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Target Readers:

- Employees / Labor Unions
- Government
- Shareholders / Investors / Financial Institutions
- Customers or Partners or Industry Associations
- Local Residents
- NGOs

13 CLIMATE ACTION



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

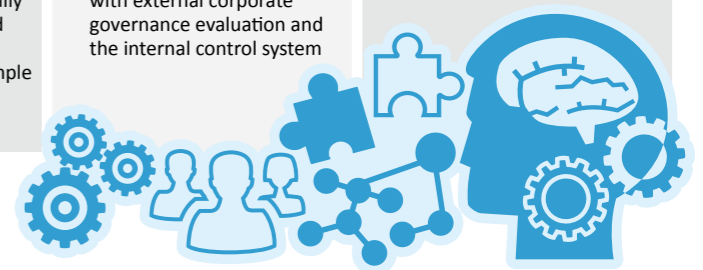


17 PARTNERSHIPS FOR THE GOALS



Material Topics Purpose of Management Management Approaches and Effectiveness Evaluating Mechanisms

<ul style="list-style-type: none"> ● Operational strategies and future development ● Operational performance ● Sustainable strategies and governance 	<ul style="list-style-type: none"> ● Corporate governance ● Risk management ● Regulatory compliance 	<ul style="list-style-type: none"> ● Well-established communication channel
<p>To pursue sustainable development and long-term profits, maintain leadership in the industry and create diverse value for stakeholders</p>	<p>To reduce operational risks, prevent financial losses and reputational damage and improve corporate management</p>	<p>To engage proactively with internal and external stakeholders, partake in various exchange activities and ensure the Company's management strategies and future development meet the stakeholders' expectations</p>
<ul style="list-style-type: none"> ● Continue to increase production capacity, add more production bases and launch diverse products ● Convene Board meetings and periodic meetings for the highest governance to stay on top of business performance ● Designate the CSR committee to run various projects and report CSR issues periodically to the Board ● Review effectiveness with various internal and external evaluations and develop concrete plans for areas that require improvement ● Review all development goals and action plans periodically as well as progress toward completion ● Aspire to become an example of sustainable business 	<ul style="list-style-type: none"> ● Designate the corporate governance task force to ensure proper governance in such areas as business integrity, CSR, regulatory compliance, meeting procedures and public information ● Develop various regulations for the Board meetings and conduct annual self-evaluation ● Refine the risk management system for the Company to achieve sustainable development ● Evaluate the effectiveness of operational processes with external corporate governance evaluation and the internal control system 	<ul style="list-style-type: none"> ● Provide multiple communication channels for stakeholders to make a comment or file a grievance and ensure immediate response ● Use an independent investigation mechanism to investigate grievances and report such matters





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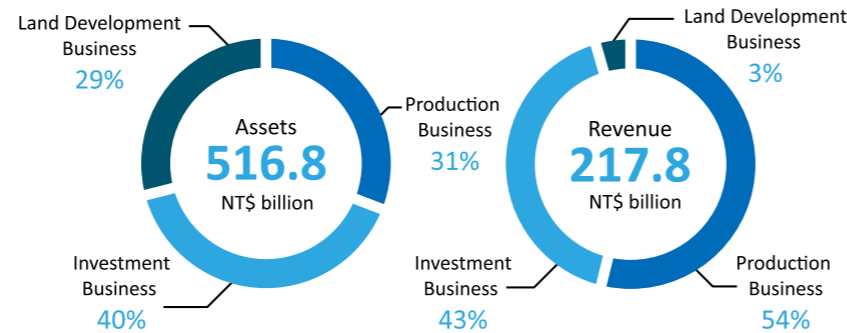
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1.1 FENC's Profile

Founded in 1954, Far Eastern New Century Corporation, hereinafter referred to as "FENC" or "the Company", is an enterprise listed on the Taiwan Stock Exchange. Over the years, FENC has taken steps to expand its businesses and succeeded in transforming into a conglomerate spanning petrochemical, polymer polyester, chemical fiber, cotton yarn spinning, knitted fabrics, dyeing and apparel businesses. By fully integrating our up-, mid- and downstream businesses, we have streamlined the process from production to sales. Today, the Company also monetizes its land assets and invests in a wide array of businesses by adopting diverse operational strategies and mobilizing our assets with great efficiency. In order to develop the Company sustainably, pursue long-term profits and create diverse value for stakeholders, we have focused on environmental protection, social inclusion and corporate governance and achieved outstanding results in these areas.

FENC's Assets and Revenue in 2017



In 2017, we increased our production capacity by adding the third PTA production line, which has a capacity of 1.5 million metric tons, at Oriental Petrochemical (Taiwan) and production lines for nylon 6,6 industrial yarn at Oriental Industries (Suzhou). In 2018, the production lines with a capacity of 400,000 metric tons of solid state polymer and the second phase of Far Eastern Polytex (Vietnam) will begin production. The Company has adopted the eco-friendliest manufacturing standards for our production facilities. (For more information, please refer to Chapter 3.5 Green Production Process.) We will continue to increase our production capacity, establish new production sites and launch new products to maintain our leading position in the industry.

Founding Mottos and Mission

The Far Eastern Group's Founder, Mr. Yu-Ziang Hsu, has always taken "Integrity" as the upmost guiding principle in business management. In addition to the Group Founder's commitment to constancy, honesty, and openness, he has also enshrined "Sincerity, Diligence, Thrift, and Prudence" as Far Eastern Group's founding mottos. FENC's Chairman Douglas Tong Hsu further added "Innovation" to this motto, expecting the group to embrace a spirit of innovation and reform in the face of a rapidly changing and highly competitive environment.

Founding Mottos

- Sincerity**
Customers, the general public, and colleagues must all be treated with sincerity; cooperation and teamwork must be based on mutual trust.
- Diligence**
Everyone must always work diligently to make progress. Diligence can make up for inadequacies and overcome hardships.
- Thrift**
Live a simple life and cherish your blessings; thus one may live a happy life with few earthly desires
- Prudence**
Always make a careful assessment before undertaking any task; those who plan ahead are those who will succeed.
- Innovation**
The Far Eastern Group's firmly held principle is to constantly create new value for customers and shareholders. The Group's highest goal is to make every enterprise under its flag a leading company in its industry.

Mission Statement

Having innovative thinking, superior technology, and excellent managerial skills, we aim to lead the polyester industry and maximize the value of our holdings in real estates and equity investments that shall bring happiness and prosperity to the community where we serve.



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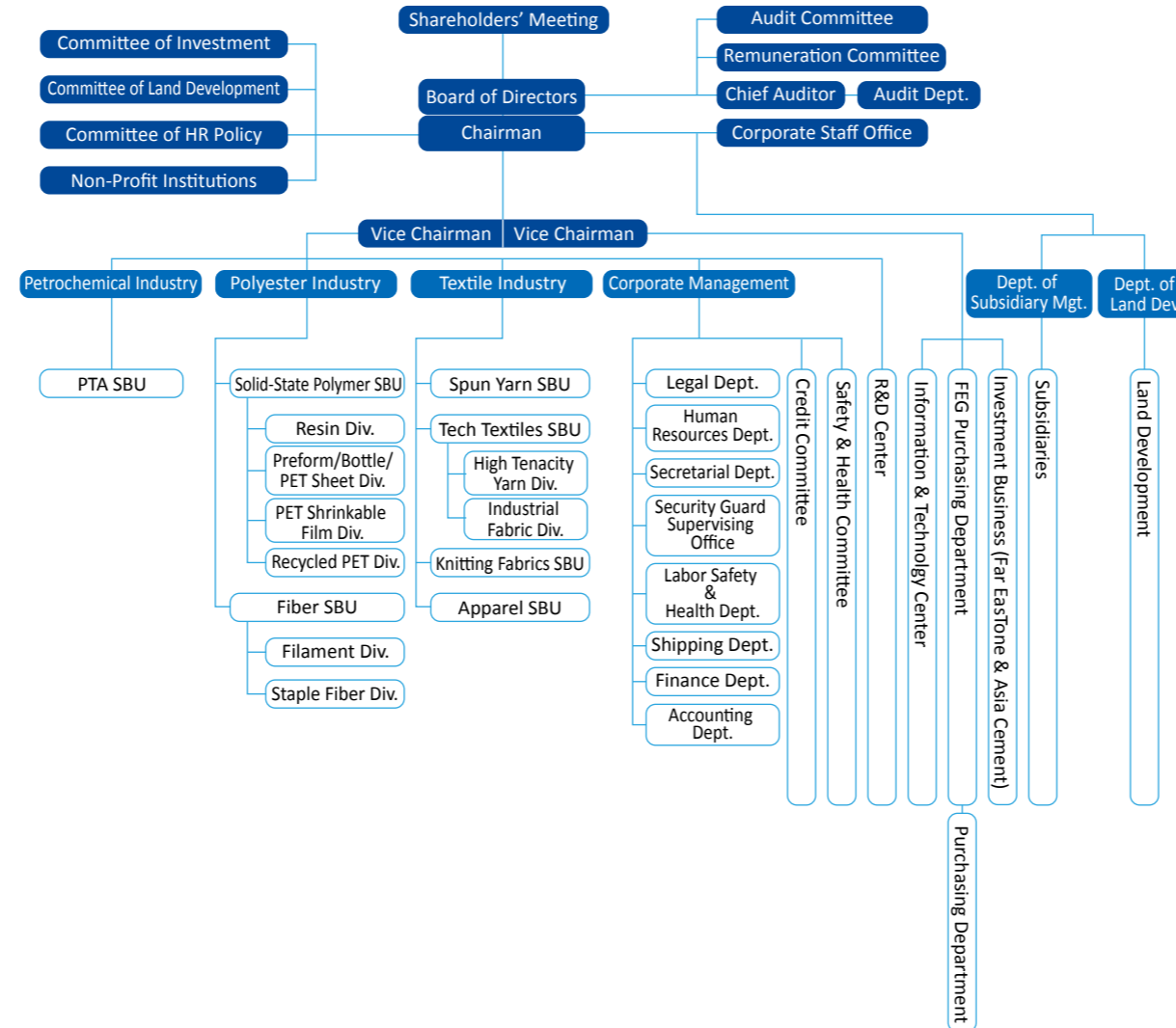
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Organization Chart



Department	Business in Charge
Production Business	Petrochemical Industry Production and sales of PTA
	Polyester Industry Production and sales of polyester chips, polyester staple fibers, polyester filament, polyester films and polyester products made from recycled PET bottles
	Textile Industry Printing, dyeing and finishing of yarns, fabrics and cloths; production and sales of miscellaneous natural, man-made, synthetic fiber yarns and fabrics, blended yarns and fabrics, and woven finished clothing and knitted finished clothing
Land Development Business	FENC has around 1,900,000 square meters of landholding throughout Taiwan, most of which are located in the prime areas in north of Taiwan. Of all the landholding, 700,000 square meters are classified as investment properties. We have a number of land development projects in the pipeline, including Tpark and Spa Resort, which are expected to add value to our assets and generate substantial returns.
Investment Business	As the parent company of Far Eastern Group (FEG), FENC has invested in a broad range of high-quality businesses. FEG's listed companies are well-managed with outstanding performance, bringing in stable profits for the Company.

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1.1.1 Financial Performance

Every year, the Company sets the operating budget and the capital expenditures budget. After the budgets are approved by the Board of Directors, the Accounting Department will account for the Company's financial performance at the Board meetings. The head of each department will report on the state of operation at Board meetings and the monthly operation review meetings, so that the highest governance body can stay informed and monitor progress against budget.

Financial Summary

Unit: NT\$1,000

Item	2015	2016	2017
Total Assets	518,765,122	513,460,158	516,766,280
Total Liabilities	258,368,119	261,267,506	261,227,187
Shareholders' Equity	260,397,003	252,192,652	255,539,093
Operating Revenues	217,948,202	215,855,921	217,846,948
Net Income (Attributable to Parent Company)	8,034,691	6,307,786	8,066,136

Economic Value Distributed to Stakeholders

Unit: NT\$1,000

Item	2015	2016	2017
Operating Cost	167,464,920	164,684,799	168,148,743
Employee Wages and Benefits	19,595,339	20,434,107	21,018,770
Payments to Investors (Interest Expense and Dividends)	16,681,544	15,549,867	14,671,201
Payments to Government (Income Tax)	5,014,304	3,257,420	2,690,954
Investments in Community	116,813	122,664	80,339

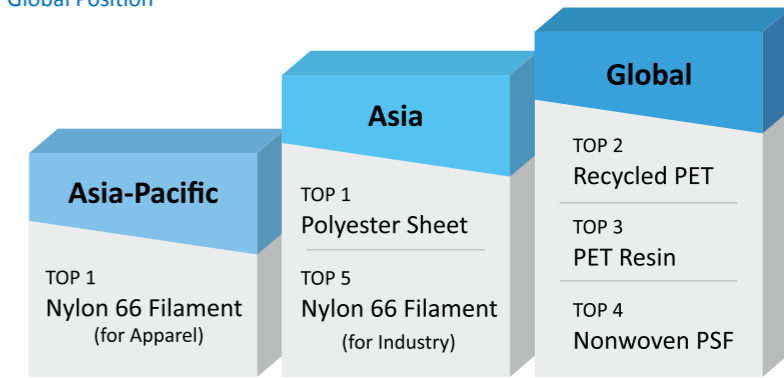
Note: Operational sites such as Taiwan, China, Vietnam and Japan are included.



