

Corporate Governance Principles of Far Eastern Department Stores Ltd. (the “Company”)

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Chapter 1 General Principles

Article 1 In order to enhance the corporate governance system of Far Eastern Department Stores Ltd. (hereinafter referred to as the “Company”), and establish an effective corporate governance framework, the Corporate Governance Principles of the Company (hereinafter referred to as the “Principles”) is adopted pursuant to “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”, the Company shall follow the following principles:

- 1) Protect the rights and interests of shareholders.
- 2) Strengthen the powers of the board of directors.
- 3) Fulfill the function of Audit Committee.
- 4) Respect the rights and interests of stakeholders.
- 5) Enhance information transparency.

Chapter 2 Establish an effective corporate governance framework.

Article 2 The Company shall follow the Criteria Governing Establishment of Internal Control System by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an effective internal control system.

In addition to fully performing voluntary reviews of the internal control system by the Company, its board of directors and the management shall review the result of the voluntary reviews of each department at least annually and the report of the Audit Department of the Company quarterly. Audit Committee shall also pay attention to and exercise supervision over this matter. The Company shall establish channels and mechanisms of communication between its Independent Directors or Audit Committee, and the internal auditors. Discussions shall be held periodically about reviews, follow-ups and improvements of internal control system deficiencies.

The management of the Company shall pay special attention to the Audit Department of the Company and its personnel, fully empower them, and urge them to conduct audits effectively, evaluate problems of the internal control system, and assess the efficiency of operations.

Article 2-1 Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of the Company shall be submitted by the chief auditor to the Board chairperson for approval.

Chapter 3 Protection of Shareholders' Rights and Interests

Article 3 The Company shall treat all shareholders fairly, and ensure shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

Article 4 The Company shall convene shareholders meetings in accordance with the laws and regulations and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings. Resolutions adopted by shareholders meetings of the Company shall comply with laws, regulations, and "Articles of Incorporation of Far Eastern New Century Corporation" (hereinafter referred to as the "Articles").

Article 5 The board of directors of the Company shall properly arrange shareholders meeting discussion topics and procedures. Shareholders' meetings shall be arranged physically to be held at a convenient location and assisted by video conferencing. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements.

Article 6 The Company employs electronic voting at shareholders meetings, and enter the voting results, namely the numbers of votes cast "For", "Against", and "Abstentions" for each proposal, after the shareholders meeting on the same day that it is held, on the Market Observation Post System.

Article 7 The Company shall record the shareholders meeting minutes by law. The shareholders meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and should be sufficiently disclosed on the Company's website.

Article 8 In order to protect the interests of the shareholders, the Company designates personnel exclusively dedicated to handling proposals by, inquiries from, and disputes relating to its shareholders.

Article 8-1 In order to protect the rights and interests of shareholders and to implement the equitable treatment of shareholders, the Company shall adopt internal rules to prohibit the Company's insiders from trading securities using information not disclosed to the market. The provisions of the rules thereof shall include the control measures of stock trading for the Company's insiders, from the date when they were aware of the contents of the Company's

financial reports or relevant results and the Directors shall not trade their shares thirty (30) days before the announcement of the annual financial reports and fifteen (15) days before the announcement of the quarterly financial reports.

Article 9 The Company shall clearly identify the allocation of its management authorities and responsibilities over personnel, assets and financial matters of its affiliated enterprises, and shall conduct risk evaluation.

Article 10 When the Company and its affiliated enterprises enter into inter-Company business transactions, a written agreement governing the relevant financial and business operations between each other shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed. Non-arm's length transactions shall be prohibited.

All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph. Tunneling of profits is strictly prohibited.

Chapter 4 Enhancing the Function of Board of Directors

Article 11 The composition of the board shall be determined by taking diversity into consideration, and give due attention to the principles of gender equality, and its members shall have the necessary knowledge, skill, and experience to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities, such as making operational judgment, performing accounting and financial analysis, conducting management administration, conducting crisis management, industrial knowledge, international market perspective, leadership, and making decisions.

Article 12 The Company shall adopt the cumulative voting mechanism and the candidate nomination system for elections of directors, and carefully review the qualifications of nominated candidates and the existence of any other matters set forth in the Company Act.

Article 13 The Company appoints three independent directors in accordance with the Article, and provide the independent directors with manpower and physical support related to the exercise of their power. The Company or other board members shall not restrict, obstruct or circumvent the execution of duties by the independent directors.

