



Inventing New Century

Striving for Sustainability

2017 Corporate Social Responsibility Report



Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

 Establishing Strong Governance

 Creating Diversified Values

 Nourishing Sustainable Environment

 Creating Employee Passion


 Building Altruistic Society


 Starting Futuristic Parks

 Appendix


We suggest you proceed to the chapters that are most relevant to you.


• If you are an employee or a labor union, please begin with


 Creating Employee Passion

 Establishing Strong Governance

• If you are with a government, please begin with


 Establishing Strong Governance


 Nourishing Sustainable Environment

 Creating Employee Passion

 Starting Futuristic Parks


• If you are a shareholder or an investor or a financial institution, please begin with

 Establishing Strong Governance


 Creating Diversified Values


• If you are a customer or a partner or an industry association, please begin with


 Creating Diversified Values

 Establishing Strong Governance


• If you are local residents, please begin with


 Nourishing Sustainable Environment


 Building Altruistic Society


 Starting Futuristic Parks

• If you are NGOs, please begin with

 Building Altruistic Society

 Nourishing Sustainable Environment

 Establishing Strong Governance

 Starting Futuristic Parks

Content

| | |
|--------------------------------|----|
| About This Report | 2 |
| Chairman's Message | 4 |
| Performance Highlights in 2017 | 5 |
| Sustainable Development | 8 |
| Sustainable Goals | 10 |

Establishing Strong Governance 13

| | |
|--|----|
| 1.1 FENC's Profile | 14 |
| 1.2 Corporate Governance and Sustainable Development | 18 |
| 1.3 Risk Management | 24 |
| 1.4 Stakeholders and Material Topics | 31 |

Creating Diversified Values 40

| | |
|--------------------------------------|----|
| 2.1 Innovation Capacity | 41 |
| 2.2 Innovative Products | 42 |
| 2.3 Customer Relationship Management | 49 |
| 2.4 Supply Chain Sustainability | 50 |

Nourishing Sustainable Environment 52

| | |
|--|----|
| 3.1 Overview of Environmental Data | 53 |
| 3.2 Energy and Resources Management | 53 |
| 3.3 GHG Management | 63 |
| 3.4 Pollution Prevention and Waste Management | 65 |
| 3.5 Green Production Process | 69 |
| 3.6 Neighboring Community Communication and Response | 69 |

Creating Employee Passion 70

| | |
|--|----|
| 4.1 Employment | 71 |
| 4.2 Care for Employees | 74 |
| 4.3 Communication Between Labor and Management | 77 |
| 4.4 Career Development | 78 |
| 4.5 Occupational Safety and Health Management | 82 |

Building Altruistic Society 88

| | |
|--|----|
| 5.1 Social Engagement by All Operational Sites | 89 |
| 5.2 Social Engagement by Corporate Foundations | 91 |

Starting Futuristic Parks 96

| | |
|--|----|
| 6.1 About Far Eastern Resources Development Co., Ltd. | 97 |
| 6.2 Ecological Conservation and Environmental Friendliness | 99 |

Appendix 104

| | |
|--|-----|
| 7.1 Assurance Statement | 104 |
| 7.2 Corresponding to Sustainable Guidance | 105 |
| 7.3 GRI Standards Index | 105 |
| 7.4 Response to Sustainable Development Goals, Guidance and Principles | 110 |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
 - Appendix

About This Report

This report is the Corporate Social Responsibility Report published by Far Eastern New Century Corporation, hereinafter referred to as "FENC" or "the Company", which describes FENC's CSR implementation and performance from January 1 to December 31 in 2017. In the future, the CSR report will continue to be released as an annual publication.

The Topic's Significance to FENC

The core values that guide FENC's management and operations are sincerity, diligence, thrift, prudence and innovation. Among these five values, innovation is the cornerstone of our corporate sustainability. Therefore, we have used "Inventing New Century" as the title for our CSR report for years. This year, "Striving for Sustainability" is added as the subtitle to emphasize our resolve to fulfill social responsibilities for the long term by pushing the envelope and pursuing constant innovation.

Reporting Guidelines

This report was prepared in accordance with AA1000 standards and the comprehensive option of the Global Reporting Initiative (GRI) Standards and was assured by a third party at a Type 1, Moderate Level of scrutiny. (Please refer to [Chapter 7.1 Assurance Statement](#).) Data of our financial performance herein have been audited and validated by Deloitte & Touche. In compliance with the GRI requirements, we have identified the material aspects that reflect the Company's significant economic, environmental and social impacts and disclosed our management policies and implementation results. Unless otherwise specified, all amounts in this report are denominated in New Taiwan Dollars.

Publication Information

First issue date: July 2013
Last issue date: June 2017
Current issue date: June 2018
Next issue date: June 2019

Suggestions to Our Readers

In this report, Creating Diversified Values, Nourishing Sustainable Environment and Creating Employee Passion are chapters related to our Production Business. Starting Futuristic Parks describes the development of our Land Development Business. Other chapters cover both businesses.

The Company prepared this report in a detailed and thoughtful manner. In order to improve data quality, we have improved our scope and process of data collection. There are some discrepancies in historical data between this year's and last year's reports for the reasons below.

- In the Chapter of Nourishing Sustainable Environment:
 - Updating historical data and reference coefficient:
 - The data of GHG emissions in 2016 have been updated as data after external verification.
 - The conversion coefficient has been updated to the latest version.
 - The method to calculate the production output of Kuanyin Dyeing and Finishing Plant and Far Eastern Dyeing & Finishing (Suzhou) Ltd. has been updated.
 - The estimate value has been changed to actual value.
 - Expanding the scope of statistics: Far Eastern Fibertech Co. added air pollution category into statistics and extrapolated historical data.
 - Correcting the error from the previous version
- In the chapter of Creating Employee Passion, the wrong number of average training hours has been corrected.

Contact Information

Mr. Allen Sha or Ms. Julia Chao
Corporate Staff Office
Far Eastern New Century Corporation
E-mail: csr@fenc.com
Tel: +886-2-2733-8000 Ext. 8417, 8419
Address: 36th Floor, Taipei Metro Tower, 207 Tun Hwa South Road, Sec. 2,
Taipei, Taiwan, R.O.C
Website: <http://csr.fenc.com/?lang=en>



FENC CSR Website

Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

Establishing Strong Governance

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix

Scope and Boundaries

FENC is an industrial holding company spanning various sectors. In addition to our Production Business (Petrochemical, Polyester and Textile Business), the Company has engaged in land and property development and invested in a wide array of businesses. Accounted for over 90% of our consolidated revenue in 2017, our businesses' scope of disclosure is described below.

- Production Business: Given the materiality principle, we have only covered the subsidiaries of the Production Business with an annual turnover of above \$2 billion. (See note)
- Land Development: As FENC's subsidiary company, Far Eastern Resources Development Co., Ltd. develops and manages the Company's real estate for investment purposes.
- Investment: The companies that FENC has invested in are primarily listed companies of Far Eastern Group (FEG) that publish their respective reports. For more information, please refer to their CSR websites.

Note:

1. To ensure consistency in our reporting, a subsidiary once included will always remain in our CSR report, even if its annual turnover drops below NT\$2 billion.
2. Explanations will be provided if there is any deviation from the aforementioned scope and boundaries.

Operational Sites Covered in 2017 FENC's CSR Report

Far Eastern New Century Corporation

- Headquarters
- Far Eastern Group R&D Center
- Hsinpu Chemical Fiber Plant
- Kuanyin Chemical Fiber Plant
- Kuanyin Dyeing and Finishing Plant
- Neili Texturizing Plant
- Hukou Mill

Oriental Petrochemical (Taiwan) Co., Ltd.

Far Eastern Industries (Wuxi) Ltd.

Far Eastern Fibertech Co., Ltd.

Far Eastern Dyeing & Finishing (Suzhou) Ltd.

Oriental Petrochemical (Shanghai) Corp.

Far Eastern Apparel (Suzhou) Co., Ltd.

Far Eastern Industries (Shanghai) Ltd.

Far Eastern Apparel (Vietnam) Ltd.

Wuhan Far Eastern New Material Ltd.

Far Eastern Resources Development Co., Ltd.

Oriental Industries (Suzhou) Ltd.

Far Eastern Memorial Foundation

Far Eastern Industries (Suzhou) Ltd.

Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation

CSR Websites of the Companies Under Far Eastern Group



Note:

1. The companies are listed in a chronological order of their establishment.
2. The link to each company's CSR website may change. Please use the link provided by the company's official website.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
- Appendix

Chairman's Message



In 2017, the global economy was on the track of gradual recovery. However, political, environmental and social risks and crises continued to impact many corporations' operations. Since its establishment 70 years ago, FENC has continued to innovate, transform and adjust its pace and trajectory of development in response to the change in business climate.

Despite all the changes, the Company has remained steadfast in its commitment to fulfilling social responsibility. Since 2013, we have developed our Corporate Social Responsibility Report entitled "Inventing New Century" every year, incorporating the concept of innovation as the cornerstone for sustainable development. This year, we added "Striving for Sustainability" as the report's subtitle, suggesting corporate sustainability requires constant improvement until perfection.