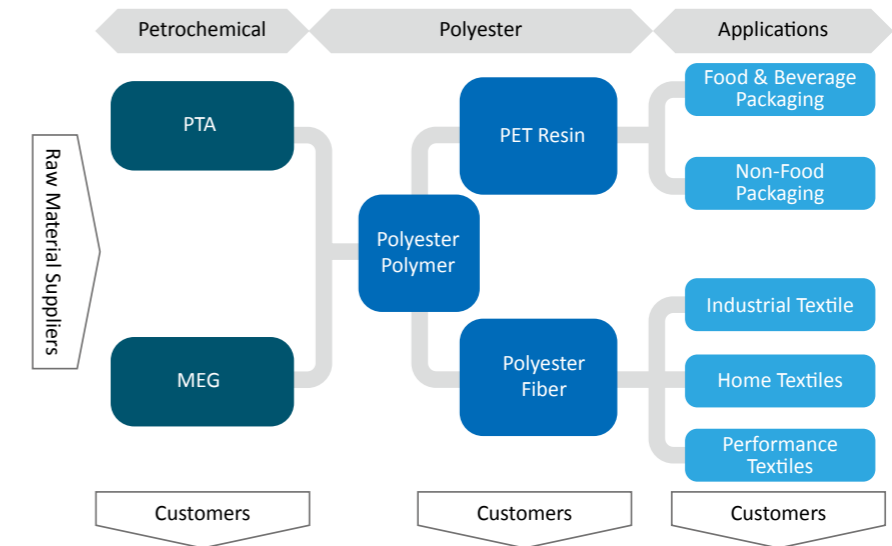
Financial Report

1.1.2 Production Business

Global Position



Main Products and Value Chain





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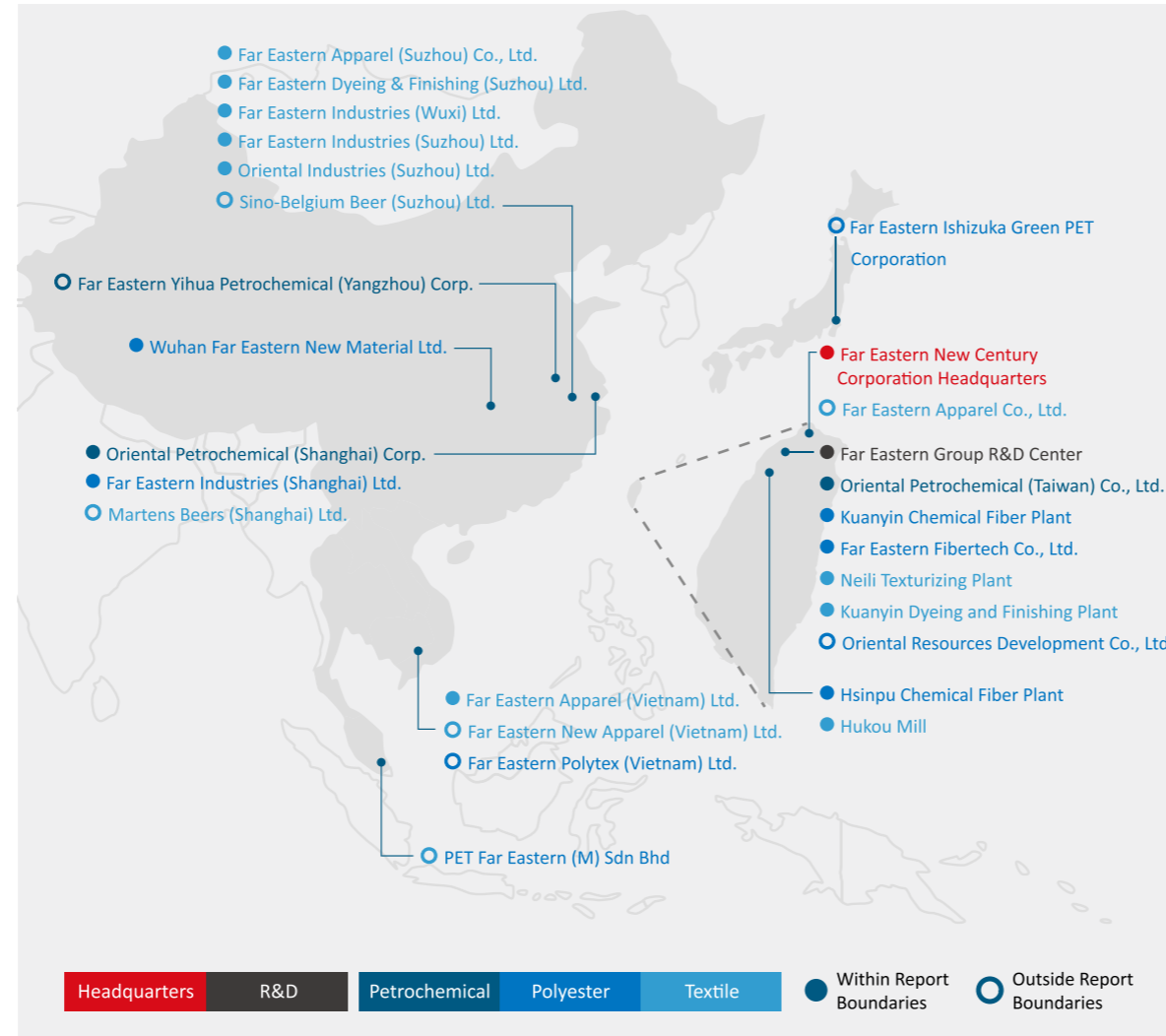
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Operation Sites



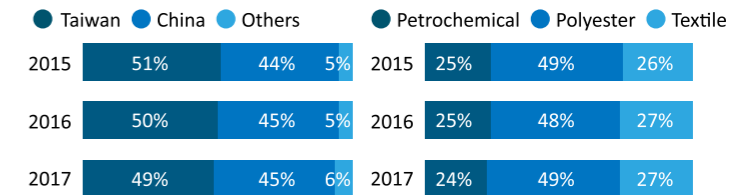
Overview of Market Environment and Industry Summary in Production Business

FENC's core production business is polyester business. The Company leverages vertical integration by integrating the materials from its upstream business and the applications of the downstream business, thereby consolidating its leading position in the industry. For our upstream petrochemical business, we have stable supply of key raw materials and our new production equipment keeps us cost competitive. Our polyester business, as the midstream business, is leading in the industry. In addition to ramping up sales of differentiated products, we also strive to enlarge our global presence and take advantage of our production sites. Our downstream textile business collaborates with global brands in a joint effort to develop high value-added products, such as the functional products that became famous in the world's major sports events.

In 2017, the global PTA output was 63.18 million tons, 3.55 million tons or 6% up from 2016. In the PTA industry, there was limited additional production capacity. A lot of old equipment was left idle for a long time. An increasing number of mergers and acquisitions took place in the industry. As such, the capacity utilization rate rose to 79% globally, suggesting an improvement in the supply and demand ratio in the market.

In 2017, the global polyester output came to 73.18 million tons with an annual growth rate of 5%. The top five polyester producing countries are China, India, the United States, South Korea and Taiwan, making up 80% of the global output. Polyester is mostly used to produce PET and polyester fibers which include filaments and staple fibers. In 2017, PET accounted for approximately 30% and polyester fibers 70% of the global output. It is forecast that in 2018, the polyester's output will increase 8%, 3 percentage points up from the year before, with its capacity utilization rate being 80%, which will surpass its previous peak in 2013. The prospect of the industry is promising.

Sales Ratio



Notes: Please refer to our annual report for more information on the volume and value of the production in 2017



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1.2 Corporate Governance and Sustainable Development

1.2.1 Outstanding Achievements



1.2.2 Directors and Remuneration

Board Members, Nomination System and Remuneration

There are 13 members, including 2 females, at FENC's 22th Board of Directors. All are well acquainted with corporate governance in practical or academic fields. Besides comprehensive supervising system in the Board, 3 independent Directors are there to ensure efficient management and avoid conflict of interests. The Board is guided by "Articles of Incorporations", "Meeting Rules of Board of Directors" (rules on avoiding conflict of interests included) and other related rules. The selection of Directors is by nomination. Education and work experiences of the nominees will be taken into consideration in addition to the opinions of independents Directors. Under rules of "Election Procedures of Director" and "Corporate Governance Principles", diversification, independence and stakeholders' general views are all incorporated. Board meetings were held 4 times in 2017. In August 2017, amendments were made to some articles of "Meeting Rules of Board of Directors," to highlight the necessity for independent directors to understand corporate operations.

The amendments are outlined below:

1. "Audit for Effectiveness of Internal Control System" is added to the items proposed to Board Meeting for discussion.
2. At least one independent director shall attend the Board meeting in person. For proposed items for the Board to make decisions, all independent directors shall be present.



Articles of Incorporation



Meeting Rules of Board of Directors



Election Procedures of Director



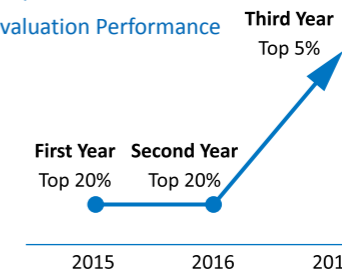
FENC Was Ranked among the Top 5% Listed Enterprises with Excellent Corporate Governance

To strengthen the corporate governance system, FENC has implemented a number of projects over the years to improve corporate governance and continued to maximize sustainable value for stakeholders. After the introduction of various improvement measures and projects over the years, FENC has also gradually improved its ranking of corporate governance among public enterprises, becoming top 5% companies (43) with excellent corporate governance out of 843 public enterprises in 2017.

In 2016 and 2017, FENC implemented the following corporate governance improvement plans:

1. Formulated the "FENC Board Performance Evaluation Rule," and carries out annual self-evaluation
2. Enhanced efficiency of the Remuneration Committee
3. Enhanced information disclosure:
 - In 2016, FENC posted on the company website and included in annual report the communication between independent directors, internal audit officers and accountants as well as dividend payments over the past three years.
 - In the annual report of 2017, FENC disclosed the policy of diversification of Board members and implementation, decisions made at the Audit Committee meeting, communications between independent directors and accountants and the operational mechanism of "Corporate Governance Task Force". On the Company's website, we disclosed the policy of diversification of Board members and implementation.

Corporate Governance Evaluation Performance



Corporate Governance Principles



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Board Members

Man Woman 31-50 years old 51 years old or above

Title	Name	Education Background	Gender	Age
Chairman	Douglas Tong Hsu	National Chiao Tung University, Taiwan, Honor Ph.D. in Management Columbia University, USA, Post Graduate Study in Economics University of Notre Dame, USA, MS.	Man	51 years old or above
Vice Chairman	Johnny Hsi	Columbia University, USA, Master in Computer Science	Man	31-50 years old
	Peter Hsu	Stanford University, USA, Master in Operation Research	Man	31-50 years old
Independent Director	Bing Shen	Harvard University, USA, Master in Business Administration	Man	31-50 years old
	Johnsee Lee	Illinois Institute of Technology, USA, Ph.D. in Chemical Engineering	Man	31-50 years old
	Sheng-Cheng Hu	University of Rochester, USA, Ph.D. in Economics	Man	31-50 years old
Director	Raymond Hsu	Australia Mining and Metallurgy College, Australia	Man	31-50 years old
	Shaw Y. Wang	National Taiwan University, Taiwan, the Executive Program in Business Administration National Chung Hsing University, Taiwan, Business Administration Department	Man	51 years old or above
	Richard Yang	American Graduate School of International Management, USA	Man	31-50 years old
	Tonia Katherine Hsu	Sarah Lawrence College, USA	Woman	31-50 years old
	Kwan-Tao Li	Kellogg-HKUST, MBA	Man	31-50 years old
	Alice Hsu	Sheridan College, Retail Management	Woman	31-50 years old
	Champion Lee	Texas A&I University, USA, Master in Business Administration	Man	31-50 years old

Note:

1. There is no minority in Director Members. Please refer to "The Board of Directors Formulated Diverse Policies" in our website for other information of diversity.
2. Please refer to our annual report for more information on each director's post in another company, cross-ownership and related party disclosures.



