support Small-Scale Farmers" program, where small-scale farmers of different themes and characteristics were featured monthly at the farmers' market held at Hope Plaza the 1st floor. Seasonal fruit and vegetables and agricultural specialties were promoted for customers to savor the freshest fruit and vegetables and agricultural products in season.



Community cultural integration with active participation in blood donation drives

Adhering to the philosophy of entrenching into the community and giving back to the village, FEDS mobilized local schools and government agencies to co-organize arts and cultural exhibitions, disaster prevention advocacy, health seminars, and other community activities that can be attended by parents and children. In 2019, we further worked together with Sports Administration, Ministry of Education, to present the largest-scale street dance competition in Taiwan. Through these localized events, we catalyzed integrated communities and forged unique cultural and ecological features of the communities.



Fun and passionate FEDS, National High School Dance Competition

FEDS and Chinese Taipei School Sport Federation jointly organized the latest dance competition in Taiwan, attracting 150 teams with more than 1,000 young students entrants. Through the competition, we aimed to encourage youths to engage in proper leisure activities, and beef up their physical fitness and sports spirit. In addition, the competition provided opportunities for youths to interact with each other, thereby enhancing their interpersonal communication capabilities and invigorating the body and soul of youths.

Advocacy for child protection, Little policeman experience

FEDS Tainan Store, Tainan City Police Department Women and Children Protection Brigade, and Department of Health joined forces to public education activities such as child protection campaign, little policeman experiential camp, and enterovirus protection awareness, receiving more than 300 sign-ups. FEDS Tainan Store specially presented three mini police cars to the Tainan City Police Department Women and Children Protection Brigade to match up with the police-use heavy-duty motorcycles on site and mini police uniform costumes for children to role-play and pick up safety knowledge.

Disaster prevention special zone, Disaster evacuation drills

The Zhongzheng District Office, Taipei City invited FEDS PaoChing Store, neighboring residents, and school children to participate in a disaster evacuation drill. About 500 individuals participated in the event that put up jigsaw puzzles for disaster prevention parks, obstacle games, prized quizzes, and other activities. The public sharpened their awareness on evacuation and disaster prevention, while the district office also nominated PaoChing Store to be one of the disaster shelters in Zhongzheng District.

Environmental protection art installation, A big zoo assembly

FEDS Tainan Store and the Environmental Protection Bureau of Tainan City Government jointly installed an art piece made of recycled materials such as polystyrene, iron bars and paper with a paper-mâché outer layer at the 1st floor piazza in FEDS Tainan Store. The installation attracted the attention of many customers who stopped to check in and take photos. We hope that through this event, we would be able to call forth the concept of caring for animals and sustainability for the world.

Unwavering love and FEDS's call for blood donation

FEDS has been holding blood donation drives for many years. Each branch store would coordinate with local blood donation centers to roll out various thematic blood donation drives during long weekends or special festivals to tap on the heavy crowds. Utilizing the appeal of FEDS complemented with movie tickets, environmentally-friendly stainless steel straw sets, free-range eggs, organic cabbages, and other gifts, the public are urged to be "hot blooded" and take action to donate blood. In 2019, a total of 47 blood donation drives were held at the ten branch stores across Taiwan, with 9,036 blood donors donating a total of 2.39 million cc of blood.



Connecting love; FEDS employees' one-day volunteering

Guided by the ethos of connecting love, employees at each branch store have been spontaneously assembling volunteer groups, lending their time and talent to care for children, visit senior citizens, accompany the disadvantaged, and respond to environmental protection and various other forms of social welfare activities. In 2019, a total of 46 volunteer activities were organized by all branch stores, amounting to 544 hours of volunteering, with a total of 839 volunteers. The participation rate increased 17% compared with that of the previous year.



Caring for Children

15 volunteers from Top City Taichung joined a clown from Chinese Clown Association to attend a party at National Hemei Experimental School. The humorous magic acts by the clown livened up the atmosphere, and students were invited to be on the stage for some fun interaction. Baby Sun made a guest appearance at the finale for a hi-touch session, bringing the crowd to a high and etching an experience to relish for years to come.



Visiting Senior Citizens

FEDS Kaohsiung Store employees brought Baby Sun along on a one-day volunteering session at Huashan Social Welfare Foundation to become "super housekeepers." The volunteers visited senior citizens living alone, became telephone befrienders, and also cleaned the station environment to let the elders receive the most appropriate care while employees themselves learned more about the daily social services offered by the Foundation.