In order to align our sustainability goals with the aims of Company's operations, in 2017, we drew up the "Sustainability Strategy Blueprint" and set the following four aims, directing the Company toward sustainable development. The blueprint corresponds to 14 of the UN Sustainable Development Goals (SDGs), displaying our commitment to the SDGs.

- Fostering unlimited innovation
- Enabling inclusive society
- Navigating a green future
- Constructing sound governance

The Sustainability Strategy Blueprint was drawn up by the CSR Committee. From the perspective of their duties, the committee members from different units and operational sites developed a number of targets for sustainable development. With the support and resources from the senior management, the committee is able to reinforce the Company's commitment to sustainability and formulate forward-looking strategies based on our core business. In the future, we will examine the action plans and progress against our targets periodically and use roll-wave planning to lead the Company as a whole toward our goals.

As the leader in the green polyester industry, FENC has continued to invest in resources to research and develop visionary and sustainable green products and to provide green solutions for recycling and reducing the consumption of energy and resources. In 2016, our innovative endeavor to produce eco-friendly yarn from ocean plastic waste garnered local and global media's attention, heightening public awareness of marine conservation. In 2017, we led the field in introducing various PFC-free products with the aim of pursuing environmental sustainability while improving quality of life.

In 2018, soccer jerseys that use our eco-friendly fabrics made their fourth appearance in the FIFA World Cup. In addition to using recycled PET bottles as materials, we introduced the latest eco-friendly, toxin-free and anti-fouling functions together with using eco-friendly auxiliaries in energy and water-saving process to produce state-of-the-art green products that polish Taiwan's green image.

In addition, we promoted green finance by issuing Taiwan's first green bond which has been certified by a third party and the funds will be used in four green projects, namely, rPET, new batch polymer, waterless dyeing machines and green buildings. The investment totals NT\$3 billion, covering the production businesses' materials, manufacturing process and equipment and the land development business' Tpark. Before issuing the bond, the investment plan and the application of funds have been certified by a third party. We aspire to adopt measures to conserve energy and cut carbon emissions as well as minimize energy consumption to mitigate the global impact of climate change.

In order to expand our influence, the Company not only expects itself to pursue excellence, but also seeks improvement with our supply chain partners. We have developed regulations to ensure the practice of our upstream suppliers is compliant in terms of laborers' human rights, environment and ethics, while developing sustainable products and creating green opportunities throughout the industrial chain. In addition, we have been active in engaging internal and external stakeholders and participating in various activities to exchange views and perspectives with the aim of enhancing our sustainability.

In 2017, FENC received widespread recognition at home and abroad for its outstanding economic, environmental and social performance. The Company was regarded by Forbes as one of the Top 500 Best Employers and incorporated as a constituent of the MSCI ESG Leaders Indexes (MSCI ESG Rating - Industrial Conglomerates: A) and FTSE4Good Emerging Index. We also ranked among the top 5% listed companies in the TWSE Corporate Governance Evaluation and won Best Report of the Year and other five awards in the 2017 Taiwan Corporate Sustainability Awards, best record that we have ever had.

At this critical juncture, FENC expects itself to become an exemplary sustainable business, leading Taiwan to set new standards for economic growth, environmental sustainability and social inclusion. By innovation, transformation and reconstruction, we will be able to achieve impressive growth in the future.

Far Eastern New Century Corporation Chairman

Douglas Tong Hsu 徐旭東

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
- Appendix



The convener of FENC's CSR committee, President of Corporate Management Humphrey Cheng supervises the committee's operations, formulates the CSR strategies based on the visions and guidelines decided by the Board, implements CSR projects and reports to the Board. Over the past year, as President Cheng indicates, the Company completed many projects and achieved various milestones in terms of governance, environment and society. The followings are the main performance highlights:

Governance

- p.24
p.48
p.61

FENC received a number of **2017 Taiwan Corporate Sustainability Awards**:

 - Best Report of the Year
 - TOP 50 Sustainable Corporates Award
 - Social Inclusion Award
 - Circular Economy Leadership Award
 - Sustainable Water Management Award
 - Growth through Innovation Award
- p.24

FENC was incorporated as a constituent of the following **indexes**:

 - MSCI ESG Leaders Indexes (MSCI ESG Rating - Industrial Conglomerates: A)
 - FTSE4Good Emerging Index
 - FTSE4Good TIP Taiwan ESG Index
 - TWSE Corporate Governance 100 Index
- p.24

FENC was placed on **CDP** Climate Change **Management level**.
- p.24

FENC received from **Global Views Monthly** the Corporate Social Responsibility Award – **Excellent at Manufacturing Industry**.
- p.21

The operation of the **CSR Committee**, comprising **154 members**, is governed by **3 dedicated officers** under the supervision of the Board.
- p.3

The report discloses the performance of **21 operational sites**, accounting for over **90%** of our consolidated revenue.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
- Appendix

Governance

Environmental

- p.18** We ranked among the top **5%** in the **TWSE Corporate Governance Evaluation**.
- p.31** We were the first corporation in Taiwan to issue the **green bond**, targeted at green projects, certified by a third party.
- p.25** The structure of the **risk alert system** and risk items were **optimized**.
- p.30** Hsinpu Chemical Fiber Plant established the **Climate Change Risk Countermeasure**.
- p.42** We have signed a MOU with the U.S. outdoor sport brand **L. L. Bean** and the Swiss professional medical brand **Valmed** for collaboration in the application of **DynaFeed®**.
- p.41** The **sales of our new products** increased **100%** to **NT\$3.4 billion**.
- p.41** In 2017, our **R&D budget grew** for the **5th** consecutive year and reached **NT\$862 million**.
- p.23** We participated **SROI forums** twice, showcasing the results of our project and raising public awareness.

- p.8**
p.21 We developed the **Sustainability Strategy Blueprint**.
- p.21** We held the workshop on **CSR Latest Trends Analyses and Sustainability Strategy Blueprint** for **5** times with a total attendance of **165**.
- p.47** The sales of our **green products** amounted to **NT\$23.43 billion**, accounting for **26%** of our revenue from Production Business.
- p.46** In 2017, we recycled over **1,000 metric tons** of **ocean plastic wastes** and in 2018, we expect to recycle 1,600 metric tons.
- p.44** FENC was the first in the industry to launch a series of **PFC-free solutions**.
- p.57** We implemented **101 energy conservation and carbon reduction projects**, with avoided GHG emissions accounting for **8%** of the total.
- p.63** All production sites in the reporting scope completed **GHG external verification**.
- p.64** We promoted **GHG scope 3 inventory**—employees' air travel as well as waste disposal and transportation.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
- Appendix

Social

p.60
p.61 **Water Withdrawal ↓ 6%,
Recycled Water Volume ↑ 4%, Recycled Water Percentage 42%**

p.61 **Water Withdrawal: Water Recycled = 1 : 1.2**
(Textile Business)

p.60 In the **water-saving projects**, the water saved accounts for **13%** of the water withdrawal.

p.66 **Wastewater Discharge ↓ 11%**

p.99 We have obtained the **EEWH candidate mark** for the ongoing construction of TPKC/D at Tpark and will apply for the EEWH gold level upon completion of the buildings.

p.49
p.50 FENC received **H&M's** recognition as a **gold supplier**, **Nike's** recognition as a **silver supplier** and **Hasbro Excellence in Sustainability**.

p.51 Purchase from **local suppliers** accounts for **80%** of the total purchase.

p.101
p.102 We invested nearly **NT\$23 million** in building **smart surveillance management system** in the Northern Park at Tpark.

p.72 FENC was selected by **Forbes** as one of the **Top 500 Best Employers**.

p.79 We received the **silver medal** in **Human Resource Development Quality Evaluation** from Workforce Development Agency, Ministry of Labor.

p.74 The percentage of our **employees' salary** is higher than market average. **Taiwan > 43%, China > 9%, Vietnam > 69%**

p.78 Our employee **satisfaction survey** indicates that the overall satisfaction was **84%**, 7 percentage points up from the previous survey.

p.79 The number of **employee training hours increased** for the **6th** consecutive year. In 2017, the number our average training hours was **22 hours**.

p.79 FENC invested **NT\$15 million** to build a brand-new **human resources development center**.