- Article 14 For the purpose of developing supervision functions and strengthening management mechanisms, the board of directors of the Company may, taking into account Company's scale, type of operations and the number of its board members, set up Audit, Remuneration, or any other functional committees.
- Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the number, term of office, and power of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.
- Article 15 The Company shall establish an Audit Committee.
The Audit Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.
- The exercise of power and related matters by Audit Committee and the member, independent directors, shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE.
- Article 16 The Company shall establish a Remuneration Committee and more than half of the committee members shall be independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- Article 16-1 The Company shall establish and announce channels for internal and external whistleblowers. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files.
- Article 17 The Company shall adopt the rules of proceedings for board meetings and follow the provisions in the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcement, and other matters for compliance.

Article 18 Members of the board of directors shall conduct corporate affairs with loyalty and perform this duty of care as a good administrator. In conducting the affairs of the Company, they shall exercise their power with a high level of self-discipline and prudential attitude. Unless matters are otherwise reserved for approvals in shareholders meetings, by law, or in the Articles, they shall ensure that all matters be handled according to the resolutions of the board of directors.

The Company shall formulate rules and procedures for Board of Directors performance assessments, and that each year it conduct regularly scheduled performance assessments of the Board of Directors, functional committees, and individual directors through self and individual Directors in any appropriate manner.

Article 19 The Company may take out liability insurance for directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director. The Company shall report the major contents of the liability insurance it has taken out or renewed for Directors at the next Board meeting.

Article 20 Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law, or corporate social responsibility offered by institutions designated in the “Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/GTSM Listed Companies”, which cover subjects relating to corporate governance upon becoming directors and supervisors throughout their terms of occupancy.

Article 21 The Company shall select a professional, responsible, and independent CPA to be its external auditor, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to the irregularity or deficiency timely discovered and disclosed by the auditor during the review, and the concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. The Company shall establish channels and mechanisms of communication between the Independent Directors or Audit Committee, and the attesting CPA.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly. In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary actions or other circumstances prejudicial to the

independence of the CPA, the Company shall evaluate the necessity of replacing the CPA, and shall submit to the board the conclusion of such evaluation.

Chapter 5 Empowering the Audit Committees

Article 22 An Audit Committee shall supervise the implementation of the operations of the Company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the Company.

Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the Company, an independent director member of the Audit Committee shall act as the representative of the Company in the above situation.

Article 23 An independent director shall investigate the operational and financial conditions of the Company from time to time, and the relevant departments in the Company shall provide the books or documents that will be needed for the supervisor's review, transcription or duplication.

When reviewing the finance or operations of the Company, an independent director may retain attorneys or CPAs on behalf of the Company to perform the review; however, the Company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request of the independent director and shall not for any reason obstruct, circumvent, or refuse the inspection of the independent director.

When an independent director performs his/her duties, the Company shall provide necessary assistance as needed by the independent director, and the reasonable expenses that the independent director needs shall be borne by the Company.

Article 24 For the Audit Committee to timely discover any possible irregular conduct in the Company, the Company shall establish a channel for the Audit Committee to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, the Audit Committee shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.

Where any of the independent directors, general managers, officers of Finance, Accounting, Research & Development, and Audit Department of the Company, or CPAs resigns or is removed from his/her position, the Audit Committee shall further investigate the reason thereof.

Chapter 6 Respecting Stakeholders' Rights

Article 25 The Company shall maintain channels of communication with its banks, other creditors, employees, clients, suppliers, community, or other stakeholders and shall respect and safeguard their legal rights, and designate a stakeholders section on the official website.

When any of a stakeholder's legal rights or interests is harmed upon, the Company shall handle such matter in a proper manner and in good faith.

Article 26 The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and decision-making process. When any of their legal rights or interest is harmed upon, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 27 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or the Audit Committee so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

Article 28 In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interest, environmental protection of community and public interest issues, and shall have high regard for the social responsibility of the Company.

Chapter 7 Improving Information Transparency

Article 29 The Company shall establish an internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

The Company shall appoint an acting spokesperson who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements independently.

Article 30 In order to keep shareholders and stakeholders fully informed, it is advisable that the Company utilizes the convenience of the Internet and set up a website containing the information regarding the Company's finance, operation, and corporate governance. It is also advisable to contain the corporate governance information in English as well.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed, and updated timely.

Article 31 The Company shall hold institutional investor meetings in compliance with the regulations of the TWSE, and it shall keep an audio or video record of the meeting. The financial and business information disclosed in the institutional investor meetings shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company or other channels in accordance with the TWSE rules.

Article 32 The Company shall disclose and update the information from time to time regarding corporate governance in the fiscal year in accordance with laws and regulations of the TWSE.

The Company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

Chapter 8 Supplementary Provisions

Article 33 These Principles herein takes effect after approval at the director's meeting. The same applies for any amendments.

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.