The Board of Directors Formulated Diverse Policies

To strengthen Board members' comprehensive capability, 2 external experts were invited in 2017 to host two seminars relating to economy and technological trends; the topics were "World Economic Trends and Taiwan's Development Opportunities" and "Vision of Human Life in the Age of AI 20 Years from Now" with the Board attendance of 16. All Board members have participated in training for at least 6 hours, per recommended in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."

The remuneration and performance of the directors are linked to the Company's performance on the economic, social and environmental fronts and their participation in the Company's operations. Pursuant to the regulations set forth in the "Articles of Incorporation", subject to certain business conditions under which the Company may retain a portion of the divisible surplus, the Company may distribute no higher than 2.5% of the remainder as remuneration for the Directors. The actual percentage and the amount will be evaluated and suggested by Remuneration Committee, then submitted to the Board and approved by the Shareholder meeting. The remuneration for the Board of Directors in 2017 is 1.90% of the net profit after tax.

In 2016, FENC formulated the "FENC Board Performance Evaluation Rule" to evaluate the performance of the Board and its members. The results are: "Excellent," "Fair," and "Improvement Needed." The result of the 2017 Board performance evaluation was "Excellent."



Board Performance Evaluation Rule (Chinese)

Audit Committee

FENC's Audit Committee consists of all Independent Directors of the Company and holds meetings at least once per quarter. The functions of the committee include supervising the financial reporting of the Company, selection and evaluation of performance of Certified Public Accountants, implementation of internal control, corporate regulation compliance, existing or potential risk management of the Company, etc. The Audit Committee of the Company held 4 meetings in 2017. In August 2017, amendments were made to some of the articles in FENC's "Audit Committee Charter" to enhance the transparency of the Audit Committee meeting.

Key amendments to the articles are outlined below:

1. The Audit Committee may invite related personnel to be present at the meeting. They shall leave the meeting when deliberation or voting takes place.
2. The content of meeting minutes is to be enhanced.
3. Audit Committee meetings shall be audio recorded or videotaped from beginning to adjournment of the meeting as evidence and the files shall be kept properly.
4. There is an amendment to stipulate how independent directors in the Committee shall behave when the discussion in a meeting is related to their personal interests.



Audit Committee Charter



Communication Report of Independent Directors with Internal Audit Managers and Accountants in 2017



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Remuneration Committee

An independent director serves as the convener of the "Remuneration Committee," who is in charge of formulating policies, systems, standards and structure regarding performance, salary and compensation of Board of Directors and members of the management. The committee reviews the evaluation of performance and the payment of salary, bonus and compensation. The committee held 2 meetings in 2017.



Remuneration Committee Charter

Directors' Remuneration

Bracket	Name of Directors
Under NT\$5 million	Bing Shen, Johnsee Lee, Sheng Cheng Hu
Over NT\$5 million - NT\$15 million	Representative of Far Eastern Department Stores Ltd.: Richard Yang, Tonia Katherine Hsu Representative of U-Ming Marine Transport Corp.: Alice Hsu, Kwan-Tao Li Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation: Champion Lee
Over NT\$15 million - NT\$50 million	Douglas Tong Hsu Representative of Asia Cement Corporation: Johnny Hsi, Raymond Hsu, Peter Hsu, Shaw Y. Wang

Note: Remuneration includes remuneration paid to Directors (base remuneration, severance pay and pension, Directors' remuneration from distribution of earnings and operating allowances) and relevant compensation received by directors who are also employees (salary, bonuses, allowances, severance pay and pension, employees' compensation from distribution of earnings).

1.2.3 Shareholders' Equity

FENC values our shareholders' equity and treats them equally. In compliance with Taiwan's Company Act, Securities and Exchange Act and other related regulations, shareholders can participate in the Company's decision-making process by exercising their voting rights in the annual general meeting. The proposals pending ratification, matters for deliberation and the election of directors all require voting by polls. An electronic voting system is available as an option and the voting results are disclosed immediately in the meeting. The Company responds immediately to the suggestions and recommendations put forward by the shareholders in the meeting and keep them as a reference for our future development. In order to improve engagement with the shareholders, we have provided contact information to investors and shareholders on our website.



Meeting Rules of Stockholders

1.2.4 Corporate Sustainability

Integrity Operation and Anti-corruption

FENC honors "integrity" as its highest rule in business operation. To implement risk management and ensure business integrity in all business units, there are "Best Practice Principles

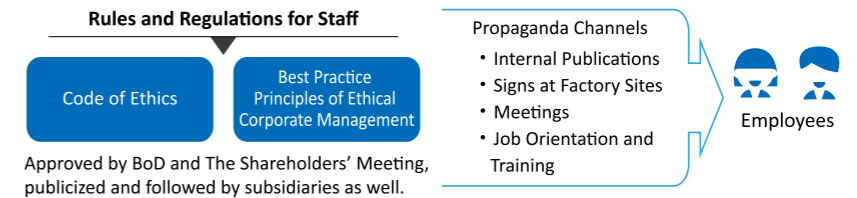
of Ethical Corporate Management", "Code of Ethics" for employees to follow. Besides, we have the remuneration system, internal control system, authorization system, labor functions and internal audit process. Each quarter, "self-evaluation on corruption" is conducted at each department, the result of which is submitted to the Board to prevent corruption. No incidence of corruption was found at FENC in 2017.



Best Practice Principles of Ethical Corporate Management



Code of Ethics



FENC uses "Best Practice Principles of Ethical Corporate Management" and "Code of Ethics" as propaganda for anti-corruption policies and conducts related training. FENC has completed anti-corruption policy announcement to all Board members and full-time employees in Taiwan, China and Vietnam; 80% of all employees have undertaken training on anti-corruption in 2017. Related training is described below:

1. In orientation training for new recruits, there is a 3-hour long class on corporate ethics.
2. Study materials on "The Criminal Code and Corporate Corruption" are offered on the "Far Eastern Academy" online system for employees to study on their own.
3. Exams on "The Criminal Code and Corporate Corruption" for employees in sales and administration.
4. Four "Corporate Corruption Prevention" seminars were held for sales staff, attended by 91 employees.
5. Anti-corruption promotion activities and training were organized for procurement units.

For employees who will deal with government officials, anti-corruption rules and risk management evaluation were activated to prevent corruption. Also, FENC's "Meeting Rules of Board of Directors" regulates that donations to stakeholders or major donations to non-stakeholders should be reported to the Board to ensure supervision beforehand. For procurement units which are directly involved in benefits, there are separate information dissemination and training on anti-corruption. To prevent staff from taking kickbacks, fees and other valuables, there's "Bribery Prevention Provision" in the procurement agreement. Anti-corruption promotion and classes were offered to suppliers and contractors, while related regulations and laws were regularly announced to establish a comprehensive internal control system and rules, which was coupled with auditing and management to prevent corruption and reduce operational risks. In 2017, 99% of the suppliers and contractors, or 9,156, received anti-corruption information or training and no incidence of supplier or contractor corruption was found.



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Corporate Social Responsibility Principles

FENC has integrated sustainable development with the Company's core business to fulfill its social responsibilities. The Board of Directors, which is the highest governance body for sustainable governance, is in charge of implementing comprehensive sustainable governance policy by formulating "Corporate Social Responsibility Principles" for all subsidiaries of FENC to follow. The policies demonstrate the Company's commitment to striking a balance among environmental protection, the social inclusion and corporate governance.



Corporate Social Responsibility Principles

Key Point of "Corporate Social Responsibility Principles"

Item	Chapter
Promote Corporate Governance	Establishing Strong Governance
Promote Environmental Sustainability	Nourishing Sustainable Environment
Advance Public Interest	Creating Employee Passion
	Building Altruistic Society
Enhance the Disclosure of CSR Practices	Creating Diversified Values
	Establishing Strong Governance

CSR Committee

FENC's CSR Committee has been set up in accordance to the organization structure, supervised by the Board of Directors at the highest level. Three staff members of the Corporate Staff Office are appointed to be in charge of project implementation and coordination and a total of 154 executive committee members and committee members are appointed under the four major business units to execute the project execution, report performance and communicate with stakeholders. Also, a cross-unit Energy Task Force has also been set up. As committee members work at different locations, routine communication is done by phone or email. Every year, a CSR videoconference will be held, which all committee members are required to participate in. For committee members to forge consensus on sustainability awareness and grasp the latest trends of sustainable development, five sessions of "Analysis of Latest CSR Trends and Sustainability Strategic Blueprint Workshop" were held in 2017, where CSR Committee proposed the sustainability action plan to jointly complete the "FENC Sustainability Strategic Blueprint." (Please refer to "Sustainable Development" for more details.)

Analysis of Latest CSR Trends and Sustainability Strategic Blueprint Workshop



For CSR Committee members to forge consensus on sustainability awareness and for the committee members and employees to further understand the latest trends in sustainable development, in order to formulate future "Sustainability Strategic Blueprint," five sessions of "Analysis of Latest CSR Trends and Sustainability Strategic Blueprint Workshop" were held in 2017 in both Taiwan and China, which were attended by 165 employees.

The workshop opened in the morning with a review on FENC's CSR performance in 2016 and current sustainability trends, introducing the contents of UN Sustainability Development Goals (SDGs), so that participating employees could understand the context and direction of sustainable development. Furthermore, through referencing the methods for and promotion projects launched by domestic and overseas counterparts, clients and benchmark enterprises to realize SDGs, the workshop aimed to inspire comprehensive thinking regarding the issue of sustainability.

After learning the SDGs, each group discussed SDGs that had greater significance to FENC and produced the "SDGs Priority Matrix." Then, the groups delved in from the perspective of value chain and assessed the SDGs that were important and impactful to the different positions in the value chain and produced the "SDGs Value Chain Evaluation." The results of the two evaluations were combined to identify SDGs important to FENC as future goals for sustainable development and on this foundation, the groups developed sustainability action plans and presented on stage.

After the workshop, participating employees devised their own sustainable action plans with colleagues and managers from their department, producing 103 action plans to jointly complete FENC's "Sustainability Strategic Blueprint." The participation and formulation of goals by the employees not only strengthens CSR Committee members' sense of mission, to regard CSR as their own responsibilities, but also forged cohesion of FENC employees, enhancing overall awareness for sustainability.





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Organization of CSR Committee



Communication between the CSR Committee and the Board

The President of each business reports regularly on CSR-related matters to the Board, including safety, health and environment (SHE), market overview, research and development, internal audits, risk management, financial and business statuses. Also, through multiple regular meetings held with the highest level of governance each month, each department reported and reflected on the influences on FENC of various issues and response measures. (Please refer to Chapter 1.3 Risk Management.)

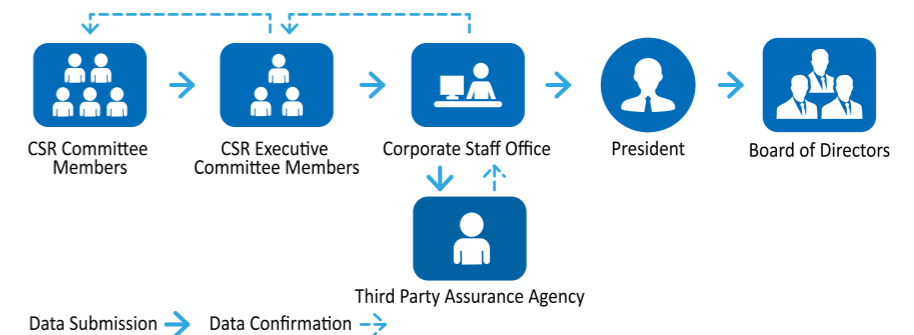
The 4 Presidents and department officers reported on the following CRS issues in Board meetings and regular meetings:

- | | | |
|--|----------------------------------|--|
| 1. Operational Performance and Market Conditions | 5. HR Management and Development | 9. Environment, Safety and Health |
| 2. Business Headquarters' Industrial Strategies | 6. Risk Management | 10. Energy and Resources Management |
| 3. Financial Status | 7. Regulatory Compliance | 11. R&D |
| 4. Sales Overview | 8. Internal Control and Auditing | 12. Public Interest Advancement Activities |

CSR Report Preparation Process

The contents of the CSR report are created by CSR committee members from each department and organized by the executive committee members before being sent to the Corporate Staff Office for compilation. The dedicated staff in the office audits and verifies the submitted data and requests the CSR committee members to make changes in case of missing or incorrect data to ensure accuracy. The report is then certified by a third party and approved by the Presidents before submitted to the Board.

CSR Report Preparation Process



Please refer to our website for the duties of the CSR Committee



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Participation of CSR Activities

Due to global climate change, the government and NGOs are calling for enterprises to pay attention to environmental protection and energy conservation and investors are taking investment targets' corporate sustainable operation performance into consideration. FENC adopts higher standards in environment, society and corporate governance. Besides answering to surveys by external organizations, it also actively participated in related CSR forums and events, so that external stakeholders can understand the Company's governance performance while at the same time the Company can review its CSR policies. Through these activities, the Company can work out appropriate plans for the part needs improvement to increase the Company's ability in sustainable governance.