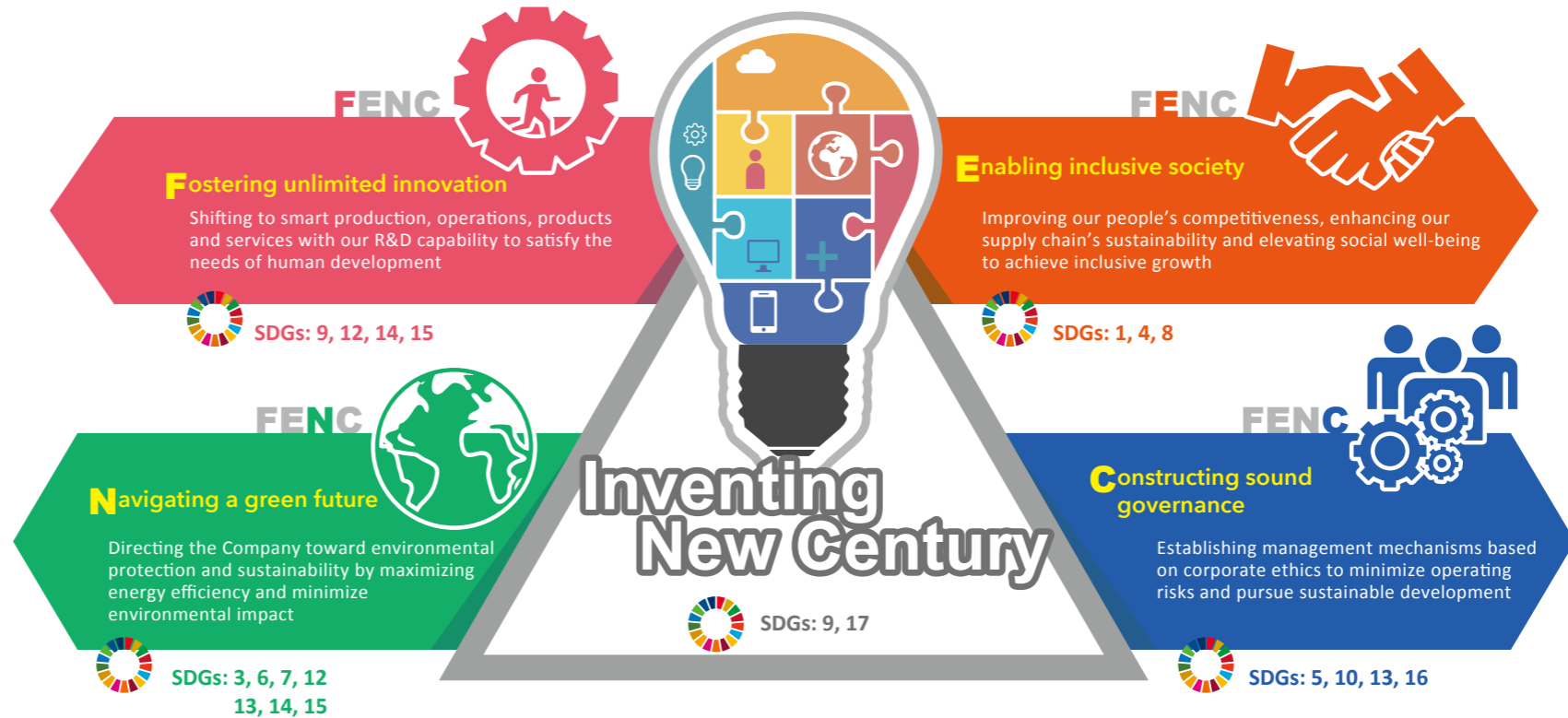
p.82 We arranged **60 Vietnamese employees** to do their internships in Taiwan for 6 months.

p.86 Far Eastern Apparel (Vietnam) received **Excellent Performance Award** from Fire Department of Bình Dương Province, Vietnam.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
- Appendix

Sustainable Development

Sustainability Strategy Blueprint



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development**
- Sustainable Goals
- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix

FENC CSR Projects Corresponding to SDGs

1 NO POVERTY

1. Collaborated with universities in a joint project to provide education and employment opportunities for impoverished students **P.72**
2. Organized charitable events to raise funds for the education of underprivileged students **P.90**
3. Ensured the salary levels in different areas were higher than the legally required minimum wage **P.73-74**

2 AFFORDABLE AND CLEAN ENERGY

1. Supported the use of renewable energy, built solar power system and purchased green power **P.64, P.65**
2. Built the solar power station's AI Solar management platform **P.64**
3. Organized events to facilitate the exchange of views on energy conservation across the strait **P.55**
4. Engaged in limited production during peak hours and demand bidding **P.30**

3 GOOD HEALTH AND WELL-BEING

1. Provided various health checkups and on-site health examination services at plant areas and built a health management platform **P.84-85**
2. Supported diverse club activities and welfare programs **P.75-76**
3. Sponsored sport events such as National Intercollegiate Athletic Games and the National Games to support athletic development **P.89**
4. Organized the FENC Classic Marathon to promote running **P.90**

4 QUALITY EDUCATION

1. Supported education institutions such as Yuan Ze University, Oriental Institute of Technology and Yu Chang Technical & Commercial Vocational Senior High School and provided various internship programs for students **P.91**
2. Offered complete online education, on-site education, training camps and the latest VR training **P.26, 79-82, 84**
3. Promoted resource cycle education and organize ecological and philanthropic trips **P.89, 90**
4. Held Taiwan Young Student Physicists' Tournament **P.95**

5 GENDER EQUALITY

1. Created a gender-friendly working environment **P.74-75**

6 CLEAN WATER AND SANITATION

1. Oriental Petrochemical (Shanghai) and Far Eastern Dyeing & Finishing (Suzhou) won awards for water conservation and technological improvement in water conservation **P.62**
2. Far Eastern Dyeing & Finishing (Suzhou) formulated a five-year plan for water and energy conservation **P.54**
3. At the Company, the percentage of the recycled water was 42% **P.61**

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

1. Employed more handicapped people than required
2. Ensured no child labor or forced labor **P.74**
3. Ensured gender equality and equal pay **P.73-74**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

1. Developed new green product to minimize environmental impact **P.44-48**
2. Tpark received the EEWH candidate certificate **P.99**

10 CLIMATE ACTION

1. Recycled 1,000 tons of ocean plastic waste and turned it into eco-friendly yarn **P.46**
2. Developed PFCs-free products to minimize impact to ocean ecology **P.44**

11 SUSTAINABLE CITIES AND COMMUNITIES

1. Built the North Park that meets the standards of LEED Campus Project **P.99**
2. Oriental Petrochemical (Taiwan) adopted the manufacturing process that saves energy and cut carbon emissions for its new lines **P.69**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

1. Issued the first green bond verified by a third party in Taiwan **P.31**
2. Selected eco-friendly washing auxiliary and dyeing auxiliary suppliers to minimize water pollution **P.51**
3. A lot of our products were recognized as green or sustainable products that can reduce the threat to the environment **P.47**

13 CLIMATE ACTION

1. Built the Climate Change Risk Countermeasure to respond to climate change and extreme weather conditions, thereby effectively minimizing the losses incurred by natural disasters **P.30**
2. Built a logistics center in northeastern China to respond to the risks of halting port operations due to climate change **P.30**
3. Hukou Mill was praised an outstanding manufacturer that voluntarily reduces GHGs **P.62**

14 LIFE BELOW WATER

1. Tpark promoted biodiversity **P.99**

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS








1. Formulated "Best Practice Principles of Ethical Corporate Management" and "Code of Ethics" to highlight the importance of anti-corruption **P.20**
2. Provided online training through Far Eastern Academy to raise our people's awareness of regulatory compliance **P.26**
3. Provided various grievance procedures to safeguard our people's rights and interests **P.39**

17 PARTNERSHIPS FOR THE GOALS

1. Held CSR sustainability strategic blueprint workshop to jointly chart the course of the Company **P.21**
2. Attended the 2017 annual meeting of Textile Exchange to develop a sustainable future with other countries **P.23**
3. Assisted the Environmental Protection Administration and Haiti in understanding the PET recycling industry **P.23**





SUSTAINABLE DEVELOPMENT GOALS

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment
-  Creating Employee Passion
-  Building Altruistic Society
-  Starting Futuristic Parks
-  Appendix






Sustainable Goals

Goal Setting in 2018

| Aspect | Short-term Goals (1-2 years) | Mid-term and Long-term Goals (3 years or above) |
|--|--|---|
|  Fostering unlimited innovation | <ul style="list-style-type: none"> • Introduce industry 4.0 applications to production lines • Introduce the information remote backup project • Improve online energy data analysis system | <ul style="list-style-type: none"> • Increase the percentage of green products • Increase the percentage of rPET to 20% of total polyester output • Increase the sales of new products • Set capital expenditure for smart production projects at NT\$1 billion • Establish an exemplary smart factory |
|  Enabling inclusive society | <ul style="list-style-type: none"> • Promote New Century Executive Training Program • Promote internships and training programs as a joint effort between industry and academia • Promote various public interest advancement activities | <ul style="list-style-type: none"> • Optimize the supplier performance evaluation and audit system • Establish the corporate volunteer system • Ensure 100% of suppliers sign the CSR Commitment Statement |
|  Navigating a green future | <ul style="list-style-type: none"> • Set targets to reduce energy consumption • Set targets to reduce GHG emissions • Increase the percentage of recycled water • Save 1% of electricity annually at production sites in Taiwan • Promote energy conservation projects • Promote the third-party certification ISO 50001 • Purchase the Taiwan Renewable Energy Certificate at production sites in Taiwan • Promote the use of renewable energy • Invest in the second set of waterless dyeing equipment • Establish cogeneration plants | <ul style="list-style-type: none"> • Set capital expenditure for environmental protection projects at NT\$1 billion • Set capital expenditure for energy conservation projects at NT\$2 billion • Ensure the land development business's design and planning meet EEWB silver level standards |
|  Constructing sound governance | <ul style="list-style-type: none"> • Publish CSR reports annually to engage stakeholders • Conduct a survey periodically to collect view from stakeholders • Conduct damage prevention investigations at plant sites • Continue to ensure zero bad loans • Stay among the top 5% in the TWSE Corporate Governance | <ul style="list-style-type: none"> • Increase production capacity to maintain our leading position in the industry • Activate land resources |










- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix

Progress of Our Goals in 2017 ● Complete ○ Ongoing

| Aspect | Goal | Progress | Chapter |
|---|---|---|---|
|  Fostering unlimited innovation | Increase the percentage of green products | ○ In 2017, the sales of green products amounted to NT\$23.43 billion, accounting for 26% of our revenue from Production Business. |  Creating Diversified Values |
| | Increase the sales of new products | ○ In 2017, the sales of the new products developed Far Eastern Group R&D Center amounted to NT\$3.4 billion, 100% increase from 2016. | |
| | Increase rPET to 20% of total polyester output | ○ In 2017, rPET accounted for 10%, 4% up from 2016. We plan to establish new plants for rPET in Japan and South East Asia. | |
| | Introduce industry 4.0 applications to production lines | ○ Petrochemical, Polyester and Textile Businesses have been introducing industry 4.0 applications to production lines, such as smart equipment and process, smart production solutions, cloud platforms and big data systems, smart power management system, etc. | |
| | Expand the applications of e-platforms | ● In 2017, more functions and user groups were created. | |
|  Enabling inclusive society | Promote New Century Executive Training Program | ● The first New Century Executive Training Program was completed in 2016. In 2017, the program was organized for the second time with five sessions. In 2017, the Competency Program was organized with 19 sessions with a total attendance of 633. |  Creating Employee Passion |
| | Promote internships and training programs as a joint effort between industry and academia | ● In 2017, we provided practical training to 136 outstanding students at production sites in Taiwan and China. | |
| | Optimize employee satisfaction survey | ● In 2017, we collaborated with professors at Yuan Ze University to conduct the employee satisfaction survey. The overall satisfaction is 84%, 7 percentage points up from the last survey. | |
| | Launch the e-learning platform | ● The platform was activated in 2017. | |
| | Launch the online legal education system | ● In 2017, the tests on legal matters for the sales staff in Polyester and Textile Business, Corporate Management, Audit Department, Purchasing Department and R&D Center were completed. | |
| | Introduce Yuan Ze University Think Tank Program | ● A total of 112 professors have signed up for the program and worked on 46 research projects. | |
| | Promote various public interest advancement activities | ● In 2017, the amount we invested in social engagement reached NT\$80.4 million. | |
| Ensure 100% of suppliers sign the CSR Commitment Statement | ○ By the end of 2017, 1,225 suppliers signed the statement. |  Creating Diversified Values | |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals**
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix

Progress of Our Goals in 2017 ● Complete ○ Ongoing

| Aspect | Goal | Progress | Chapter |
|--|---|--|---|
|  <p>Navigating a green future</p> | Save 1% of electricity at production sites in Taiwan | ○ In 2015, the electricity conservation rate was 1.9%; in 2016, it was 2.3%; in 2017, it was 2.0%. |  Nourishing Sustainable Environment |
| | Set targets to reduce energy consumption | ○ At Taiwan's production bases, the target is saving 5% of electricity in 5 years. At Tpark, the target is saving 1% of electricity every year. Some of our overseas production sites have set targets to conserve energy. |  Nourishing Sustainable Environment  Starting Futuristic Parks |
| | Promote energy conservation projects | ● In 2017, we implemented 101 energy conservation and carbon reduction projects. |  Nourishing Sustainable Environment |
| | Purchase green power for the production sites in Taiwan | ● In 2017, we purchased 300,000 kwh of green power. | |
| | Promote periodic GHG emissions external verification comprehensively | ● Production sites within the reporting scope have all completed external verification. | |
| | Promote the use of renewable energy | ○ The plants in Taiwan purchase green power. One production site in Taiwan and one in China plan to build a solar station. Three production sites in China plan to invest in solar stations for the second round. | |
| | Set targets to reduce GHG emissions | ○ Some of our production sites have set targets to reduce GHG emissions. |  Starting Futuristic Parks |
| | Invest in the second set of waterless dyeing equipment | ○ We expect to run the machines for production in 2018. | |
| | Establish cogeneration plants | ○ We plan to establish a cogeneration plant at Hsinpu Chemical Fiber Plant, which is expected to begin operations in 2019. | |
| | Ensure the land development business's design and planning meet EEWB silver level standards | ● We have obtained the EEWB candidate mark for the ongoing construction of TPKC/D at Tpark and will apply for the EEWB gold level upon completion of the buildings | |
|  <p>Constructing sound governance</p> | Publish the CSR report annually to engage stakeholders | ● In June 2017, we published FENC's fourth CSR report. | About this Report |
| | Stay among the top 5% in the TWSE Corporate Governance Evaluation | ● We ranked among the top 5% in the 3 rd TWSE Corporate Governance. |  Establishing Strong Governance |
| | Expand the scope of regulatory compliance | ○ In 2017, the scope of regulatory compliance was implemented at 19 production sites. | |
| | Build a climate risk change adaptation and response system | ● In 2017, the system was established in Hsinpu Chemical Fiber Plant. | |
| | Increase PTA production capacity with the new PTA plant in Taiwan | ● In 2017, productions kick-off. | |
| | Increase the nylon 6,6 production capacity in China | | |
| | Ensure Vietnam Dyeing & Finishing Plant begin operations | | |
| Increase production capacity to maintain our position in the industry | ○ Multiple projects are still underway in Taiwan, China, Vietnam and the United States. | | |
| Activate land resources | ○ Multiple land development projects are still underway. |  Starting Futuristic Parks | |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



Establishing Strong Governance

| | |
|--|----|
| 1.1 FENC's Profile | 14 |
| 1.2 Corporate Governance and Sustainable Development | 18 |
| 1.3 Risk Management | 24 |
| 1.4 Stakeholders and Material Topics | 31 |

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



| 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 |





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

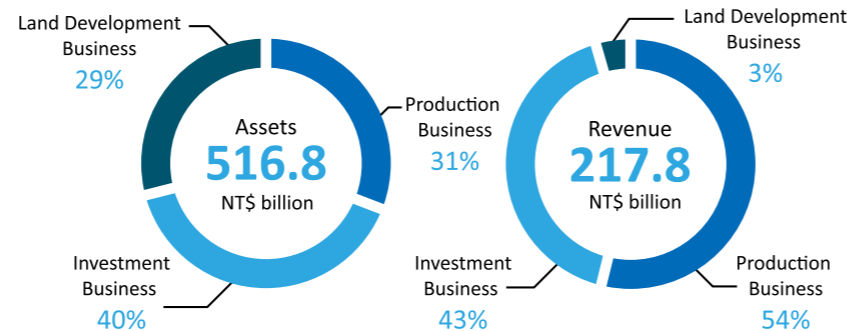
Appendix



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.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