Accompanying the Underprivileged

Ferrying a load of love from FEDS, the train of warmth has set off to blaze a trail in the story telling world. The first stop was on November 20, at Hong-Hua Children's Home, moving on to White Orphanage before arriving at the third stop, Bethany's Children's Home, on December 11. FEDS PaoChing Store had encouraged employees to take a step forward and step into the children's homes to share love and have fun with the children through story telling and DIY interactions.

Environmental Protection

FEDS Hsinchu Store collaborated with Environmental Protection Bureau of Hsinchu City to co-organize beach cleaning activities during spring and autumn, with the intent to muster the power from both employees and the public to save the beautiful coastline. FEDS Hsinchu Store also specially give away HAPPY GO points or discount coupons to beach cleaners so as to encourage the public to participate in the events and to raise awareness of caring for the environment.



Food and Farming Education

Mega City BanQiao invited the Education Department of New Taipei City, Agriculture Department, Tourism Bureau, other agencies, and 21 elementary and high schools from New Taipei City to put together the annual large-scale "New Taipei City Small-Scale Farmers Market." Supervisors and colleagues from Mega City BanQiao took on the role as lead volunteers, providing guidance and lessons related to food and farming on site. With more than 1,500 participants, the event was a resounding success!

FEDS Taoyuan Store branch manager led colleague volunteers on a one-day farming experience at Merry House, assisting people with disabilities at the shelter to plant, irrigate, harvest, and package non-toxic vegetables and to clean the baskets for fruit and vegetables to maintain the cleanliness of the farm. Employees had a better grasp of the hard work farmers had to go through, and also called on the public to treasure food and to opt for local agricultural produce.



Appendix

Holding Important Positions in Public associations

Position	Associations and Organizations
Director	Retailers Association of Chinese Taipei
	Taiwan Council of Shopping Center
	Center for Corporate Sustainability
	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)
	Taipei city Department Stores Association
	Intercontinental Group of Department Stores (IGDS)

Position	Associations and Organizations
Original Member	Retailers Association of Chinese Taipei
	Taiwan Council of Shopping Center
	Center for Corporate Sustainability
Member	Alliance for Sustainable Development Goals(A · SDGs)

Subsidiaries Human Resource Informations

Manpower Structure

Employment Contract

Year	2017				2018				2019			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Full-time employees	29.7%	70.3%	100%	37	25%	69.4%	94.4%	34	25%	75%	100%	28
Contractors	0	0	0	0	0	5.6%	5.6%	2	0	0	0	0
Total employees	29.7%	70.3%	100%	37	25%	75%	100%	36	25%	75%	100%	28

Note: 1.Full-time employees include employees with non-fixed term contracts and contracts that have to be renewed annually.

2.Contractors include temporary, seasonal short-term personnel, industry-academic cooperation, interns and other personnel with short-term contracts.

Employees' Age Range

Year	2017				2018				2019			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Under 29	10.8%	18.9%	29.7%	11	5.9%	23.5%	29.4%	10	3.6%	17.9%	21.4%	6
30-49	5.4%	48.6%	54.1%	20	17.6%	32.4%	50%	17	17.9%	35.7%	53.6%	15
Over50	2.7%	13.5%	16.2%	6	2.9%	17.6%	20.6%	7	3.6%	21.4%	25%	7
Total employees	18.9%	81.1%	100%	37	26.5%	73.5%	100%	34	25%	75%	100%	28

Note: The denominators for 2017 and 2019 are all employees. For 2018, the denominator is calculated as full-time employee.

Gender and Age Distribution for New Hires

Year	2017				2018				2019			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Number	%	%	%	Number	%	%	%	Number
Under 29	2.7%	16.2%	18.9%	7	0	11.8%	11.8%	4	0	7.1%	7.1%	2
30-49	5.4%	5.4%	10.8%	4	0	5.9%	5.9%	2	7.1%	3.6%	10.7%	3
Over 50	0	0	0	0	0	0	0	0	0	0	0	0
Total	8.1%	21.6%	29.7%	11	0	17.6%	17.6%	6	7.1%	10.7%	17.9%	5