1. Participation in CSR-related Events

2017 Textile Exchange Annual Conference



Textile Exchange (TE) is a global non-profit organization. Renowned textile and apparel brands, recycling companies and industrial associations are all members of TE, such as NIKE, Adidas and Better Cotton Initiative. The organization formulates various textile industry standards to achieve its mission of sustainable development of the textile industry, ensuring that the raw materials, production process, product traceability and product life cycle are all consistent with the idea of sustainability, to reduce the impact of the textile industry on water, land, air and people.

The 2017 TE Textile Sustainability Conference was held from October 9 to 13, in Maryland, US. Over 500 participants from 328 companies from 37 countries attended the conference. FENC has had great products of recycled materials and long been recognized by major textile and apparel brands. In 2016, adidas openly praised FENC's success in turning ocean plastic waste into yarn at the annual event and therefore, FENC was invited to attend the 2017 conference and participated in the discussion on the topic of recycle and reproduction. During the conference, FENC also interacted with renowned brands and recycling companies, such as NIKE, adidas, H&M and Norrona. Through discussion, the participants of the conference determined the future direction to develop products of recycled materials in order to achieve the goal of environmental sustainability, which was in line with FENC's green product strategy.



2017 TE Conference

FENC Attended Two SROI Forums



FENC is the first in Taiwan to implement Social Return on Investment project and assessed the social influence generated by "7th FENC Classic Marathon" with the concept of investment and return, discovering that every 1 dollar NT invested would generate 8.19 dollar NT of social benefit, including health value, interpersonal relationship, sense of achievement from participating in the race, satisfaction after completing the marathon and cohesion among colleagues.

This project was the first SROI analysis on road running event, making it both visionary and innovative. Therefore, FENC was invited to two forums in 2017—the "Decoding Benefit of Charity Investment—From SROI to Real Value of Enterprise" organized by KPMG on January 19 and "The Third Taiwan Sustainability Report Analysis Release Conference—Challenges and Innovation" held by CSRone on March 24. In the conferences, FENC shared the process and results of the impacts and influences generated by the project on different stakeholders. Through the forums, FENC interacted with participants, introducing them to the method and indirectly expanded its social influences.

A Visit by Haitian Minister of the Environment



FENC has sold its products made from recycled PET bottles throughout the world and has been recognized by renowned brands, such as its collaboration with adidas on producing yarn from recycled ocean plastic waste. On December 29, 2017, Ministry of Foreign Affairs arranged for Haitian Minister of the Environment and three officials to visit FENC, exchanging ideas on issues such as products of recycled PET.

Haiti is surrounded by oceans and ocean waste is one of the gravest environmental issues faced by the country. Through this special arrangement, the officials learned about FENC's recycling technology and hoped to improve the environment of Haiti.



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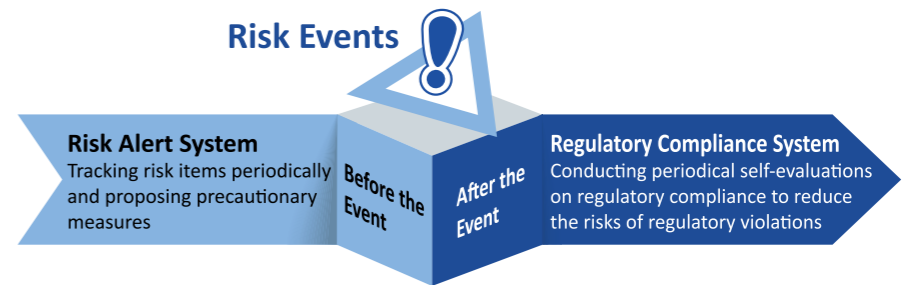
2. CSR Outstanding Achievements



1.3 Risk Management

Risks are inevitable to a company's growth. A sound risk management system can support a company's operations and growth and help it achieve sustainable development.

In 2013, we established a regulatory compliance system at FENC, helping all business units to review their compliance practices. By providing continuing training and promoting quarterly self-evaluations, we have been able to raise our employees' awareness of abiding by the laws and regulations and reduce each department's risk of non-compliance. In order to prevent risk events more proactively, the Corporate Management put in place a risk alert mechanism in 2015, which enables us to track and review the Company's risk items periodically and assess the risks that we may face in the future, thereby proposing precautionary measures.



In order to ensure FENC's asset security, we have introduced a risk assessment project to all plants. The last time we executed the project was between December 2015 and July 2016, during which external experts were commissioned to conduct the loss prevention investigation and discover a total of 229 risk items. After the investigation, we monitored improvement progress against the risk items every month. By the end of 2017, all improvement had been made based on the investigation results. In the future, we will continue to keep tabs on the areas that required improvement and carry out the loss prevention investigation at all plants every three years.

In 2017, the Shipping Department, Legal Department and Human Resources Department launched workshops on trade risks, covering a company's credit control policies, risk control measures, risk management associated with open credit and collection, the documents to obtain for a transaction and matters that require attention, as well as corruption and bribery prevention. Targeting new sales staff, the workshops were organized four times with the total attendance of 292. Such training can help reduce trade risks and ensure the accounts receivable will be properly collected.

In addition, periodical reporting is required multiple times each month at FENC, so that the risk issues will be managed by the highest governance body immediately and comprehensively.



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FENC's Regular Meetings

● Environmental ● Social ● Governance

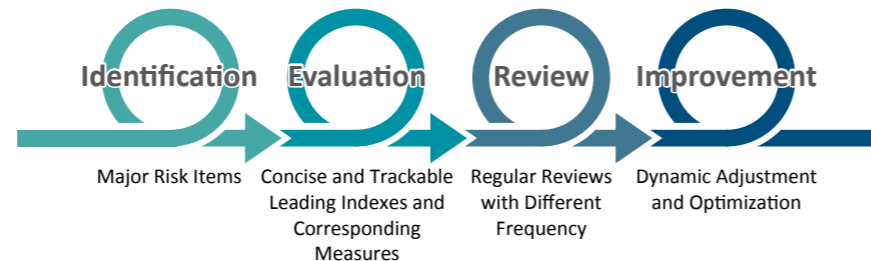
Aspects	Important Meeting	Frequency	Highest Ranking Attendee
● ●	Special Themed Meeting	Management meeting	Chairman
● ●		Human resources management and development	
● ●		Special report on R&D	
●		Seminar on industry strategy	
●		Budget auditing	
●	Energy saving	Once a year	
● ●	Regular Meeting	Operation review meeting	President of Corporate Management
●		Risk management meeting	
●		Sales meeting	

We will continue to increase the breadth and depth of risk management, strengthening corporate governance and our capability to develop the Company sustainably. (Please refer to other chapters for other risk management measures.)

Risk Alert System

FENC has promoted the risk alert system at the Corporate Management. Each administrative unit has reviewed the risks associated with their business, prioritized them, identified the most critical risks and developed specific and traceable leading indicators and response measures accordingly. We have assigned a specific checking frequency to each measure and designated primary and secondary owners for each measure. The Corporate Management holds a risk management meeting every month to review our performance across all departments and ensure we continue to make improvement.

Risk Alert System

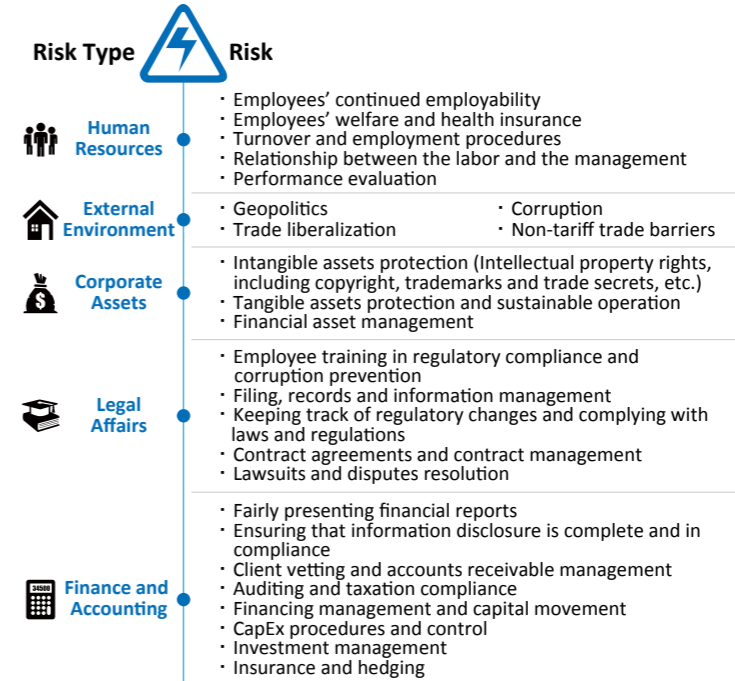


The first risk management meeting was held on October 2016. After nearly a year, we optimized the risk framework and risk items, added leading indicators and raised quantification levels in 2017 in order to make the indicators more traceable.

With the risk alert system, we effectively reduced the risks associated with late payment or non-payment for our exports in 2017. The Shipping Department took the initiative to review the letters of credit issued by our sales staff in advance, in order to ensure our products will be delivered on time, as well as to strengthen trade-related training to better prevent the situation where the accounts receivable cannot be recovered due to the breach of the letters of credit (LC) and improve cash flow control. As a result of these practices, the percentage of export bills negotiation due to LC problems dropped in Polyester and Textile Sector, effectively reducing credit and collection risks.

The risk alert system allows the major risk items across all departments to be managed under the same framework and reviewed periodically and systematically. In this way, risk prevention can be carried out more comprehensively. Our people can also improve their risk-preventing skills through experience sharing.

The Coverage of the Risk Alert System





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Regulatory Compliance System

The regulatory compliance system has been implemented at FENC under the supervision of the President of the Corporate Management. The regulatory compliance processes of all departments have been integrated and inspection mechanisms have been established to effectively manage and respond to the Company's operational risks.

At FENC, we have developed various policies and mechanisms to promote regulatory compliance such as keeping track of changes in applicable laws and regulations, offering legal consultation, providing legal training and conducting on-site compliance inspections. There are different channels to report violations, such as the emails of the regulatory compliance system, the Audit Committee and the Audit Department. Standards of procedure have also been established to address violations. In addition, we have identified and prioritized the areas for inspection, including those concerning the legal liabilities of the directors, supervisors and managers, issues that can damage our corporate image or interests, as well as the activities to which important civil and administration laws and regulations are applicable. In addition, the system lists our shortcomings in the past as the focus of compliance inspection. The Legal Department provides guidance to all other departments for completing their self-evaluation on compliance, assists the Audit Department and Human Resources Department to conduct on-site inspections and compiles a report to the Board. If there are any shortcomings, the Legal Department will provide advice on improvement and keep track of the follow-up actions.

Scope of Regulatory Compliance System

Shareholders	Customers and Competitors	Company Property	Employees	Society
Securities and Exchange Management Investment in China	Fair Trade Import and Export	Commercial Accounting Tax Management IPR Protection	Labor Laws and Regulations Safety and Health	Environmental Protection Anti-Corruption Political Contributions

In response to the changes in Taiwan's Waste Disposal Act, Labor Standards Act and Enforcement Rules of the Labor Standards Act in 2017, FENC followed the regulatory compliance policies and mechanisms by keeping track of these applicable laws and regulations, disseminating compliance information throughout the Company, refining the management system and conducting project-based inspections, in order to ensure compliance at all production bases. The measures taken are described below:

Amended Laws and Regulations	Date of Amendment	Updates on Regulatory Information	Project-based Inspections
Labor Standards Act	December, 2016	The Legal Department and Human Resources Department established a task force to raise our employees' awareness of changes about "one fixed day off and one flexible rest day", "overtime pay" and "special leave" and to explain the recent violations found by the competent authority.	The Legal Department and Human Resources Department carried out inspection on shift arrangements and our employees' special leave at all production sites.
Enforcement Rules of the Labor Standards Act	June, 2017		
Waste Disposal Act	January, 2017	We provided all our production sites with the Regulations for the Determination of the Due Care on the Enterprises Commissioning Clearance and Disposal of Waste to ensure our staff paid attention to how their waste was taken care of.	We carried out a project-based inspection on how waste metal barrels and plastic barrels were taken care of at polyester production sites, assessed the legal risks of our current disposal methods, required the production sites to sort this type of waste properly, paid more attention to qualifications of the commissioned waste disposal service providers and provided supplementary contract in compliance with the updated laws and regulations for our production sites to sign with their waste disposal service providers.