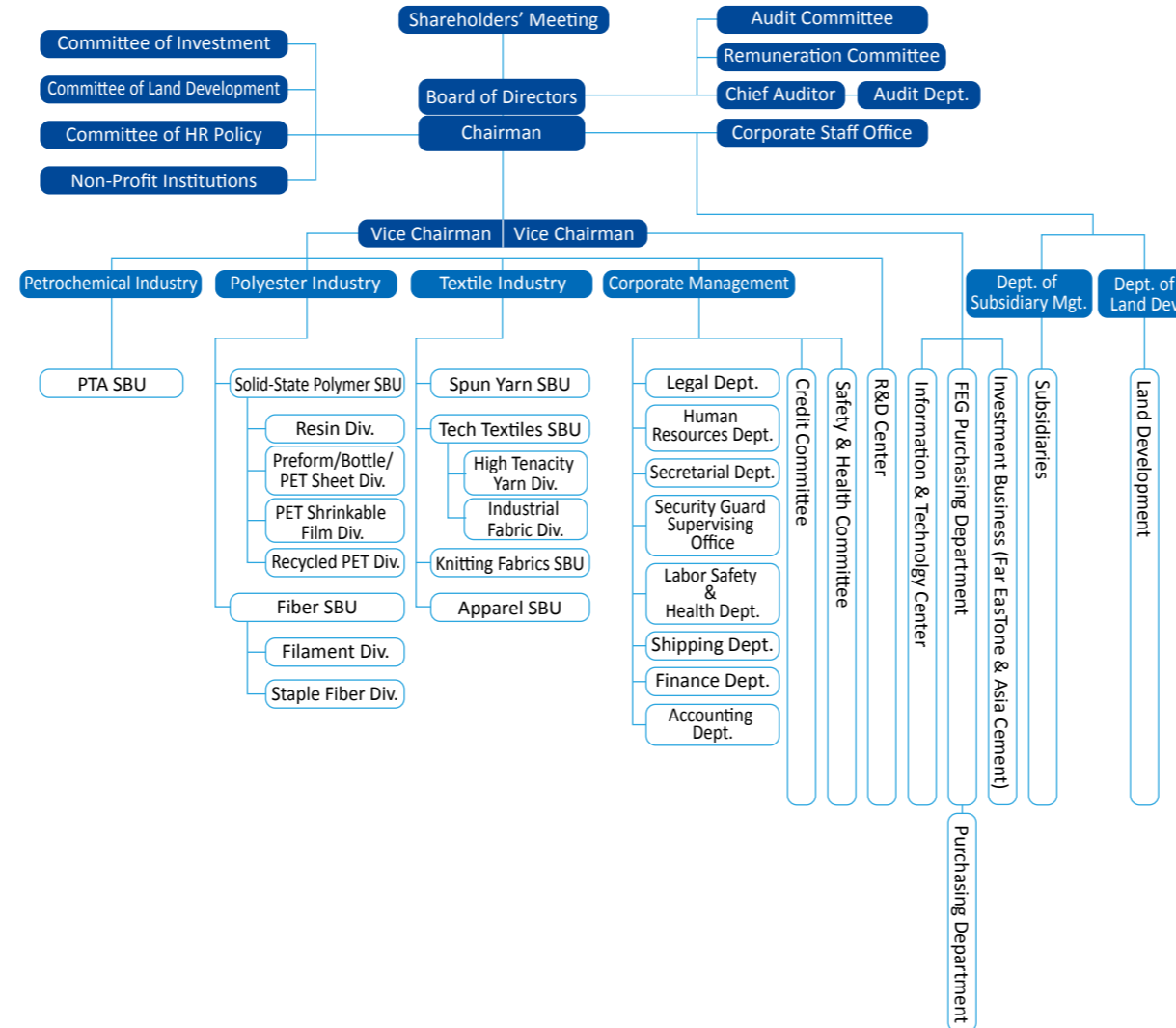
Building Altruistic Society

Starting Futuristic Parks

Appendix



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. |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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 |

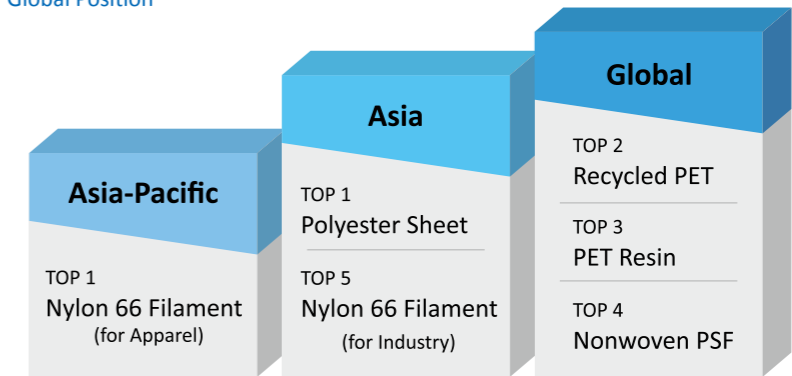
Note: Operational sites such as Taiwan, China, Vietnam and Japan are included.



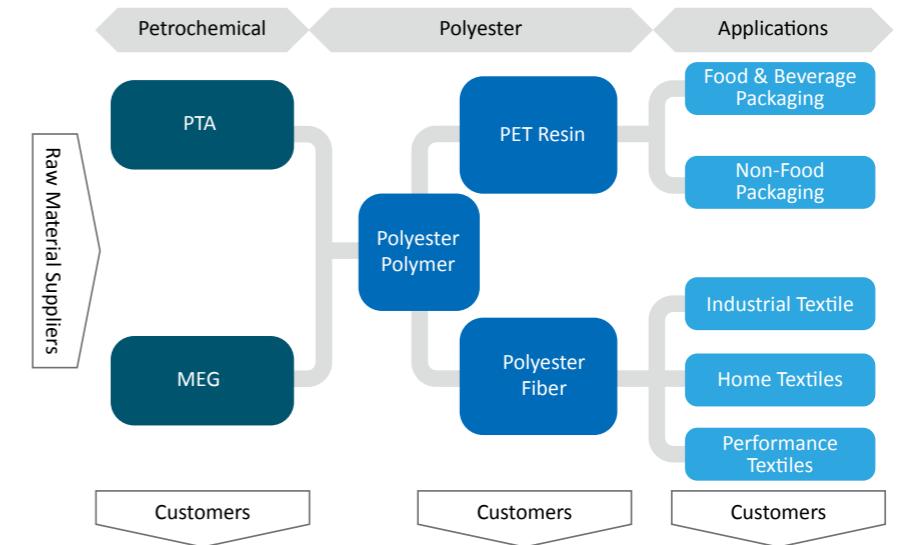
Financial Report

1.1.2 Production Business

Global Position



Main Products and Value Chain





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

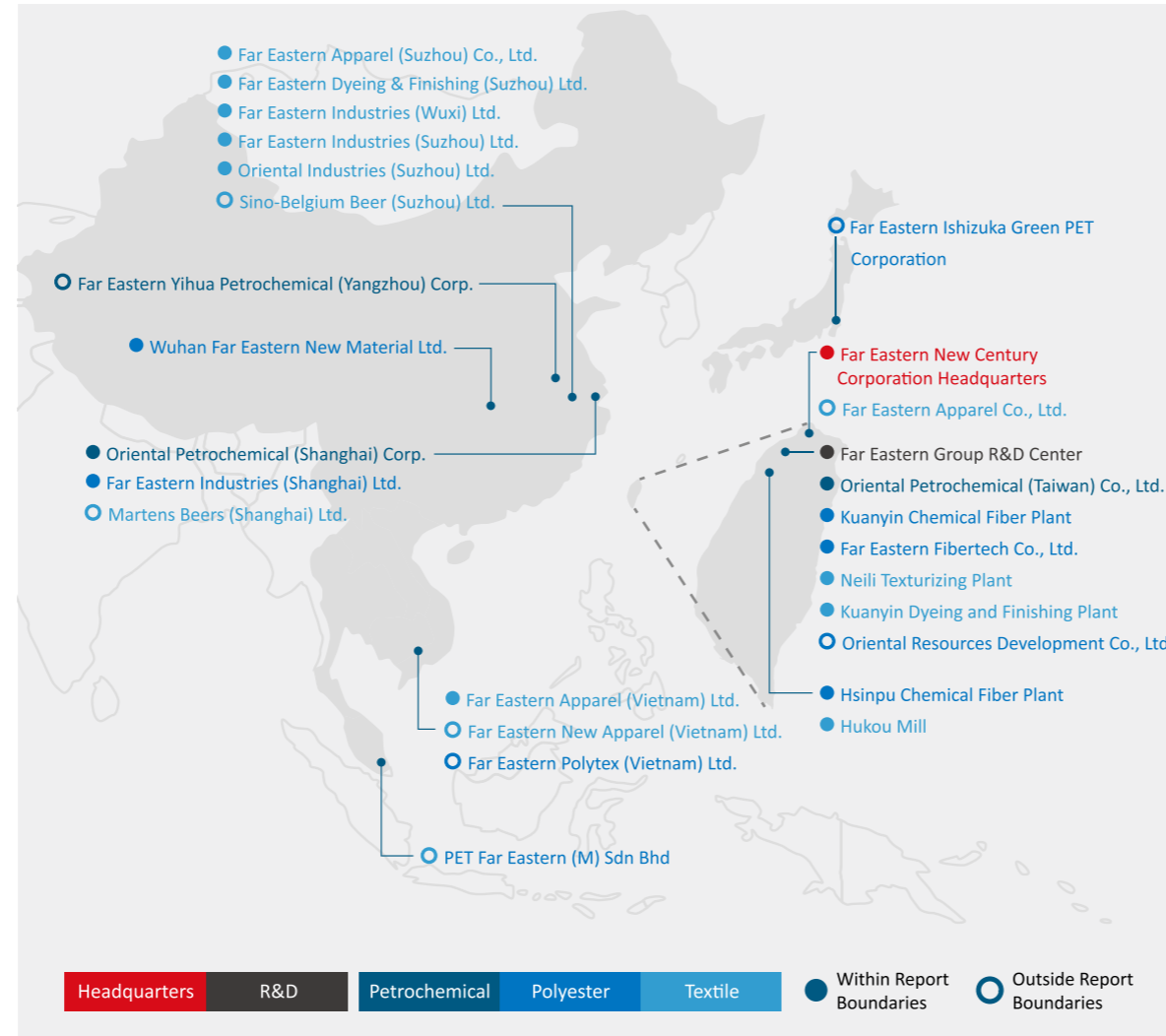
Building Altruistic Society

Starting Futuristic Parks

Appendix



❖ Operation Sites



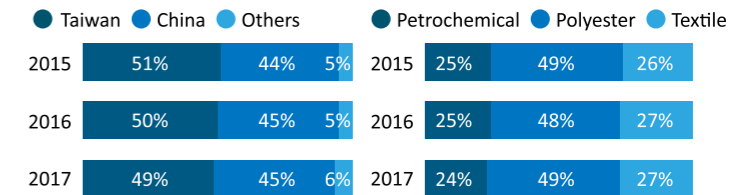
Overview of Market Environment and Industry Summary in Production Business

