

Best Practice Principles of Ethical Corporate Management for Far Eastern Department Stores Ltd. (the “Company”)

Article 1 (Purpose of establishment, entities and scope of implementation)

The purpose of the Best Practice Principles of Professional Corporate Management (hereinafter referred to as the “Principles”) is to cultivate an enterprise culture for Far Eastern New Century Corporation (hereinafter referred to as the “Company”) to sustain the development of the Company and ensure all businesses conducted with sincerity and integrity.

The Principles shall be abided by Directors, Supervisors, managers, other employees, and other entities with actual ability to control the Company (hereinafter referred to as the “Actual Controllers”). The aforementioned individuals and entities hereinafter are referred collectively to as the “Company Professionals”.

The Principles shall be applied to subsidiaries, charity foundations which have accumulatively received, directly or indirectly from the Company, 50% of their total funds or more, and institutions, juridical entities, enterprises, and organizations that the Company may control effectively.

Article 2 (Prohibition against business conduct without prudence and integrity)

Company Professionals are prohibited from, directly or indirectly, offering, promising to offer, requesting, or receiving improper benefits of any sort when conducting business with counterparties. Obtaining or sustaining benefits by conducting business without sincerity and integrity, in any illegal way, or in breach of fiduciary duty (hereinafter referred to as “Misconducts”) is also prohibited.

The counterparties mentioned in the preceding paragraph includes public servants, political campaign candidates, political parties and members and employees of political parties, and all other state-owned or private-owned enterprises or organizations and their directors, supervisors, managers, employees, Actual Controllers, and other interested persons/entities.

Article 3 (Definitions and scopes of benefits)

Benefits mentioned in the Principles are referred to as anything worth of a value, including but not limited to monetary payments, endowments, commissions, job positions, services, preferential treatments, kickbacks and so forth in any name or any mean. Those are perceived as normal social activity, occurs occasionally, and have no impact or have no concern to impact specific legal rights and obligations may be excluded.

Article 4 (Compliance with laws and regulations)

The first premise of conducting business with sincerity and integrity is that the Company shall comply with the Company Law, Securities and Exchange Act, Business Accounting Act, Political Donation Act, Anti-corruption Statue, Government Procurement Law, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations governing security listings and all other business activities.

Article 5 (Policy)

With the managerial philosophy of anti-corruption, transparency, and responsibility, the policy of the Company is to ensure all business being conducted with sincerity and integrity. The Company shall also build a reliable mechanism for corporate governance, risk control, and risk management, in hopes of creating a business environment for sustainable development.

Article 6 (Prevention procedures and rules)

In accordance with the Principles, the Company shall establish procedures and rules to prevent Company Professionals from conducting business without prudence and integrity; meanwhile, specifically identify what Company Professionals must pay attention to while conducting business.

Article 7 (Scope of prevention procedures and rules)

The prevention procedures and rules established by the Company shall include, but not limited to, the following measures against Misconducts:

1. Offering and receiving bribery;
2. Making illegal political donations;
3. Making improper charity donations or improperly sponsoring charity;
4. Offering or receiving gifts, hospitality, or other improper benefits which are perceived as unacceptable in accordance with normal ethical standards.

Article 8 (Commitment and execution)

The policy of ethical corporate management with sincerity and integrity shall be disclosed explicitly in the website and annual reports of the Company. Board of Directors and the management shall have strong and rigorous commitment to the execution of such policy, and enforce the policy to the internal management and external commercial activities.

Article 9 (Ethical commercial activities)

The Company shall act with integrity and fairness when engaging in a commercial activity with counterparty.

Prior to engaging in a commercial transaction, the Company shall take into consideration the legitimacy and legality of the counterparty such as agents, vendors, customers, and other entities, and their Misconduct record, if any. The Company shall avoid engaging in business with counterparty with any record of Misconducts.

When entering into material contracts with counterparties, the Company shall include provisions in such contracts demanding the compliance of ethical corporate management policy. And such contracts shall also include clauses to terminate or cancel the contracts at any time by the Company, if Misconducts are performed, or suspected of being performed, by the counterparties.

Article 10 (Prohibition against offering and receiving bribery)

When conducting business, Company Professionals shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits, including bribery, kickbacks, commissions, grease payments, or offer or accept improper Benefits in any way and any name to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the companies operate permit so.

Article 11 (Prohibition against illegal political donations)

When directly or indirectly providing a donation to political parties or organizations or individuals participating in political activities, Company Professionals shall comply with the Political Donations Act and internal relevant procedures of the Company, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Prohibition against improper charity donations and sponsorship)

When making or offering charity donations and sponsorship, Company Professionals shall comply with relevant laws, regulations, and internal procedures of the Company, and shall not surreptitiously engage in bribery.

Article 13 (Prohibition against improper gifts, hospitality, or other improper Benefits)

Company Professionals are prohibited from, directly or indirectly, requesting from those who have been conducting commercial transactions with the Company and those who seeks for opportunities to conducting transactions with the Company any gifts, preferential treatments, or other improper Benefits, including abnormal and super luxury banquet or other hospitality in any other means which are irrelevant to business activities and common social practices.