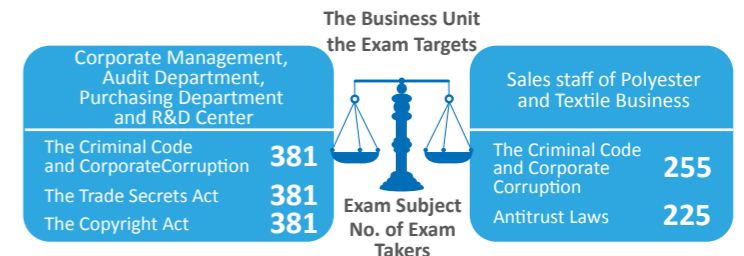
In order to deepen our people's understanding of applicable laws and regulations, the Company held anti-corruption workshops and provided online training and exams on antitrust laws, the Personal Information Protection Act, the Criminal Code and corporate corruption, the Trade Secret Act and the Copyright Act through the online platform "FENC Academy".



Regulatory Compliance Online Training at FENC Academy

In order to better raise our people's awareness of regulatory compliance, ensure they are all on the same page and minimize the Company's management risks, FENC began to provide online training and exams about regulatory compliance at FENC Academy in 2017. The Legal Department has made online materials regarding laws and regulations for our people to click and view any time they want. They can also take online exams to see how much they learn about laws and regulations so that can work on their weak points.

For new employees in 2018, our training has incorporated courses on the introduction to antitrust, anti-corruption and the Criminal Code as well as Personal Information Protection Act. We have completed the question bank for online legal education and online courses will become predominant for the Company in the future.





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The Legal Department in Shanghai handles all compliance matters at the production sites in China, including providing the latest regulatory information, latest case analyses and internal training, addressing violations as well as building the online regulatory compliance platform. Updates on the latest laws and regulations, including the civil and commercial law, economic law, social law, administrative law are procedural law, as well as legal interpretation are provided on an ad hoc basis to all production sites in China. For example, in 2017, the regulatory information included topics on Environmental Protection Tax Law and Cybersecurity Law. While case analyses are provided every month to raise our employees' regulatory awareness, internal training is organized regularly every year to familiarize them with legal affairs and cases on labor law and antitrust, as well as help the production sites to respond to the government's directions, dissemination of regulatory information and inspections with the aim of reducing the risks of violations. In addition, we have worked with the information department to create an online regulatory compliance platform, which will be used to provide the up-to-date legal information and case analyses as well as conduct surveys on regulatory matters to collect feedback from all departments. Far Eastern Industries (Shanghai) will be out pilot production site to test the platform.

Major Violations and Fines in 2017

Company/Unit	Violation	Fine (NTD)	Improvement Plan
Hsinpu Chemical Fiber Plant	The first type of pressure container was put to use without passing the checking requirements.	1.50 million	The plant carried out a comprehensive inspection on machines and equipment, developed a plan for improvement and held a meeting every month to keep track of follow-up actions.
Hsinpu Chemical Fiber Plant / Neili Texturizing Plant	Equipment, labor and operational space protection measures were not in compliance.	1.20 million	The plant strengthened management and training and improved the existing protection measures.
Hsinpu Chemical Fiber Plant	The operations of the contractors were not in compliance	0.66 million	The plant amended the rules about the contractors' operations, provided training to them and securitized their operations.
Oriental Petrochemical (Taiwan)	Construction began before the change of construction permit and the competent authority's inspection and approval	0.21 million	The additional construction's structural strength passed the third party's standards. Now there are no safety concerns and the subsequent inspection process is complete.
Kuanyin Chemical Fiber Plant	The operating values of the pulse-jet bag filter dust collector were not in compliance with the permit.	0.10 million	The plant lowered the operating values to be compliant.

Note: NTD.10 million is the threshold for disclosure.

More information on the three violations with the highest fines:

1. Violation regarding the pressure container: Hsinpu Chemical Fiber Plant had begun to use the pressure container before the Occupational Safety and Health Act was amended in 1995. After the violation was found, the plant carried out a comprehensive inspection on the first type pressure container which had not passed the checking requirements based on the supplementary measures. There were three ways to make improvements; namely, replacing old equipment with new equipment, sending all the inspection documents on the equipment for review and changing the type of the equipment into non-first type. A monthly meeting was held to keep track of the follow-up actions.

2. Violation regarding the protection measure: In addition to making improvement based on the violation found, the plant strengthened safety and health management and established the Safety and Environmental Protection Office as well as discussed construction safety issues and kept track of follow-up actions in the weekly and monthly higher-management meetings in 2017. The plant also provided a series of 14 training courses that lasted nine months, including topics on laws and regulations on occupational safety and health, regulations on the management and prevention of hazardous chemicals and substance and the 5S plan. A total of 500 people took the courses, including the plant's safety and environmental protection staff, the Safety and Environmental Protection Office, on-site managers, supervisors and deputy supervisors from all units as well as labor safety staff from contractors.
3. Violation regarding the contractor: The plant incorporated regulations on the work environment and potential danger from the Occupational Safety and Health Act into the agreement with the contractors. It also provided training courses to plant staff and contractors for them to broaden their specialist knowledge, gain a better understanding about related laws and regulations and build a culture of construction safety together. In addition to multiple inspections every day and reporting anything abnormal, the Safety and Environmental Protection Office conducted on-site inspections to see if there was any violation on the contractor's side and on-site examination on major hazard control operations. The office also arranged the supervising units to carry out cross-audit inspection to prevent violations.



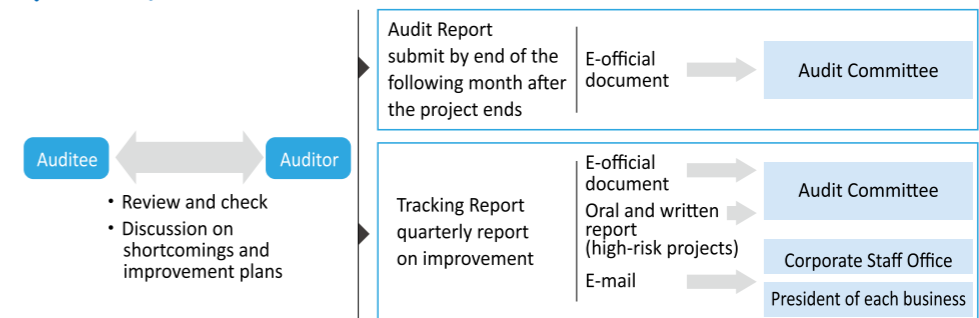
Internal audit structure and approaches to self-evaluation on internal controls

The Oversight and Management of the Internal Control System

The Audit Department assisted the Board and the management in reviewing, approving, promoting and implementing the Company's internal control system and the existing management protocols to reduce mistakes, prevent malpractices and improve operational performance, thereby advancing overall corporate interests.

The Audit Department can be divided into four sections, namely, purchase auditing, operation auditing, finance auditing and MIS auditing. The auditing staff are legally required to receive training annually and organize training sessions and workshops. They also attend the annual meeting of the Institute of Internal Auditors to strengthen their expertise and learn more about risk management.

Audit Project Workflow





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Information Security Management

FENC places great emphasis on information security. In 2014, we introduced ISO 27001 to the Company in order to strengthen information security personnel's professional skills and improve information-processing technologies. In response to the China's Cybersecurity Act that took effect in June, 2017, our information department in China built an information security management team, consolidated information security management policies from all production sites in China, proposed response plans and disseminated information on information security to raise our people's awareness.

FENC Promotes Information Security at Production Sites in China

In order to improve information security management and maintenance, the information teams in China have established standards and procedures. Information security representatives from all production sites have organized information security teams to build IT auditing tracking platform and promote information security management procedures.

In order to raise our people's awareness of information security, there are 6 dos and 6 don'ts at FENC. An 8-minute information security policy introduction course is also provided to our people on the e-learning platform FENC Academy.

6 dos

- Do ensure security
- Do fill out forms
- Do make a copy
- Do cherish corporate resources
- Do comply
- Do receive training

6 don'ts

- Don't violate laws and regulations
- Don't infringe on IPRs
- Don't set wire or wireless networks
- Don't damage equipment
- Don't leak information
- Don't snoop

1.3.1 Climate Change Risk

As a company that focuses on long-term operational performance, FENC has taken various measures against the risks associated with climate change and pollution and turned them into opportunities. We have considered the risk events facing our productions sites and developed response measures.

Opportunities			
Aspect	Extreme Weather Conditions	Adjustments in Policies	Others
Event	<ul style="list-style-type: none"> • Typhoon • Flood • Change in average rainfall • Drought • Change in rainfall patterns • Resource scarcity • Air pollution 	<ul style="list-style-type: none"> • Stricter environmental regulations • Lower operating reserve in Taiwan • Carbon trading 	<ul style="list-style-type: none"> • Corporate reputation • Change in customer behavior • Business cycles • Market uncertainties
Impact	<p>Management</p> <ul style="list-style-type: none"> • Increasing demand for eco-friendly products <p>Sales</p> <ul style="list-style-type: none"> • Increased sales of water bottles, preforms, PET films and PET bottle resins • Increasing demand for functional fabrics and fibers (temperature controlling, moisture-wicking, quick dry, antibacterial, Anti-mosquito) • Increasing demand for filters and facial masks 	<p>Management</p> <ul style="list-style-type: none"> • Selling carbon credits <p>Production</p> <ul style="list-style-type: none"> • Taiwan Power Company launched an incentive program to conserve electricity <p>Sales</p> <ul style="list-style-type: none"> • Increasing demand for Hollow conjugated PSF due to the ban of import solid waste • PVC replaced by PET 	<p>Management</p> <ul style="list-style-type: none"> • Stakeholders' increasing expectation of the Company's fulling CSR <p>Production</p> <ul style="list-style-type: none"> • Shortened delivery time requested by clients <p>Sales</p> <ul style="list-style-type: none"> • Increasing brand trust to boost sales • Great changes in client demand
Response Measure	<p>Management</p> <ul style="list-style-type: none"> • More R&D in functional fabrics and fibers • More R&D in eco-friendly products <p>Sales</p> <ul style="list-style-type: none"> • Change product structure 	<p>Production</p> <ul style="list-style-type: none"> • Participate in Taiwan Power Company's planned power reduction program for electricity conservation and rewards <p>Sales</p> <ul style="list-style-type: none"> • Increase the production capacity for Hollow conjugated PSF • Increase the production capacity for PET 	<p>Management</p> <ul style="list-style-type: none"> • Fulfill CSR in every aspect and increase information disclosure <p>Production</p> <ul style="list-style-type: none"> • Utilize automatic production and 3D proofing for garments to shorten delivery time <p>Sales</p> <ul style="list-style-type: none"> • Keep tabs on downstream clients and increase our visit • Stay on top of the market movement and the supply and demand in the industry and regional market
Financial Impact (Cost) in 2017	NT\$862 million	NT\$3,078 million	NT\$1.5 million



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Risks				
Aspect	Extreme Weather Conditions		Adjustments in Policies	Others
Event	<ul style="list-style-type: none"> • Flood • Drought • Change in average temperature • Change in average rainfall 	<ul style="list-style-type: none"> • Change in rainfall pattern • Resource scarcity • Typhoon • Thunder shock 	<ul style="list-style-type: none"> • Environmental regulations • Renewable energy regulations • Air pollution control • GHG emission reduction regulations 	<ul style="list-style-type: none"> • Corporate reputation • Market uncertainties • Change in customer behavior • Business cycles
Impact	<p>Management</p> <ul style="list-style-type: none"> • Difficulties in capital movement due to unexpected typhoons <p>Production</p> <ul style="list-style-type: none"> • Need to purchase water from external sources due to lack of water resources. Reduced production and increased operating cost due to severe water shortage. • Increasing rainfall limiting outdoor operations • Torrential rains increasing the load of wastewater processing system • Water supply limited by high turbidity of the water source 	<ul style="list-style-type: none"> • Increased maintenance expenditure due to equipment damage at plants • Reduced production efficiency due to temperature change and increased operating cost due to increased use of air conditioners and heaters • Increased production cost due to rising raw material prices <p>Sales</p> <ul style="list-style-type: none"> • Sales plan does not pan out as planned, adding difficulties in production and inventory adjustment, which caused our and our clients' late delivery • Increased temperature caused poor sales of fabrics for fall and winter such as fleece looped pile 	<p>Management</p> <ul style="list-style-type: none"> • Need to reduce energy use and carbon emissions • Increasing standards for the emissions of transportation tools • Increasing monitoring of the processing of hazardous waste <p>Production</p> <ul style="list-style-type: none"> • Auto-updates of data regarding stationary sources of pollution • Nation-wide carbon emission management • Decreased VOC emission • Increased use of renewable energy 	<p>Management</p> <ul style="list-style-type: none"> • Increased risks of overdue accounts and defaults • Brand clients' increasing emphasis and expectation of CSR <p>Sales</p> <ul style="list-style-type: none"> • Increased risks due to changes in client demand • Increased difficulties in production and sales due to conservative client demand
Response Measure	<p>Management</p> <ul style="list-style-type: none"> • Build rapport with key banks <p>Production</p> <ul style="list-style-type: none"> • Increase raw materials inventory and suppliers as a hedge against raw materials shortage • Increase rainwater collection equipment • Set constant temperature for air conditioners at different areas • Increase typhoon-resistant and water-resistant equipment, add storage tanks, increase the reuse of reclaimed water, strengthen drainage measures • Add wastewater processing equipment and focus on the management of such requirement to ensure stable operations • Use plants, separate cold and hot aisles, heat insulation and curtains • Phase out old fridges and air conditioners 	<ul style="list-style-type: none"> • Introduce climate risks adaptation response system to the Company • Add liquor dyeing machines • Adding waterless dyeing machines <p>Sales</p> <ul style="list-style-type: none"> • Adjust product structure • Manage production and sales schedule property and keep tabs on downstream clients • Build warehouses for shipping such as the logistics center in Liaoning 	<p>Management</p> <ul style="list-style-type: none"> • Build a task force to manage energy issues and facilitate exchanges on energy-conserving experience and technologies among plants • Incorporate air pollution, waste water and solid waste into unified control • Use vehicles that meet environmental standards to collect goods at local picking stations • Execute 101 energy-saving and carbon-reducing projects • Increase the use of renewable energy <p>Production</p> <ul style="list-style-type: none"> • Add wastewater processing equipment and strengthen the management of such equipment to ensure stable operations • Continue to run LDAR systems and fix leakage in time • Seal the cooling tower of the wastewater processing plant to reduce stench • Add monitor connections to be compliant • Replace boiler fuels with natural gas. Add equipment to collect cobalt and manganese in wastewater • Register water pollution permission and other related documents • Conduct annual GHG inventory verification 	<p>Management</p> <ul style="list-style-type: none"> • Fulfill CSR • Increase financially sound clients • Insurance for export credit <p>Production</p> <ul style="list-style-type: none"> • Adjust product structure, increase product differentiation and improve technologies for manufacturing process • Introduce industrial automation <p>Sales</p> <ul style="list-style-type: none"> • Keep tabs on the movement of downstream clients and increase visits • Expand clientele to prevent high customer concentration
Financial Impact (Cost) in 2017	NT\$55 million		NT\$261 million	NT\$37 million