Note: Turnover= Number of New hires ÷ Number of employee in the year

Gender and Age Distribution for Employee Resignation

Year	2017				2018				2019			
	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Number	%	%	%	Number	%	%	%	Number
Under 29	0	5.4%	5.4%	2	0	8.8%	8.8%	3	0	3.6%	3.6%	1
30-49	0	8.1%	8.1%	3	5.9%	8.8%	14.7%	5	10.7%	10.7%	21.4%	6
Over 50	0	2.7%	2.7%	1	0	0	0	0	3.6%	0	3.6%	1
Total	0	16.2%	16.2%	6	5.9%	17.6%	23.5%	8	14.3%	14.3%	28.6%	8

Note: Dimission Rate = the Number of resignations÷total employee in the year

Gender Distribution of Senior Executives

Year	2017			2018			2019		
	Male	Female	Total	Gender	Male	Female	Total	Gender	Male
	No.	No.	No.	No.	No.	No.	No.	No.	No.
VP and above	1	0	1	1	0	1	0	0	0
Jr. VP	0	0	0	0	0	0	0	0	0
Manager and Deputy Manager	1	1	2	1	0	1	1	1	2
Total	2	1	3	2	0	2	1	1	2

Employment Contract

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Full-time employees	24.1%	65.1%	89.2%	445	23.8%	65.3%	89.1%	423	25.2%	62.7%	87.9%	356
Contractors	3.6%	7.2%	10.8%	54	3.1%	7.8%	10.9%	52	3%	9.1%	12.1%	49
Total employees	27.7%	72.3%	100%	499	26.9%	73.1%	100%	475	28.2%	71.8%	100%	405

Note: 1.Full-time employees include employees with non-fixed term contracts and contracts that have to be renewed annually.

2.Contractors include temporary, seasonal short-term personnel, industry-academic cooperation, interns and other personnel with short-term contracts.

Employees' Age Range

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Under 29	5.2%	21.1%	26.3%	117	5.9%	22.9%	28.8%	137	5.7%	17%	22.7%	92
30-49	16.9%	43.4%	60.3%	268	15.8%	38.5%	54.3%	258	14.8%	41.2%	56%	227
Over 50	4.9%	8.5%	13.4%	60	5.3%	11.6%	16.9%	80	7.7%	13.6%	21.3%	86
Total employees	27%	73%	100%	445	27%	73%	100%	475	28.2%	71.8%	100%	405

The denominators for 2018 and 2019 are all employees. For 2017, the denominator is calculated as full-time employee.

Gender and Age Distribution for New Hires

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Under 29	1.8%	8%	9.8%	49	1.9%	7.4%	9.3%	44	2.7%	6.4%	9.1%	37
30-49	1.6%	5.2%	6.8%	34	1.7%	6.9%	8.6%	41	1.7%	6.2%	7.9%	32
Over 50	0	0.6%	0.6%	3	0.2%	1.1%	1.3%	6	0.2%	1.5%	1.7%	7
Total	3.4%	13.8%	17.2%	86	3.8%	15.4%	19.2%	91	4.6%	14.1%	18.7%	76

Note: Turnover= Number of New hires + Number of employee in the year

Gender and Age Distribution for Employee Resignation

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Under 29	4.2%	14.8%	19%	95	4%	14.7%	18.7%	89	2.5%	11.1%	13.6%	55
30-49	5%	16%	21%	105	6.3%	15.8%	22.1%	105	4.4%	14.6%	19%	77
Over 50	0.8%	1.6%	2.4%	12	0.6%	2.5%	3.2%	15	0.7%	3%	3.7%	15
Total	10%	32.4%	42.4%	212	10.9%	33%	43.9%	209	7.6%	28.7%	36.3%	147

Note: Dimission Rate = the Number of resignations÷total employee in the year

Gender Distribution of Senior Executives

Year	2017			2018			2019		
Gender	Male	Female	Total	Gender	Male	Female	Total	Gender	Male
	No.	No.	No.	No.	No.	No.	No.	No.	No.
VP and above	0	0	0	0	0	0	1	0	1
Jr. VP	1	1	2	1	1	2	3	1	4
Manager and Deputy Manager	12	6	18	16	11	27	15	9	24
Total	13	7	20	17	12	29	19	10	29

A. Mart

Employment Contract

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Full-time employees	36.3%	32%	68.3%	1,561	35.9%	31.8%	67.7%	1,549	35.1%	31.9%	67%	1,501
Contractors	15%	16.7%	31.7%	723	15.4%	16.9%	32.3%	739	16.8%	16.2%	33%	738
Total employees	51.3%	48.7%	100%	2,284	51.3%	48.7%	100%	2,288	51.9%	48.1%	100%	2,239

Note: 1.Full-time employees include employees with non-fixed term contracts and contracts that have to be renewed annually.