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



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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



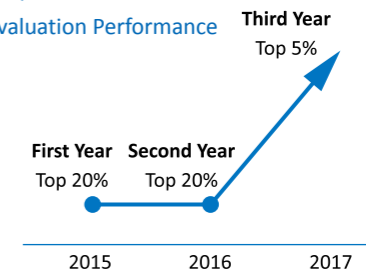
FENC Was Ranked among the Top 5% Listed Enterprises with Excellent Corporate Governance

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



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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

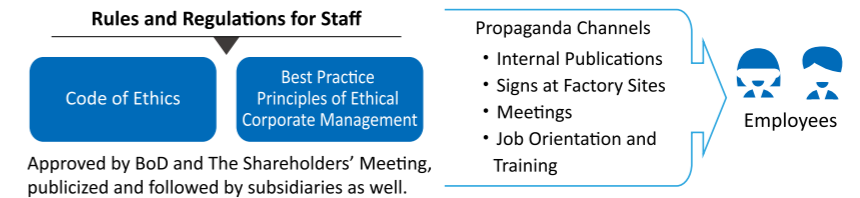
of Ethical Corporate Management", "Code of Ethics" for employees to follow. Besides, we have the remuneration system, internal control system, authorization system, labor functions and internal audit process. Each quarter, "self-evaluation on corruption" is conducted at each department, the result of 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.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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.





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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.)

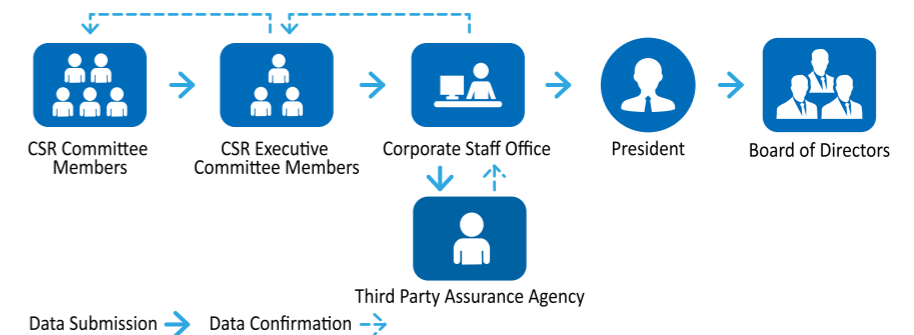
The 4 Presidents and department officers reported on the following CRS issues in Board meetings and regular meetings:

- | | | |
|--|----------------------------------|--|
| 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





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



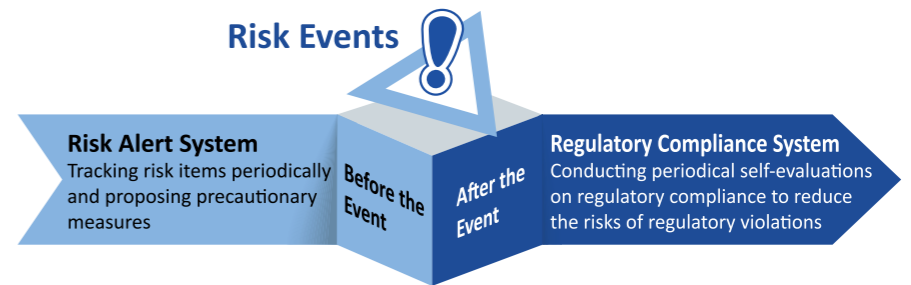
2. CSR Outstanding Achievements



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.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



FENC's Regular Meetings

● Environmental ● Social ● Governance

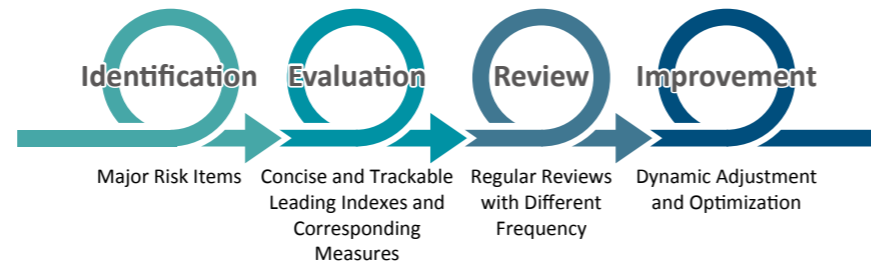
| Aspects | Important Meeting | Frequency | Highest Ranking Attendee |
|---------|------------------------|--|-----------------------------------|
| ● ● | Special Themed Meeting | Management meeting | Chairman |
| ● ● | | Human resources management and development | |
| ● ● | | Special report on R&D | |
| ● | | 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

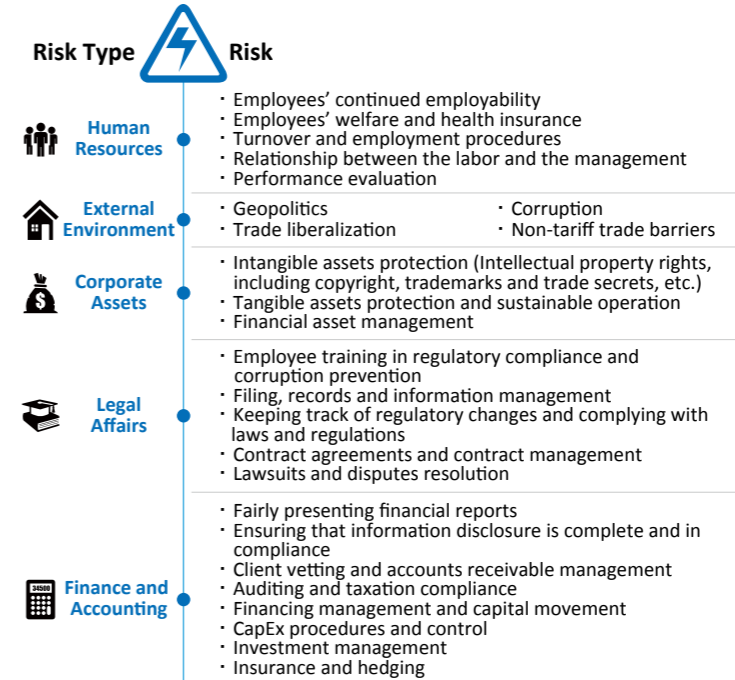


The first risk management meeting was held on October 2016. After nearly a year, we optimized the risk framework and risk items, added leading indicators and raised quantification levels in 2017 in order to make the indicators more traceable.

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





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix

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. |

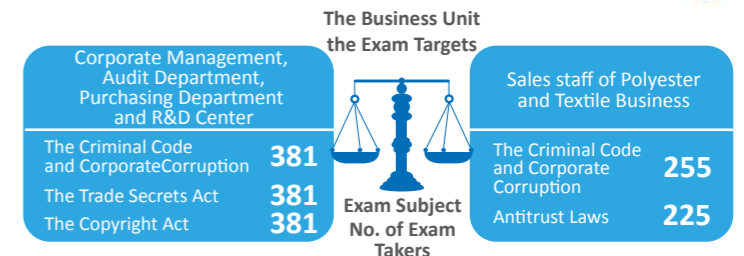
In order to deepen our people's understanding of applicable laws and regulations, the Company held anti-corruption workshops and provided online training and exams on antitrust laws, the Personal Information Protection Act, the Criminal Code and corporate corruption, the Trade Secret Act and the Copyright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





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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.



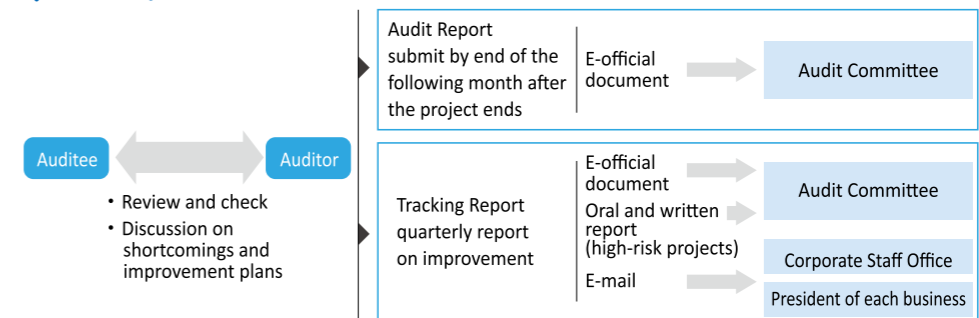
Internal audit structure and approaches to self-evaluation on internal controls

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





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



| 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 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance**
 - FENC's Profile
 - Corporate Governance and Sustainable Development
 - Risk Management
 - Stakeholders and Material Topics
 - Creating Diversified Values**
 - Nourishing Sustainable Environment**
 - Creating Employee Passion**
 - Building Altruistic Society**
 - Starting Futuristic Parks**
 - Appendix**



Hsinpu Chemical Fiber Plant Developed the Climate Change Risk Countermeasure

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

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

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

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.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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

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.