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Hsinpu Chemical Fiber Plant Developed the Climate Change Risk Countermeasure

9 INDUSTRY INNOVATION AND INFRASTRUCTURE **13 CLIMATE ACTION**

Located between the Litou Mountain and the Fengshan River, Hsinpu Chemical Fiber Plant is faced with the risks of mudslides and river water intrusion. In 2017, it collaborated with the Industrial Sustainable Development Center, National Cheng Kung University to build the Climate Change Risk Countermeasure (CCRC), through which we can launch prevention mechanisms ahead of time in response to the risks caused by extreme weather conditions, effectively reducing the losses caused by natural disasters.

This project was launched in April, 2017. At the first phase, we carried out a site survey at the plant to better understand the landscape and draining systems. At the second phase, we used climate analyses, disaster prevention information and regional climate risks graphic analyses to identify the key rainfall stations. We also incorporated the plant's landscape parameters for simulation to complete the company's disaster potential analysis. After multiple meetings, we established the emergency response procedures, set the conditions for launching the emergency response plan and decided upon the corresponding actions based on the characteristics of the plant and disaster simulation results. The monitoring system will decide the type and severity of the disaster in real time. If the conditions are met, the system will activate the emergency response procedures immediately and notify related personnel, so that the managers can better use the key response time and reduce the impact of disasters.

Project Flow

- 1** Collect the plant's information
- 2** Conduct a site survey
- 3** Conduct disaster simulation analyses
 - Use landscape parameters for simulation
- 4** Simulate flooding at the plant
- 5** Establish emergency response procedures for the plant
- 6**

Far Eastern Industries (Shanghai) Built a Logistics Center for Clients in Northeast China at Port of Yingkou, Liaoning Province

13 CLIMATE ACTION

After visiting clients on site, Far Eastern Industries (Shanghai) recognized the importance of on-time delivery to them. However, extreme weather conditions such as typhoon may cause serious impact on waterway transportation, hence delay in delivery, which will not only affect the client's production schedule but add transportation cost if road transportation is arranged as an alternative.

In order to maintain client relationship for the long term, the company has taken proactive measures against the risks caused by climate change. In 2017, the company established a logistics center at the Port of Yingkou, Liaoning Province. Besides, the center's operating procedures were decided jointly by the sales, administration accounting, storage and transportation, information, auditing and legal departments. The center began operations in September and the delivery time for clients located within a 300 km radius has been reduced from 10 days to 2 days. It is estimated that the center will increase 1,000 to 1,500 metric ton of sales every month in 2018.

Production Sites in Taiwan Adopted Demand Response Management Measures Proposed by Taiwan Power Company

7 AFFORDABLE AND CLEAN ENERGY **13 CLIMATE ACTION**

FENC's production sites in Taiwan have adopted the demand response management measure proposed by Taiwan Power Company in order to prevent delayed development due to the addition of new power supplies and to reduce the risks of overall power rationing. The measures include "planned reduction in electricity use", "ad hoc reduction in electricity use", and "demand bidding".

Among all our production sites in Taiwan, Kuanyin Chemical Fiber Plant's measures were most effective. It carried out a benefit assessment of its diesel power generation and found that it will not only alleviate the power supply pressure of Taiwan Power Company but create considerable benefits if it can better utilize of its diesel generator sets. In order to achieve these goals, the plant maintained the engines and power generators and provided on-the-job training for people from other production units to ensure the proper operation of its diesel power generation. In summer, the plant took the initiative to reduce electricity use by 6 hours in the day time to cut power use during peak hours. This planned reduction measure served to respond to the strained power supply due to lower operating reserve in summer. In other seasons, the plant adopted the demand bidding measure. In 2017, the plant created 1.3 million of benefits, while other production sites in Taiwan created over 1.1 million respectively.



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FENC Launched Taiwan's First Green Bond Verified by Third Parties

6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS

According to International Capital Market Association, green bonds enable capital-raising and investment for new and existing projects with environmental benefits. In 2017, the volume of bonds issued globally amounted to \$155.5 billion, an increase of 78% from 2016. This shows green bonds have gained popularity worldwide mainly due to the increasingly drastic climate change. Larger capital-raising projects can create substantial benefits to the environment, mitigating the impact of climate change.

As a leader in CSR in Taiwan, FENC has spared no effort to fulfill its social responsibilities by mitigating the impact of climate change and reducing environmental impact. On December 4, 2017, the Company issued NT\$3 billion of green bonds. Our investment projects have been certified by such third parties as DNV GL and Deloitte. The funds will be invested in four green projects: recycled PET (NT\$960 million), new batch polymer (NT\$450 million), waterless dyeing (NT\$90 million) and green building (NT\$1.5 million). The environmental benefits of these projects include reusing and recycling waste materials, water saving, cleaning or recycling, GHG reduction, optimizing energy efficiency and saving energy, pollution prevention and control as well as green buildings.



Listing Ceremony of Green Bonds



Green Building Schematic

1.4 Stakeholders and Material Topics

1.4.1 Identification of Stakeholders

FENC sent out questionnaires to employees in Taiwan, Suzhou, Wuxi, Shanghai and Wuhan, who were CSR Committee members from different departments to identify our stakeholders. The questionnaire was designed based on the 5 principles set out in AA1000 Stakeholder Engagement Standard 2011, which are dependency, responsibility, influence, diverse perspectives and tension.

Given the fact that financial institutions are highly associated with FENC's financial status and operation; "Financial Institutions" were included as major stakeholders, along with shareholders and investors in 2017.

FENC plans to implement the stakeholder and material topics identification project again in 2018 to ensure FENC can timely identify the stakeholders and topics they are concerned with.





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1.4.2 Identification and Responses of Material Topics

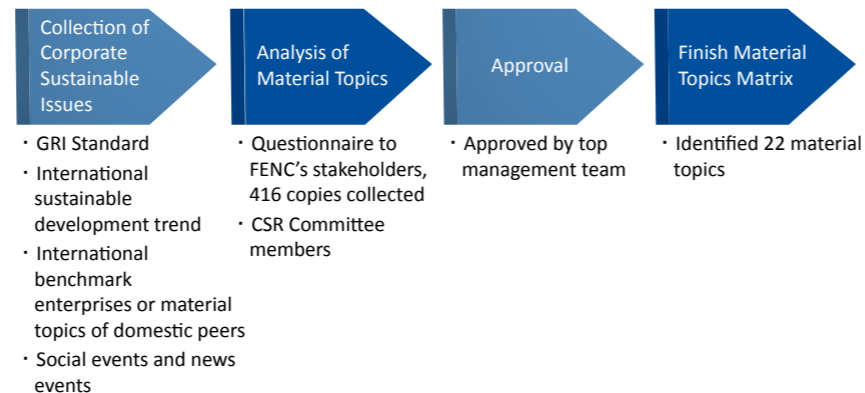
To identify material topics, FENC takes into consideration the materiality principle of the GRI Standard and also significant sustainability issues in the world, such as material topics from United Nations Conference on Sustainable Development (UNCSD), World Economic Forum (WEF), World Business Council for Sustainable Development (WBCSD) and Sustainability Accounting Standards Board (SASB). We also reviewed the material topics listed by global flagship enterprises and domestic peers in the same industry, material social events on the news and identified 27 material topics relevant to the company.

In order for the information disclosed in the report to better meet the expectations of stakeholders, FENC designed two sets of questionnaires in 2016 to identify material topics through evaluation by stakeholders:

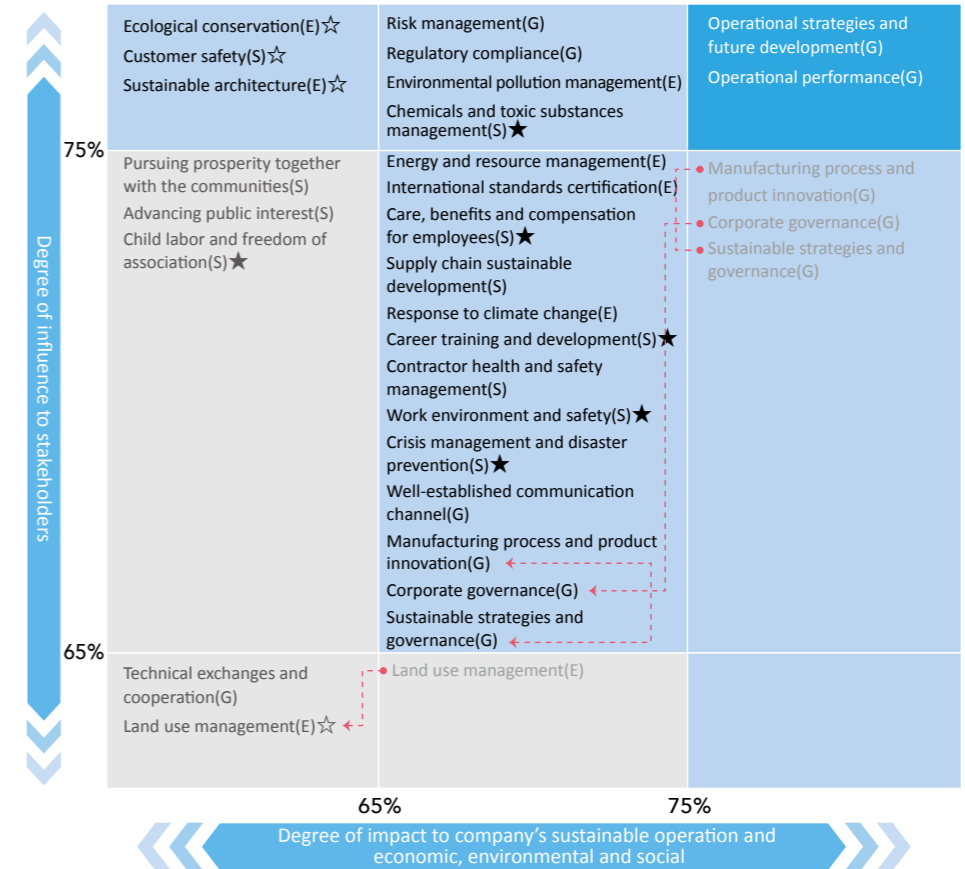
1. The first questionnaire was on the level of impact of the material topics on the stakeholders, including significance of impact, expectations for responses and actions and expectation for transparency. The subjects of the questionnaire were eight major stakeholders of FENC. 288 copies were collected and the response rate was 98%.
2. The second questionnaire investigated the impact of material topics on the company, including financial impact, non-financial impact, level of strategy integration and opportunities and competitiveness. The subjects were CSR Committee members and 100% of the 128 questionnaires were returned.

In 2017, FENC also included impact of the sustainability issues outside the company in its evaluation of material topics. The CSR Committee members discussed the level of impact on economy, environment and society, of FENC's sustainability issues. Combined with the results of the two questionnaires and confirmed by top management team, 22 issues were identified.