Company Professionals are prohibited from receiving gifts or kickbacks from any vendor and agent. A gift perceived as necessary in accordance with local practices and common good manner and the value of such gift is less than NT\$2,000 shall be excluded. Souvenirs and promotion products with a printed logo by the relevant counterparties shall also be excluded. Cash and other sorts of gifts shall be rejected in a delicate and polite way, after explaining the compliance rules of the Company. When delicate rejection fails, the gift received shall be turn into Human Resources Department to make proper arrangement.

Unless reporting to the authorized manager of the business group by writing, Company Professionals shall not accept prizes and gifts from their business related counterparties when the Company holds festivals and celebrating activities.

During the business trip, Company Professionals are prohibited from accepting hospitality in any sort during the trip from vendors, agents, and clients without the permission of the Company.

During the business trip, the travelling Company Professionals are prohibited from accepting feast or hospitality which may be perceived as improper or may make the involved Company Professionals breach their duties. During the business trip, the travelling Company Professionals are expected to realize their behavior represents the image of the Company; therefore, shall act in a particularly prudent manner at all times. Wrongdoings and whatever can indemnify the reputation of the Company will result in rigorous discipline of the involved Company Professionals.

Company Professionals shall not borrow money from, enter payable lease or non-payable lease arrangements, or arrange borrowing/lending in any kind and any name with vendors, agents, and clients.

Article 14 (Organization and responsibility)

The Board of Directors of the Company shall exercise the due care of good administrators to urge the Company to prevent Misconducts, review the results of the preventive procedures at any time, and continually make adjustments so as to ensure thorough implementation of the ethical corporate management policies.

To fulfill the best practices of the ethical corporate management, Human Resources Department of the Company is dedicated to be in charge of establishing and enforcing the ethical corporate management policies and prevention procedures, and shall report to the Board of Directors on a regular basis.

Article 15 (Compliance with laws and regulations)

Company Professionals shall comply with laws, regulations, and the prevention procedures of the Company when conducting business.

Company Professionals shall abide by all articles, rules, bylaws, operation procedures of the Company, and follow the orders from authorized superior management.

Article 16 (Prevention of conflicts of interests)

The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means for Company Professionals to proactively explain if their interests would potentially conflict with those of the Company.

Directors of the Company shall exercise a high degree of self-discipline. A director may present his/her opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper manner.

Company Professionals shall not take advantage of their positions in the Company to obtain improper Benefits for themselves, their spouses, parents, children or any other person.

Article 17 (Accounting and internal control)

For business activities which may be more likely than normal to be involved in Misconducts, the Company shall establish an effective accounting system and an internal control system, not have off-the-book accounts or keep secret accounts, and shall review the systems regularly so as to ensure that the design and enforcement of the systems are showing results.

Internal auditors of the Company shall non-periodically and unwarningly examine the results of compliance with the foregoing, and prepare audit reports submitted to the Board of Directors.

Article 18 (operational procedures and guidelines of behaviors)

The Company shall establish operational procedures and guidelines of behaviors in accordance with Article 6 hereof. The procedures and guidelines should at least contain the following matters:

1. Standards for determining if improper Benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard amounts for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests, and how such conflicts be reported and handled.
5. Rules for preserving confidentiality of trade secrets and business sensitive information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with vendors, clients, and business transaction counterparties suspected of Misconducts.
7. Operational procedures for violations of the Principles.
8. Disciplinary measures on offenders.

Article 19 (Educational training and performance evaluating system)

The Company shall offer and enhance internal Company Professionals training programs to promote and reinforce the Principles, and shall be able to make the commitment, policy, prevention procedures of the Company to implement the Principles, and consequences of violating the Principles be informed and fully understood by their transaction counterparties.

The management of the Company shall at all times evaluate the educational proficiencies, behaviors, capabilities, compliance with the Principles, and working performance of subordinates, and the evaluation records shall be incorporated into the annual personal performance appraisal system.

Article 20 (Blow-the-whistle and discipline)

For any violation of the Principles being found, Company Professionals shall proactively report to Supervisors, the Management, Head of Internal Audit, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.

The Company tolerates no violation. Any of the Company Professionals obtains, or intends to obtain, improper Benefits for oneself or others at the cost of the Company by using one's position and authority shall be dismissed, and unconditionally indemnify the Company for all losses, if occurred.

Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates.

An appeal system is established in the Company. Any of Company Professionals being accused to violate the Principles may appeal for remedy via the system.

Article 21 (Disclosure)

The Principles and the enforcement shall be disclosed on the website, annual reports, and prospectuses of the Company.

Article 22 (Review and amendments of the Principles)

The Company shall at all times monitor the development of relevant local and international regulations

concerning ethical corporate management, and Company Professionals to make recommendations so as to review and improve the Principles and achieve better results from implementing the Principles.

Article 23 (Implementation)

After receiving the approval from the Board of Directors, the Principles will be implemented, and a copy of the Principles will be submitted to each Supervisor and the contents will be reported to the Annual General Shareholders' Meeting. The amendments of the Guidelines follow the same procedure.

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