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



1.4.2 Identification and Responses of Material Topics

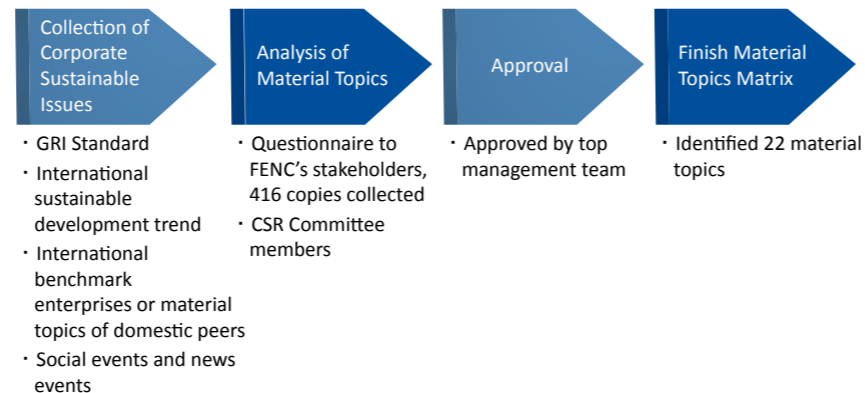
To identify material topics, FENC takes into consideration the materiality principle of the GRI Standard and also significant sustainability issues in the world, such as material topics from United Nations Conference on Sustainable Development (UNCSD), World Economic Forum (WEF), World Business Council 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:

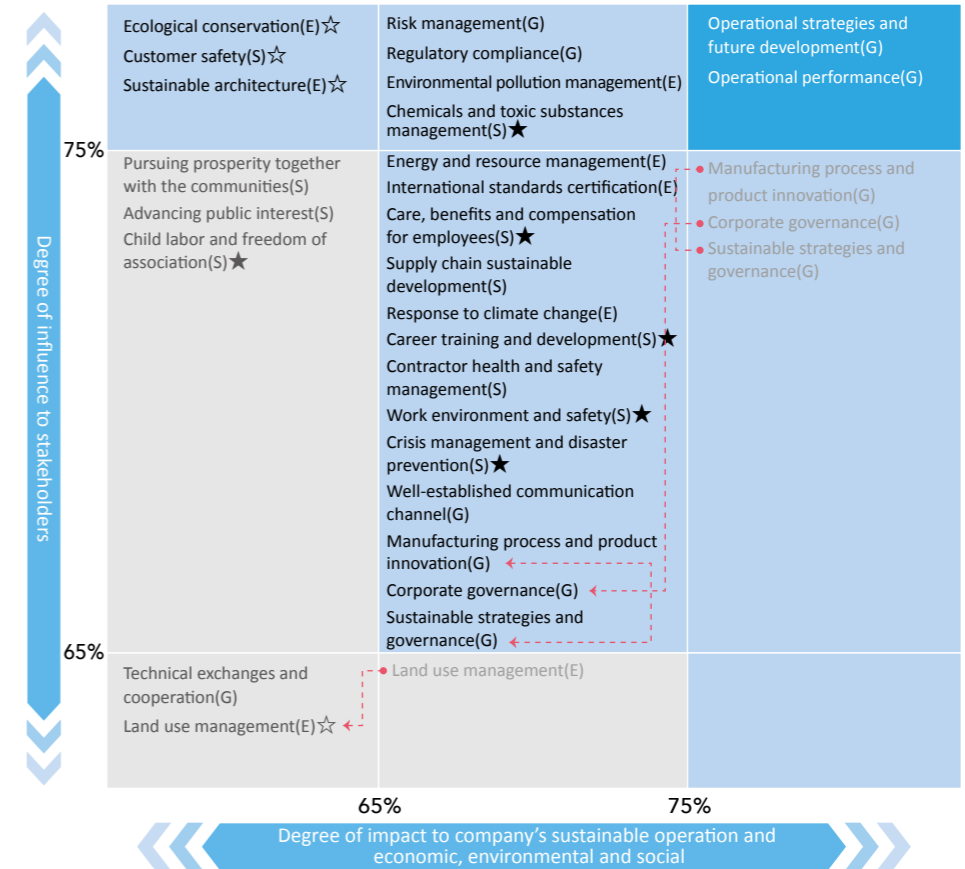
1. The first questionnaire was on the level of impact of the material topics on the stakeholders, including significance of impact, expectations for responses and actions and expectation for transparency. The subjects of the questionnaire were eight major stakeholders of FENC. 288 copies were collected 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



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



● 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 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance**
 - FENC's Profile
 - Corporate Governance and Sustainable Development
 - Risk Management
 - Stakeholders and Material Topics
 - Creating Diversified Values**
 - Nourishing Sustainable Environment**
 - Creating Employee Passion**
 - Building Altruistic Society**
 - Starting Futuristic Parks**
 - Appendix**



| 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 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance**
 - FENC's Profile
 - Corporate Governance and Sustainable Development
 - Risk Management
 - Stakeholders and Material Topics
 - Creating Diversified Values**
 - Nourishing Sustainable Environment**
 - Creating Employee Passion**
 - Building Altruistic Society**
 - Starting Futuristic Parks**
 - Appendix**



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.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

Establishing Strong Governance

- FENC's Profile
- Corporate Governance and Sustainable Development
- Risk Management
- Stakeholders and Material Topics

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Building Altruistic Society

Starting Futuristic Parks

Appendix



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 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance**
 - FENC's Profile
 - Corporate Governance and Sustainable Development
 - Risk Management
 - Stakeholders and Material Topics
- Creating Diversified Values
- Nourishing Sustainable Environment
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



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> |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
 - Appendix

Creating Diversified Values

| | |
|--|---|
| <p>2.1 Innovation Capacity 41</p> <p>2.2 Innovative Products 42</p> <p>2.3 Customer Relationship Management 49</p> <p>2.4 Supply Chain Sustainability 50</p> | <p>Target Readers:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Employees / Labor Unions <input type="checkbox"/> Government <input checked="" type="checkbox"/> Shareholders / Investors / Financial Institutions <input checked="" type="checkbox"/> Customers or Partners or Industry Associations <input type="checkbox"/> Local Residents <input type="checkbox"/> NGOs |
|--|---|



Creating Diversified Values



| | | |
|---|--|---|
| Material Topics | <ul style="list-style-type: none"> ● Manufacturing process and product innovation ● International standards certification ● Response to climate change ● Environmental pollution management | <ul style="list-style-type: none"> ● Supply chain sustainable development |
| Purpose of Management | <p>To research and develop sustainable green products and promote recycling; to develop green solutions to reduce the waste of resources; to provide diverse products. To respond to climate change and reduce risks associated with pollution, turning risks into opportunities</p> | <p>To join hands with our supply chain partners to enable sustainable development together</p> |
| Management Approaches and Effectiveness Evaluating Mechanisms | <ul style="list-style-type: none"> ● Continue to invest in resources for Far Eastern Group R&D Center to research and develop sustainable products and create green opportunities for the supply chain ● Make FENC a top choice for global brands to collaborate with, using our advantage in differentiating, high value-added and eco-friendly products ● Maintain our position as the leader in the green polyester industry, leading the world toward a smart, green and functional new era | <ul style="list-style-type: none"> ● Require suppliers to sign the "Supplier Corporate Social Responsibility Commitment Statement" to ensure their practice meets social and moral standards, comply with the law and respond proactively to environmental issues ● Require the purchasing units to assess the suppliers' impact on the environment, labor practice, human rights and society. We will help them make improvement or terminate the contract with them depending on the nature of the violation ● Oversee and stay on top of the suppliers' practice with effective communication channels or periodic meetings |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



2.1 Innovation Capacity

As a leader in Taiwan's textile industry, FENC not only continues to expand production and upgrade technologies, but spares no effort in improving innovation capacity, so as to raise our competitiveness for the long term.