Identification Procedure of Material Topics



Material Topics Matrix



E: Environmental S: Social G: Governance
☆Applicable to Far Eastern Resources Development Co., Ltd. only ★Applicable to Production Business only

Note:

1. Blue blocks are the material topics of this CSR report; grey blocks are topics with comparatively lesser impact or influence.
2. • - - - -> Represent the difference and the changes from last year.



Questionnaire on Issues Related to Corporate Sustainability for Far Eastern New Century



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Meaning of Material Topics for FENC

Material Topics	Meaning for FENC
Corporate governance Risk management Sustainable strategies and governance Operational strategies and future development Operational performance Regulatory compliance	Integrity is the golden rule that guides FENC's management and development. We believe it is the key to the long-term success of our corporate governance and operations. Risk management and long-term strategic planning are the cornerstones of sustainable development and are indispensable for the Company to achieve our sustainability goals.
Environmental pollution management Energy and resource management Response to climate change	We value the natural environment and the communities in proximity to our production sites. We are determined to manage resources effectively to reduce production costs, enhance operational performance and, more importantly, minimize impact to the environment.
Crisis management and disaster prevention	It is our duty to minimize negative impact on the neighboring communities, manage crises effectively and prevent disasters.
International standards certification Manufacturing process and product innovation Supply chain sustainable development	We provide high-quality products and services and create added values to cement our relations with customers and pass international certifications that ensure the high standards of our internal process and the quality of our products. In addition to our innovative approaches to sustainable development, we use circular way of thinking to develop products and design manufacturing process, as well as strengthen supply chain management to encourage our partners to fulfill their social responsibilities.

Material Topics	Meaning for FENC
Work environment and safety Care, benefits and compensation for employees Career training and development	Employees are valuable assets at FENC. We ensure their safety and health at the workplace and safeguard their basic human rights. We promote respect for our employees in the Company and help them develop their professional competency and advance in their career.
Chemicals and toxic substances management	As the use of chemicals is critical to the operation and development of the petrochemical industry, the Company must manage chemicals in a systematic way to prevent accidents or disasters caused by the misuse of chemicals and to prevent chemical exposure from jeopardizing our employees' health.
Contractor health and safety management	It is our responsibility to ensure safety of work environment. FENC provides comprehensive safety and health management and training to both our employees and contractors. Contractors are required to meet the company's standards to carry out our goal of zero work accident.
Well-established communication channel	FENC values each and every of its stakeholders. By establishing a comprehensive communication channel, the Company can listen to voices from outside and provide prompt response to safeguard stakeholders' rights and interests.
Customer safety Sustainable architecture Ecological conservation	In order to increase efficiency in land resources use, Far Eastern Resources Development has sketched out a comprehensive blueprint for urban planning, taking "Ecological sustainability" and "smart life" as keys to our approaches to land development. We have improved our measures against various accidents and disasters to ensure tenants' safety.

Please see the table below for more information on material topics' degree of impact and boundaries, relevant GRI Standards, management approaches, performance and the corresponding chapters.

● Boundaries ○ High Level of Impact ○ Low Level of Impact

Material Topics	Internal Boundaries			Stakeholders								Relevant GRI Standard	Management Approaches and Relevant Information	
	FENC Production Business	Far Eastern Resources Development Co., Ltd.	Foundations	Employees / Labor Unions	Government	Partners	Customers	Local Residents	Shareholders / Investors / Financial Institutions	NGOs	Industry Associations		Chapter	Page
Corporate governance	●	●	●		○				○			General Disclosures : Organizational Profile, Strategy, Ethics and Integrity, Governance Economic : Anti-corruption, Anti-competitive Behavior	1.2	18
Risk management	●	●			○	○	○		○	○		General Disclosures:Governance Economic: Economic Performance	1.3	24
Sustainable strategies and governance	●	●	●				○		○	○		General Disclosures: Governance	Chairman's Message, 1.2.4	4, 20
Operational strategies and future development	●	●	●		○	○			○		○	General Disclosures: Governance	Chairman's Message, 1.1, 1.2	4, 14, 18
Operational performance	●	●		○					○			Economic: Economic Performance	1.1	14
Regulatory compliance	●	●	●	○	○		○		○			Environmental: Environmental Compliance Social: Socioeconomic Compliance	1.3	24



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● Boundaries ○ High Level of Impact ○ Low Level of Impact

Material Topics	Internal Boundaries			Stakeholders								Relevant GRI Standard	Management Approaches and Relevant Information	
	FENC Production Business	Far Eastern Resources Development Co., Ltd.	Foundations	Employees / Labor Unions	Government	Partners	Customers	Local Residents	Shareholders / Investors / Financial Institutions	NGOs	Industry Associations		Chapter	Page
Environmental pollution management	●	●			○			○		○		Environmental: Emissions, Effluents and Waste, Supplier Environmental Assessment Social: Local Communities	2.4, 3.4, 3.6, 6.2.3, 6.2.5	50, 65, 69, 101, 102
Energy and resource management	●	●								○		Environmental: Materials, Energy, Water	3.2, 6.2.2	53, 99
Response to climate change	●	●								○		Environmental: Materials, Energy, Water, Emissions	1.3, 2.2.3, 3.2, 3.3, 3.5, 6.2.2	24, 44, 53, 63, 69, 99
Crisis management and disaster prevention	●	●		○	○	○		○				Social: Local Communities	3.6, 6.2.5	69, 102
International standards certification	●	●					○				○	Environmental: Materials, Energy, Water, Effluents and Waste	2.2, 3.2, 3.3, 3.5, 6.2.2	42, 53, 63, 69, 99
Manufacturing process and product innovation	●	●					○				○	Environmental: Materials, Energy, Water, Emissions, Effluents and Waste	2.2, 3.5, 6.2	42, 69, 99
Supply chain sustainable development	●	●					○					Economic: Procurement Practices Environmental: Supplier Environmental Assessment Social: Supplier Social Assessment	2.4, 6.1.2	50, 98
Work environment and safety	●			○	○	○					○	Social: Occupational Health and Safety	4.5	82
Care, benefits and compensation for employees	●			○								Social: Labor/Management Relations	4.1, 4.2, 4.3	71, 74, 77
Career training and development	●			○								Social: Training and Education	4.4	78
Chemicals and toxic substances management	●			○			○					Social: Occupational Health and Safety	4.5	82
Contractor health and safety management	●	●					○					Social: Occupational Health and Safety	4.5.2, 6.1.2	86, 98
Well-established communication channel	●	●	●	○	○	○	○	○	○	○	○	General Disclosures: Stakeholder Engagement Management Approach	1.4.4	39
Customer safety		●					○					Social: Customer Health and Safety	6.2.4	101
Sustainable architecture		●									○	Environmental: Energy, Water	6.1.1, 6.2	97, 99
Ecological conservation		●						○			○	Environmental: Biodiversity	6.2.1	99



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1.4.3 Stakeholder Engagement

To strengthen its connection with stakeholders, FENC continues to implement various communications and engagements in the hopes that the company will develop in accordance with stakeholder expectations. Through communication with CSR Committee members and all stakeholders in 2017, FENC collected issues concerned by stakeholders. After analysis, FENC found out that stakeholders were concerned about a wider scope of issues compared to 2016, which showed that they had higher expectations for the company and FENC proactively responded to stakeholders. Means of communication included:



Stakeholders	Topics Concerned	Communication Channels	Communication Frequency / Outcomes in 2017
<p>Employees / Labor Unions</p>	<ul style="list-style-type: none"> • Regulatory compliance NEW • Chemicals and toxic substances management NEW • Well-established communication channel NEW • Operational performance • Crisis management and disaster prevention • Work environment and safety • Care, benefits and compensation for employees • Career training and development 	<ul style="list-style-type: none"> • Various work meetings (factory affairs, SHE, production, sales, etc.) • Various employee welfare meetings (accommodation, meals, wages, benefits, employee representatives meeting, etc.) • Labor union meeting • Annual performance evaluation • Employee satisfaction survey • Propaganda activities on safety and training • Cultural activities for employees • Email for SHE issues • Email for grievances 	<ul style="list-style-type: none"> • All regular meetings are weekly, monthly, quarterly or annually • Union meetings, employee satisfaction survey and employee training take place many times per year • Cultural and recreational activities are held on an ad hoc basis. • Workplace safety/environmental protection/fire prevention trainings, including production safety, annual repairs safety, fire drills and health related issues, are held at least once a month • Dozens of labor-management meetings were held by the Human Resources Department and units at the headquarters and factories in response to amendments of Labor Standards Act to ensure opportunities for employees to express their opinions and gain positive feedback.
<p>Government</p>	<ul style="list-style-type: none"> • Corporate governance NEW • Operational strategies and future development NEW • Well-established communication channel NEW • Risk management • Regulatory compliance • Environmental pollution management • Crisis management and disaster prevention • Work environment and safety 	<ul style="list-style-type: none"> • Business related meetings (reviews, seminars, forums, etc.) • Community security meeting • Meetings by various levels of local governments or communities • Visit by the government officials • Joint fire drill • Official audit regulations • Park visits/inspections 	<ul style="list-style-type: none"> • Community security meeting held every month • Ad hoc meetings on various subjects held multiple times a year • Ad hoc Visits to government representatives • Ad hoc audits by government • Fire drill with Suzhou Wuzhong District Fire Department Qiaozhong Squad many times a year, involving over 1000 people • Participating in various seminars on regulations and tax related issues held by the government and visiting or inquiring related government agencies regarding concerned issues to find out the government's policy guidelines • Ad hoc visits to embassies and TAITRA to gain first-hand local business information and political and economic risks. Visited 7 American countries in 2017
<p>Partners</p>	<ul style="list-style-type: none"> • Operational strategies and future development NEW • Crisis management and disaster prevention NEW • Well-established communication channel NEW • Risk management • Supply chain sustainable development • Work environment and safety • Contractor health and safety management 	<ul style="list-style-type: none"> • Contractor management meetings • Transporter safety and quality review meetings • Negotiating organization communication and announcement meetings • Annual price negotiations • Annual supplier/contractor meetings • Supplier evaluation • Visit suppliers and visits by suppliers • Supplier/contractor safety training • Review on partners • Phone calls and emails 	<ul style="list-style-type: none"> • Transporters safety and quality examination meetings once a month • Negotiating organization communication and announcement meeting once a month • Supplier evaluation once a year • Ad hoc visits of suppliers and visits by suppliers • Supplier and contractor training multiple times a year • Ad hoc evaluation • Ad hoc communication by phone and mails



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Stakeholders	Topics Concerned	Communication Channels	Communication Frequency / Outcomes in 2017
<p>Customers</p>	<ul style="list-style-type: none"> • Sustainable strategies and governance NEW • Chemicals and toxic substances management NEW • Customer safety NEW • Risk management • Regulatory compliance • International standards certification • Manufacturing process and product innovation • Well-established communication channel 	<ul style="list-style-type: none"> • Meetings (production management, sustainable development management, risk management, chemicals and toxic substances and management, etc.) • Customer visits / sales interviews • Customers' onsite evaluation • Questionnaires and satisfaction survey • Phone calls and emails 	<ul style="list-style-type: none"> • Regular meetings on various topics are held weekly, monthly, quarterly or yearly • Customers' onsite evaluation many times per year • Questionnaire surveys many times a year • Customer satisfaction survey once a year • Nonscheduled communications by phone calls or emails • Cooperation with 6 credit investigators to complete 112 credit reports and credit ratings
<p>Local Residents</p>	<ul style="list-style-type: none"> • Ecological conservation NEW • Environmental pollution management • Crisis management and disaster prevention • Well-established communication channel • Pursuing prosperity together with the communities • Advancing public interest 	<ul style="list-style-type: none"> • Organize activities for local communities • Pay visits to neighboring residents • Attend community meetings • Hold meetings for communication • Crisis reporting training 	<ul style="list-style-type: none"> • Mailbox for grievances at manufacturing plants • 24 hour hotline at Tpark • Open Day at Factories • A visit to orphanages and elders houses once a quarter • Beautification of surrounding neighborhoods throughout the month • Community activities and blood donations many multiple times a year • Crisis reporting training and seminars many times a year • Visiting neighboring residents and attending community meetings on an ad hoc basis • Inviting borough chiefs and residents near Tpark to attend opening ceremony of North Park
<p>Shareholders / Investors / Financial Institutions</p>	<ul style="list-style-type: none"> • Regulatory compliance NEW • Well-established communication channel NEW • Corporate governance • Risk management • Sustainable strategies and governance • Operational strategies and future development • Operational performance 	<ul style="list-style-type: none"> • Board meetings • Shareholders meeting • Official website • Email of IR Department • Investors' visits • Attend the forums and seminars held by brokerage firms • Financial Institutions 	<ul style="list-style-type: none"> • Board meetings 4 times a year • Shareholders' meeting once a year • Financial statement published quarterly • Visits by investors many times a year • Invited to the investment forums held by brokerage firms many times a year (5 times in 2017) • Communicate with financial institutions on issues of foreign exchange and transaction, credit, issuance of securities, credit rating and capital movement, numerous times throughout a year
<p>NGOs</p>	<ul style="list-style-type: none"> • Sustainable strategies and governance NEW • Environmental pollution management NEW • Response to climate change NEW • Well-established communication channel NEW • Sustainable architecture NEW • Ecological conservation NEW • Risk management • Energy and resource management • Advancing public interest 	<ul style="list-style-type: none"> • Seminars and meetings for exchanges • Environmental management information on our website • Offer ecological education at Tpark 	<ul style="list-style-type: none"> • Nonscheduled local seminars • Update information of environmental management on official website each year • Far Eastern Dyeing & Finishing (Suzhou) released company information on environmental management via IPE (Institute of Public Environment)
<p>Industry Associations</p>	<ul style="list-style-type: none"> • Operational strategies and future development NEW • International standards certification NEW • Manufacturing process and product innovation NEW • Well-established communication channel NEW • Work environment and safety 	<ul style="list-style-type: none"> • Periodic industry meeting • Participation in industry meeting and seminars • Members meeting of industry associations 	<ul style="list-style-type: none"> • Industry meeting once a month • Forums and seminars by industry associations on an irregular basis • Each member meeting once a year • Published two theses at China PTA Association



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CSC Mid- and Top Management Visited FENC and Exchanged Views on Development and Management

Mid- and top management teams from China Steel Corporation (CSC) visited FENC on July 20, 2017, where President Humphrey Cheng of the Corporate Management gave a talk titled "The Growing Journey of the Far Eastern Group and FENC" and exchanged with the guests FENC's transition to diversify its businesses and sustainable development.