2.Contractors include temporary, seasonal short-term personnel, industry-academic cooperation, interns and other personnel with short-term contracts.

Employees' Age Range

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Under 29	10.6%	6.6%	17.2%	269	20.1%	13%	33.1%	758	21.1%	11.1%	32.2%	721
30-49	33.8%	30.9%	64.7%	1010	24.4%	24.6%	49%	1,122	23.3%	25%	48.3%	1,081
Over 50	8.7%	9.4%	18.1%	282	6.7%	11.1%	17.8%	408	7.5%	12%	19.5%	437
Total employees	53.1%	46.9%	100%	1,561	51.3%	48.7%	100%	2,288	51.9%	48.1%	100%	2,239

Note: The denominators for 2017 and 2019 are all employees. For 2018, the denominator is calculated as full-time employee.

Gender and Age Distribution for New Hires

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Under 29	2.1%	1.4%	3.5%	81	4.8%	2.3%	7.1%	161	3.9%	2.0%	5.9%	133
30-49	1.6%	1.1%	2.7%	61	3.7%	2.3%	6%	138	2.3%	2.1%	4.4%	99
Over 50	0.2%	0.4%	0.6%	14	0.5%	0.3%	0.8%	18	0.6%	0.4%	1%	23
Total	3.9%	2.9%	6.8%	156	9%	4.9%	13.9%	317	6.8%	4.5%	11.3%	255

Note: Turnover= Number of New hires ÷ Number of employee in the year

Gender and Age Distribution for Employee Resignation

Year	2017				2018				2019			
Gender	Male	Female	Total		Male	Female	Total		Male	Female	Total	
	%	%	%	Numeber	%	%	%	Numeber	%	%	%	Numeber
Under 29	6.2%	3.6%	9.8%	224	4%	1.5%	5.5%	126	3.1%	1.6%	4.7%	106
30-49	4%	4.6%	8.6%	196	4%	2.4%	6.4%	145	3.4%	2.6%	6%	135
Over 50	0.5%	0.8%	1.3%	30	0.4%	0.2%	0.6%	14	1.4%	0.6%	2%	44
Total	10.7%	9%	19.7%	450	8.4%	4.1%	12.5%	285	7.9%	4.8%	12.7%	285

Note: Dimission Rate = the Number of resignations+total employee in the year.

Gender Distribution of Senior Executives

Year	2017			2018			2019		
Gender	Male	Female	Total	Gender	Male	Female	Total	Gender	Male
	No.	No.	No.	No.	No.	No.	No.	No.	No.
VP and above	1	0	1	1	0	1	1	0	1
Jr. VP	8	1	9	10	0	10	10	0	10
Manager and Deputy Manager	128	48	176	124	46	170	115	45	160
Total	137	49	186	135	46	181	126	45	171

Comparison of Average Salary across All Level in the Past Years

Year	The Mall				city' super				A. Mart			
	2018		2019		2018		2019		2018		2019	
Gender	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Supervisor	0.71	1	1.06	1	1.1	1	0.8	1	0.85	1	0.86	1
General Employee	0.93	1	0.99	1	0.9	1	1	1	0.99	1	0.99	1

Note: The supervisors are the management level, and the others are general employee

Average Salary

Year	The Mall						city' super						A. Mart					
	2017		2018		2019		2017		2018		2019		2017		2018		2019	
Gender	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Supervisor	0.78	1	1.28	1	1.04	1	1.01	1	1.18	1	0.79	1	0.89	1	1	1	0.86	1
General Employee	1.03	1	1.28	1	0.98	1	1.28	1	1.18	1	0.99	1	0.99	1	1	1	0.99	1

Note: Average Salary = Basic wage + Compensation

Comparison of Starting Salary for Entry-Level Personnel against National Minimum Basic Wage

The Mall						city' super						A. Mart					
2017		2018		2019		2017		2018		2019		2017		2018		2019	
Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
1.40	N/A	1.28	1.28	1.22	1.22	1.34	1.38	1.18	1.18	1.13	1.13	1.27	1.26	1	1	1	1

Note: ●N/A is not available

●Calculation formulae: Entry-level starting salary ÷ national minimum basic wage, where national minimum basic wage is referenced from Ministry of Labor

Parental leave status for FEDS and its subsidiaries

	The Mall						city'super						A. Mart					
	2017		2018		2019		2017		2018		2019		2017		2018		2019	
Number of Qualified Employees	0	0	0	1	0	0	4	17	6	12	5	22	15	14	14	15	12	10
Actual Number of Applicants	0	0	0	1	0	0	0	8	0	7	0	8	9	9	2	10	2	5
Application Rate	0%	0%	0%	100%	0%	0%	0%	43%	0%	58%	0%	36%	60%	64%	14%	67%	17%	50%
Number of Employees Subject to Reinstatement (A)	0	0	0	1	0	0	0	5	0	6	0	4	6	10	5	12	3	3
Actual Number of Reinstated Employees (B)	0	0	0	0	0	0	0	5	0	4	0	4	3	5	0	8	2	3
Reinstatement Rate (%) (B÷A)	0%	0%	0%	0%	0%	0%	0%	100%	0%	67%	0%	100%	50%	50%	0%	67%	67%	100%
Number of Reinstated Employees Last Year (C)	0	0	0	0	0	0	0	2	0	5	0	4	1	7	4	5	0	6
Number of Employees Who Had Been Reinstated for One Year Last Year (D)	0	0	0	0	0	0	0	2	0	3	0	2	1	5	2	5	0	6
Retention Rate (%) (D÷C)	0%	0%	0%	0%	0%	0%	0%	100%	0%	60%	0%	50%	100%	71%	50%	100%	0%	67%

Note: •Reinstatement rate = Actual no. of personnel who applied to be reinstated in the year ÷ No. of personnel who should be reinstated in the year

•Retention rate = No. of reinstated personnel who completed one year of employment in the previous year ÷ No. of reinstated personnel in the previous year

Employee Health and Safety Indicators

		The Mall			city'super			A. Mart		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
Injury Rate (IR)	Male	0	0	0	0.71	333.16	0.87	2.21	4.51	1.53
	Female	0	0	0	0.27	125.22	0.34	5.24	3.72	1.09
	Total	0	0	0	0.39	252.88	0.49	3.61	4.15	1.33
Absence Rate (AR)	Male	0.206%	0.087%	0%	0.399%	0.469%	0.332%	0.350%	0.378%	2.849%
	Female	0.005%	0.154%	0%	0.409%	0.442%	0.239%	0.606%	0.310%	2.839%
	Total	0.106%	0.137%	0%	0.406%	0.449%	0.266%	0.467%	0.347%	2.844%
Lost Day Rate (LDR)	Male	0	0	0	12.46	41.64	15.58	4.01	80.95	43.30
	Female	0	0	0	12.76	15.65	0.34	7.18	26.91	50.68
	Total	0	0	0	12.68	31.61	4.68	5.48	56.06	46.67

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 2019. Therefore, the GRI occupational disease rate (ODR) and the number of employee fatalities were 0.

Execution Time of the Performance Evaluation System

		The Mall	city'super	A. Mart
Evaluation of new hires	After three months	√	√	√
	1 year	√		

		遠企購物中心	city'super	愛買
Performance Assessment	Monthly	√		
	Quarterly			
	Annual	√	√	√

GRI Standards Index

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
1. Organizational Profile				
102-1	Name of the organization	About This Report	1	
102-2	Activities, brands, products, and services	1.1 Forward-Looking Innovation Management	23	
102-3	Location of headquarters	1.1 Forward-Looking Innovation Management	23	
102-4	Service and operations locations	1.1 Forward-Looking Innovation Management	23	
102-5	Ownership and legal form	1.1 Forward-Looking Innovation Management	23	
102-6	Markets served by the organization	1.1 Forward-Looking Innovation Management	23	
102-7	Scale of the organization	1.1 Forward-Looking Innovation Management	23	
102-8	Information on employees and other workers	5.1 Superior Compensation and Benefits in the Industry	101	
102-9	Supply chain	4.3 Comprehensive Supply Chain Management	95	
102-10	Significant changes to the organization and its supply chain	1.1 Forward-Looking Innovation Management 4.3 Comprehensive Supply Chain Management	23 95	
102-11	Precautionary principle or approach	1.3 Sound Risk Management	42	
102-12	External initiatives	1.2 Sustainable Governance	34	
102-13	Membership of associations	1.2 Sustainable Governance	34	Appendix: List of public associations
2. Strategy				
102-14	Statement from senior decision-maker	From the Chairman From the President	4 5	
102-15	Key impacts, risks, and opportunities●	Stakeholder Identification and Communication 1.3 Sound Risk Management	14 42	
3. Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	1.3 Sound Risk Management	42	
4. Governance				
102-18	Governance structure●	1.2 Sustainable Governance	34	