FENC was founded over six decades ago and first started as a textile manufacturer. Upholding its entrepreneurial spirit, FENC gradually expanded to upstream and midstream industries and invested in other sectors as well, becoming the model company of diversified businesses in Taiwan. CSC is the world's 19th largest steel company and continues to pursue breakthrough and innovation. Facing the common issues of transitioning, such as balance between core business and other investments and how to enable employees to get out of working habits, CSC exchanged with FENC on such issues, where President Cheng expressed that the key for the success of investments laid in the idea that employees embrace fulling innovative thinking.

Both companies are leaders in the manufacturing industry and have both garnered recognition both domestically and internationally for their performances in CSR. Both parties shared views on corporate governance, management and operational issues. The discussion was vibrant and productive.

FENC Invited Students of Oriental Institute of Technology and Chinese Culture University to Visit TITAS

TITAS Taipei 2017 was held at Taipei Nangang Exhibition Center. To introduce to students the environmental and ecological concepts of circular economy and enable them to further understand FENC, the Company invited approximately 150 students of Department of Materials and Textiles, Oriental Institute of Technology and Department of Textile Engineering, Chinese Culture University, to visit FENC's booth at the show on October 18. Students were given a chance to see the transition and technological innovation of the textile industry. The introduction of various exhibits and related production processes helped students gain further understanding about circular economy, thereby raising their awareness about environmental sustainability.

Students of East China University of Science and Technology Visited Factories of Oriental Petrochemical (Shanghai)

Oriental Petrochemical (Shanghai) invited 100 third-year students of the Resources and Environmental Engineering College of East China University of Science and Technology on January 16, 2017, to visit the factory. Through introducing waste water processing plant and reuse of reclaimed water, students gained knowledge on waste water processing and application of related technology in industries.

East China University of Science and Technology is among the top ten university in Shanghai. Oriental Petrochemical (Shanghai) has sound waste water processing facilities and is well-known in Shanghai; since 2015, the company has organized factory visits regularly. In the future, the company will establish cooperation programs, sign internship agreements, offer holiday internship and topical studies.

EPA Director-General Visited FENC PET Bottle Recycling Plant

FENC is the world leader in recycling PET and processes the bottles through its subsidiary, Oriental Resources Development, which is Taiwan's largest PET bottle processing facility and has been included by EPA as the key site of circular economy to visit.

On June 6, 2017, EPA Director-General Lee Ying-yuan accompanied Taoyuan City Department of Environmental Protection and Foundation of Taiwan Industry Service on a visit to Oriental Resources Development. President Cheng of FENC accompanied the guests to visit the on-site processing procedures and introduced the process of recycling and reproduction, related applications and environmental benefits; President Cheng also explained the Company's strategic planning and roadmap, as well as future development directions, gaining the recognition of the EPA. Through close communication with government agencies, FENC has joined forces with the government in promoting circular economy.



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A Seminar Held for Investors at Taipei Innovative Textile Application Show



In response to investors' interest in FENC's strategy, FENC held the Education Edge Seminar on October 16, 2017, during TITAS, inviting the management team to directly communicate with investors FENC's long-term strategy and share R&D energy and achievements on one hand and showcasing new textile products on the other, allowing investors to gain physical experience through seeing and touching. Interaction between the management team with investors not only boosted their confidence in FENC, but also enhanced the company's transparency, while promoting FENC's image as an innovative and green Company.

Traditional investor conference or shareholder conference focus on analysis of financial statements; despite their interest in the company's new products and strategy, investors do not have sufficient time to ask questions. Since 2016, FENC has been organizing investors' seminars at TITAS, where the management team share with investors their comprehensive strategic thinking. After the seminar, investors are led to visit FENC's booth at TITAS, where they will be introduced to new functional products. Investors can use this opportunity to provide the management team feedback on products or the company at the seminar, facilitating mutual understanding between the management team and investors.

Participation in External Organizations

FENC actively participates in various external organizations to learn the latest trends and knowledge to maintain its leading position. In 2017, FENC participated in 67 external organizations, involving in governance, participating in projects or serving on committee, providing large subsidies or gaining major strategic assistance through participation. The external organizations FENC participated in 2017 are listed below:

Type	Taiwan	China, Vietnam and Others	
Industry Associations	<ul style="list-style-type: none"> • Taiwan Textile Federation • Taiwan Packaging Association • Petrochemical Industry Association of Taiwan • Taiwan Biomass Industry Association • Taiwan Knitting Industry Association • Taiwan Man-Made Fiber Industries Association • Taiwan Nonwoven Fabrics Industry Association • Taiwan Spinner's Association • Taiwan Textile Printing Dyeing & Fining Industry Association 	<ul style="list-style-type: none"> • Taiwan Silk & Filament Weaving Industrial Association • Taiwan Synthetic Resin & Adhesives Industrial Association • Taiwan Technical Textiles Association • Guanyin Industrial Park Association for Safety & Health • Guanyin Industrial Park Manufacturers Association • The Real Estate Development Union of New Taipei City • Hsin-Chu Industrial Society • Northern Taiwan Association for Promotion of TOSHMS, Occupational Safety and Health Administration, Ministry of Labor 	<ul style="list-style-type: none"> • China PTA Association • China Chemical Fibers Association • China Chemical Fibers Association • China Nonwoven and Industrial Textiles Association • China Cotton Textile Association • China Rubber Industry Association Reinforcement Materials Committee • Jiangsu Textile Association • Better Cotton Initiative (BCI) (Switzerland) • International Cotton Association (ICA) (UK) • Supima Cotton Association (USA) • Wuxi Textile Industry Association
R&D Association and Society	<ul style="list-style-type: none"> • Materials Research Society Taiwan, Industrial Technology Research Institute • Association of Bio-based Material Industry, Industrial Technology Research Institute • The Polymer Society, Taipei • Taiwan Institute of Chemical Engineers • Taiwan Supercritical Fluid Association 	<ul style="list-style-type: none"> • Cradle to Cradle Taiwan • The Industrial Liaison Program of VBIE, National Chiao Tung University • Fabric Coating Research Center, National Taipei University of Technology • Catalysis and Reaction Engineering Alliance 	<ul style="list-style-type: none"> • Environmental Science Association of Fengxien District, Shanghai • Natural Resources Defense Council (NGO)—Clean by Design • Technical Industrial Textiles Council, Donghua University • Wuxi Association of Energy Conservation and Resource Comprehensive Utilization • Suzhou Energy Conservation and Emission Reduction Association • Suzhou Society For Environmental Sciences
Other Associations	<ul style="list-style-type: none"> • Chinese National Association of Industry and Commerce, Taiwan • Industrial Safety and Health Association (ISHA) of the R.O.C • The Institute of Internal Auditors, R.O.C • Taiwan Stock Affairs Association • Taiwan Responsible Care Association 	<ul style="list-style-type: none"> • CNS Certification Mark Association, R.O.C. • Chinese Arbitration Association Taipei • China Safety & Health Management • Taiwan Arboriculture Society • Taiwan Association of Occupational Health Nurses • Hsinchu County Nurses Association 	<ul style="list-style-type: none"> • Shanghai Association of Foreign Investment • Shanghai Association of Taiwan • Council of Shanghai City Work Safety • Shanghai Enterprise Confederation • Fengxian Production Safety Association • Fengxian Safety Protection Association • Shanghai FengXian Quality Association • Fengxian Fire Protection Association • Taiwanese Businessmen Association (Vietnam) • Vietnam Singapore Industrial Park Fire Protection Mutual Aid Committee (Vietnam) • Wuxi Taiwanese Businessmen Association • Wuxi New Area Taiwanese Businessmen Association • Suzhou Association of Work Safety



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1.4.4 Grievance Procedures

At FENC, various channels are available for stakeholders to file a grievance about various impacts created by the company or mistakes made. Independent investigation mechanisms have been in place for us to look into the problems and report the outcome to the higher level.



Contact List of FENC Stakeholders

<p>Environment</p>	<p>Corresponding Material Topics: Response to climate change, Energy and resource management, Environmental pollution management, Chemicals and toxic substances management, Manufacturing process and product innovation, International standards certification, Ecological conservation, Sustainable architecture, Regulatory compliance, Well-established communication channel</p>	<p>Channel:</p> <ul style="list-style-type: none"> • The SHE department of each production site • The security service of each production site • The department of each production site that takes care of grievances about environmental impact 	<p>Procedure: Upon receiving a grievance, the points of contact will notify the units concerned of the issue, report the issue to the management of the Company and update the person who filed the grievance on our follow-up actions.</p> <p>Outcomes: A total of 4 grievances received in 2017. Hsinpu Chemical Fiber Plant received 3 grievances from nearby residents, including 2 regarding noises and 1 regarding odor. The noises were due to demolition of plant building and the noise of air compressors in the waste water processing plant. After adjusting procedures of the demolition of building (by using crane to lower objects to the ground), the noise of demolition had been improved. The noise generated by the air compressors, though within legal limits, but FENC actively made improvement and communicated with residents and had professional vendors to make adjustments. The odor was generated by leakage of heat transfer oil pipelines due to erosion. Though in compliance with related laws and regulations, the company still actively made improvements to prevent recurrence. All three grievances were dealt with after improvements and communication with residents. Another grievance was regarding the noise of oxidation reactor at Oriental Petrochemical (Taiwan). The production unit conducted tests and measured the highest noise level at 75 decibels, which was lower than the standard of 80 decibel; however, the company still shut down the reactor for repair to prevent inconvenience of the residents. The number of grievances has gradually decreased since 2015 (14 cases), reflecting the effect of FENC's awareness and handling of environmental impacts.</p>
<p>Regulatory Compliance and Anti-corruption</p>	<p>Corresponding Material Topics: Operational strategies and future development, Operational performance, Sustainable strategies and governance, Risk management, Corporate governance, Regulatory compliance, Well-established communication channel</p>	<p>Channel:</p> <ul style="list-style-type: none"> • Email of the Audit Committee: auditcommittee@fenc.com • Email of the Audit Department: feaudit@fenc.com • Email of the Regulatory Compliance: legalcompliance@fenc.com 	<p>Procedure: The person accused will be asked to stop the accused behavior and be subjected to appropriate action after the Audit Department receives a grievance. The investigation, outcome and the procedure will be communicated by documents or email and will be kept for 5 years. If the accused matter is found to be true, internal controls and management will seek improvement to prevent recurrence of the same mistakes.</p> <p>Outcomes: No grievances on non-compliance or anti-corruption were received in 2017.</p>
<p>Labor and Human Rights</p>	<p>Corresponding Material Topics: Care, benefits and compensation for employees, Career training and development, Supply chain sustainable development, Work environment and safety, Contractor health and safety management, Chemicals and toxic substances management, Crisis management and disaster prevention, Customer safety, Regulatory compliance, Well-established communication channel</p>	<p>Channel:</p> <ul style="list-style-type: none"> • Employee opinion mailbox • Emails (the President's email, the department email, etc.) • Confidential hotline • Employee representatives meeting • Oral grievance • Written grievance 	<p>Procedure: We investigate each complaint and escalate the issue to the higher levels and update the person who filed the grievance on our follow-up actions. The grievances and the investigation records are properly kept in the Company.</p> <p>Outcomes: There were no grievances regarding labor and human rights in 2017.</p>