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
102-19	Delegating authority	1.2 Sustainable Governance	34	
102-20	Executive-level responsibility for economic, environmental, and social topics●	1.2 Sustainable Governance	34	
102-22	Composition of the highest governance body and its committees ●	1.2 Sustainable Governance	34	
102-23	Chair of the highest governance body●	1.2 Sustainable Governance	34	
102-24	Nominating and selecting the highest governance body●	1.2 Sustainable Governance	34	
102-26	Role of highest governance body in setting purpose, values, and strategy●	1.2 Sustainable Governance	34	
102-27	Collective knowledge of highest governance body●	1.2 Sustainable Governance	34	Please refer to the Annual Report pp. 31-33
102-28	Evaluating the highest governance body's performance●	1.2 Sustainable Governance	34	
5. Stakeholder engagement				
102-40	List of stakeholder groups	Stakeholder Identification and Communication	14	
102-41	Collective bargaining agreements			No union
102-42	Identifying and selecting stakeholders	Stakeholder Identification and Communication	14	
102-43	Approach to stakeholder engagement	Stakeholder Identification and Communication	14	
102-44	Key topics and concerns raised	Stakeholder Identification and Communication	14	
6. Reporting Practice				
102-45	Entities included in the consolidated financial statements	About This Report	1	

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
102-46	Defining report content and topic Boundaries	About This Report Stakeholder Identification and Communication	1 14	
102-47	List of material topics	Stakeholder Identification and Communication	14	
102-48	Restatements of information	About This Report	1	
102-49	Changes in reporting	Stakeholder Identification and Communication	14	No major changes in 2019
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 Index	141	
102-56	External assurance	About This Report	1	
GRI 103 : Management Approach				
103-1	Explanation of the material topic and its Boundary	Stakeholder Identification and Communication	14	

Note: Items marked with "•" are not core topics

Key Topics

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
GRI 202 : Market Presence 2016				
103-2 103-3	The management approach and its components Evaluation of the management approach	Stakeholder Identification and Communication 5.1 Superior Compensation and Benefits in the Industry 5.3 Thoughtful and Friendly Workplace	14 101 112	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage•	5.1 Superior Compensation and Benefits in the Industry	101	
202-2	Proportion of senior management hired from the local community	5.1 Superior Compensation and Benefits in the Industry	101	
GRI 205 : Anti-corruption 2016				
103-2 103-3	The management approach and its components Evaluation of the management approach	Stakeholder Identification and Communication 1.3 Sound Risk Management	14 42	
205-1	Operations assessed for risks related to corruption	1.3 Sound Risk Management	42	
205-3	Confirmed incidents of corruption and actions taken•	1.3 Sound Risk Management	42	No related matters in 2019
GRI 307 : Environmental Compliance 2016				
103-2 103-3	The management approach and its components Evaluation of the management approach	1.3 Sound Risk Management	42	
307-1	Non-compliance with environmental laws and regulations•	1.3 Sound Risk Management	42	No major violations in 2019. The violations of subsidiaries are not available. However it will be disclosed in the 2020 report.

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
GRI 416 : Customer Health and Safety 2016				
103-2 103-3	The management approach and its components Evaluation of the management approach	Stakeholder Identification and Communication 1.3 Sound Risk Management 4.1 Selected High-Quality Products	14 42 87	
416-1	Assessment of the health and safety impacts of product and service categories	2.3 Quality Space 4.1 Strictly Selected High-Quality Products	62 87	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services●	1.3 Sound Risk Management	42	No major violations in 2019. The violations of subsidiaries are not available. However it will be disclosed in the 2020 report.
GRI 417 : Marketing and Labeling 2016				
103-2 103-3	The management approach and its components Evaluation of the management approach	Stakeholder Identification and Communication 1.3 Sound Risk Management 4.1 Strictly Selected High-Quality Products	14 42 87	
417-1	Requirements for product and service information and labeling	4.1 Strictly Selected High-Quality Products	87	
417-2	Incidents of non-compliance concerning product and service information and labeling	1.3 Sound Risk Management	42	No related matters in 2019

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
417-3	Incidents of non-compliance concerning marketing communications●	1.3 Sound Risk Management	42	No major violations in 2019. The violations of subsidiaries are not available. However it will be disclosed in the 2020 report.
GRI 419 : Socioeconomic Compliance 2016				
103-2 103-3	The management approach and its components Evaluation of the management approach	Stakeholder Identification and Communication 1.3 Sound Risk Management	14 42	
419-1	Non-compliance with laws and regulations in the social and economic area●	1.3 Sound Risk Management	42	No major violations in 2019. The violations of subsidiaries are not available. However it will be disclosed in the 2020 report.

Note: For each GRI standard specific theme covered by the key topics, at least one would follow GRI standards and be marked with "●"

Main Topics and Basic Topics

GRI Standards	Disclosed Item	Corresponding Chapter	Page Number	Note
GRI 200 : Economic Disclosures				
GRI 201 : Economic Performance 2016	201-1 Direct economic value generated and distributed	1.1 Forward-Looking Innovation Management	23	
	201-2 Financial implications and other risks and opportunities due to climate change	3.3 Green Actions	81	
	201-3 Defined benefit plan obligations and other retirement plans	5.1 Superior Compensation and Benefits in the Industry	101	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	4.1 Strictly Selected High-Quality Products	87	
		4.3 Comprehensive Supply Chain Management	95	
GRI 300 : Environmental Disclosures				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	3.1 Green Energy-saving Intelligence	69	
	302-3 Energy intensity			
	302-4 Reduction of energy consumption			
	302-5 Reductions in energy requirements of products and services			
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	3.1 Green Energy-saving Intelligence	69	
	305-5 Reduction of GHG emissions			
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	3.2 Real-time Smart Property Management		
	306-2 Waste by type and disposal method			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	4.3 Comprehensive Supply Chain Management	95	
	308-2 Negative environmental impacts in the supply chain and actions taken			
GRI 400 : Social Disclosures				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	5.1 Superior Compensation and Benefits in the Industry 5.3 Thoughtful and Friendly Workplace	101	
	401-2 Benefits provided to full-time employees (not including those provided to temporary or part-time employees)		112	
	401-3 Parental leave			
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	5.3 Thoughtful and Friendly Workplace	112	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	5.3 Thoughtful and Friendly Workplace	112	
	403-2 Hazard identification, risk assessment, and incident investigation			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	5.2 Integrated Talent Cultivation	107	
	404-2 Programs for upgrading employee skills and transition assistance programs			
	404-3 Percentage of employees receiving regular performance and career development reviews			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	1.2 Sustainable Governance	34	
	405-2 Ratio of basic salary and remuneration of women to men	5.1 Superior Compensation and Benefits in the Industry	101	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	5.3 Thoughtful and Friendly Workplace	112	
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	112	
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	112	No related matters in 2019
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	3.3 Green Actions	81	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	4.3 Comprehensive Supply Chain Management	95	
	414-2 Negative social impacts in the supply chain and actions taken			
GRI 418 : Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	1.3 Sound Risk Management	42	No related matters in 2019



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTERN DEPARTMENT STORES' CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2019

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by FAR EASTERN DEPARTMENT STORES (hereinafter referred to as FEDS) to conduct an independent assurance of the Corporate Social Responsibility Report for 2019 (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 the report presented during on-site verification (2020.03.04~2020.04.13). SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements

The information in the FEDS' CSR Report of 2019 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 2019.

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, Social Return on Investment assessments and Task Force on Climate-related Financial Disclosures have 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 2019 verified is accurate, reliable and provides a fair and balanced representation of FEDS sustainability activities in 01/01/2019 to 12/31/2019.

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 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 2019, 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 management approach. When reporting on goals and targets for each material topic, the expected results are suggested to be set, if applicable, with quantitative objectives (GRI 103-2). It is proposed to explain the mechanisms for evaluating the effectiveness of the management approach specifically in the future (GRI 103-3).

It is also encouraged to gather, record, compile, analyze, and report information and processes used in the preparation of the report in a way that they can be subjected to examination, and that establishes the quality and materiality of the information.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang
Senior Director
Taipei, Taiwan
12 May, 2020
WWW.SGS.COM



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