In 2001, the Company established Far Eastern Group R&D Center, which continues to make breakthroughs, innovate new products and launch R&D projects. By pooling the talent and resources within the group, the Center is able to accelerate the development of high value-added products, enhance the Company's competitiveness and create new corporate values, thereby making us a high-tech polyester and textile enterprise. The aim of the Center is to transform FENC into a global business leader. (Please refer to [Chapter 2.2 Innovative Products.](#))

❖ R&D Center Organization

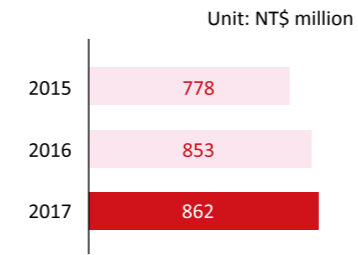


The Center consists of 4 Research Divisions and 12 Development Sections and houses 199 R&D experts. In 2017, the Shoe Materials Section and the Functional Materials Section were established. We pooled resources for functional and eco-friendly fabrics and used our experience in developing these materials over the years as an advantage to expand into the shoe material market. The Functional Materials Section uses innovative PET and manufacturing technologies to grasp the opportunities in the upstream high-end functional material market. For the short term, we focus on polyester fibers, environmental protection, energy conservation and carbon reduction. By building upon the PET technologies that we have created over the years, we will strive to develop new technologies and products such as PET-based green materials, highly functional materials and smart textiles, and continue to expand the PET application scope in the high value-added industry. For the mid- and long-terms, we will leverage FEG's resources and core strengths to focus on green energy, biomass and high-end fiber industry and develop green PET materials, energy-saving manufacturing process and new materials. Moreover, we will identify and expand into the most promising industry in the future in the hope of keeping the Company growing sustainably.

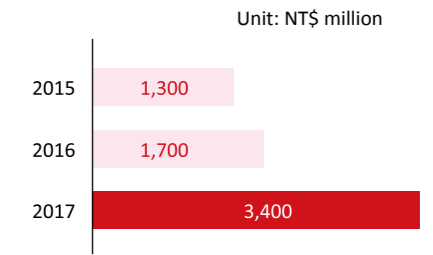
In addition to enhancing the competitiveness of our core products by supporting our businesses to add more value to our products and lower their costs, the Center is driven to develop new strategic materials and technologies, so as to maintain our competitive edge for the long term and ensure corporate sustainability. To this end, the Company has been collaborating with leading research teams, forming strategic alliances with outstanding suppliers and manufacturers and developing strategic products with major brands. We have also applied for patents for our products and technologies to expand intellectual property portfolio and maintain our competitiveness.

At the Center, the Innovation Marketing & Partnerships Office has integrated FENC's niche and innovative products from upstream to downstream and established the FE-X platform to provide total solutions and various modes of strategic partnerships for brand owners to consider. The Office is proactive in participating in international conferences, exhibitions and competitions to raise the profile of our products.

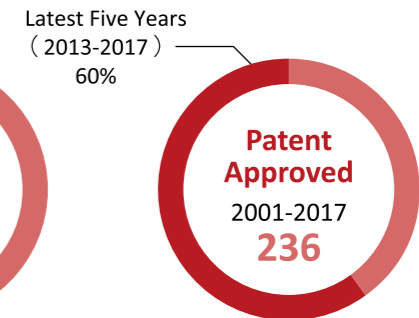
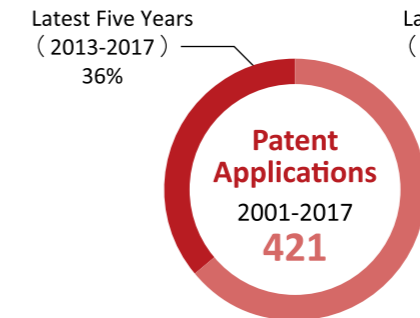
❖ Funds for R&D and Innovation



❖ Revenues from the New Products Developed by R&D Center



❖ Performance in R&D and Innovation



Note: R&D center founded in 2001.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



Training for the R&D Team

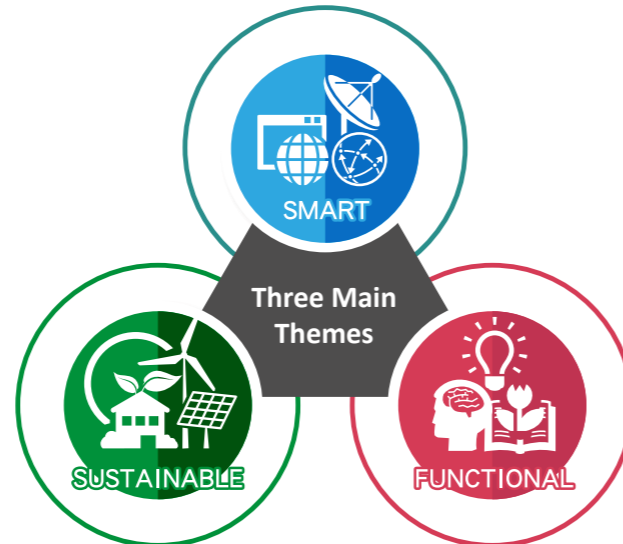
In order to ensure that our R&D teams keep abreast of global trends, the Center has invited celebrated experts to provide training or exchange views on various topics, including functional textiles, specialty chemicals, medical supplies and nanotechnologies. In addition, our staff have been encouraged to attend seminars at home and abroad. Our training sessions and conferences focus not only on technology, but on sustainability-related topics, such as the latest trends in the industry and applicable laws and regulations. In this way, our R&D teams can be better equipped to incorporate sustainability into their work. There were more than 10 Sustainability-related training, including Green PU Chemistry: Environmentally friendly manufacturing process, C2C and Circular Economy Seminar and Conference on the Development of Green Biomass Chemical Materials. In 2017, R&D center provided 84 training sessions with the attendance of 521.



Training sessions and the attendance in the past five years

2.2 Innovative Products

FENC has interdisciplinary R&D teams and highly vertically integrated value chain. Powerful R&D and manufacturing capacity allows us to become the main supplier for major international brands. Our development objective is to facilitate sustainable development for our society and innovate products in response to the UN's SDGs. We will continue to innovate with our core strengths and lead human life into a smarter, greener and more functional new age.



Introduction to FENC's Products

2.2.1 SMART

DynaFeed™ Smart Garment



In 2017, FENC made tremendous progress with DynaFeed® in such areas as sports, medical care and rehab. Now there are three solutions: DynaFeed® Sport, DynaFeed® Therapy and DynaFeed® Health. DynaFeed® Sport works with L.L.Bean, a famous American outdoor sports brand, to create smart apparel for world-class skiers. DynaFeed® fits the athletes perfectly and keep tracks of the changes in physical data and the angle of micromovements during their training. The accuracy of its medical-grade heart rate monitoring reaches 97%. DynaFeed® Therapy works with the Swiss professional medical brand Valmed to leverage the opportunities in rehab market with its Electro Muscular Stimulation (EMS). DynaFeed®'s electroconductive film is safe and sensitive enough to detect the micro voltage released during muscular contraction and conduct it reversely to achieve EMS, which can prevent muscle atrophy and relax muscles. DynaFeed® Health joins hands with medical facilities and telecom operators to enable home remote sleep monitoring. The doctors can monitor patients' sleep quality remotely with DynaFeed® to provide medical care. This technology has passed clinical trials at hospitals.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



2.2.2 FUNCTIONAL

FENC® TopHeat+



TopHeat+ can quickly absorb moisture vapor from human body and release it as heat. This character quickly manages moisture by wicking away from micro-climate so as to maintain insulation.

FENC® Sunex



A novel ceramic additive effectively emits thermal heat in the form of far infrared (fir), affording Sunex to be anti-static while emitting comfortable heat.

- Heat-emitting
- Far infrared emissivity
- Anti-static function

FENC® TopCool®



TopCool® quickly and easily manages moisture. Cross-sections further decrease capillary diameter to enhance moisture transport and spread.

- Eco-friendly material
- UV-cut
- Moisture management
- Dry touch with comfort

FENC® Solarfree^{RED}



One of the sources of heat from outdoors is near infrared (50% of sunlight). Solarfree^{RED} can reflect nIR which shields the skin from irradiative heat, so as to maintain cooler temperatures even under direct sunlight, while also protecting against accelerated dermal aging caused by both nIR and UV.

- Reflects nIR radiation
- UV-cut
- Heat protection

FEFC® natural



FEFC® natural, a cottony UV cut Nylon 6,6 fiber, uses specialty N66 polymer for spinning which can greatly improve the ability of yarn to absorb and reflect solar light. That not only makes the luster of yarn more matt and natural looks but also transform the hand touch into more cottony. As a result, the yarn performs excellent UV-cut functionality to UVA and UVB that can reach the highest UPF level in 50+.

FENC® Solarfree+



Solarfree+ possesses ultra-violet radiation reflection effect and prevents your skin from suntans, black spots and dermatitis.

- Advanced UV-cut
- Anti see-through

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



FENC® Hycare®



This product can be further processed into non-woven fabrics and meet the requirement of pollution management and quality stability after product improvement and process optimization. It can replace resins to be widely used in hygienic and medical products, providing a new option for convenience.

FENC® Insulate



FENC has created a fine denier pack of 3D helical staple fibers specifically engineered to biomimic both loft recovery and air space trapping properties of natural down. The insulation fibers are light and can insulate against cold effectively. They are easy to maintain and their properties remain effective after washing.

FENC® Eagelon®



Eagelon® utilizes eco-friendly anti-bacterial agents dispersed throughout the PET yarn during spinning that can provide durable anti-bacterial effect. Besides its good dyeability, Eagelon® can offer superior anti-bacterial effect even after dyeing and finishing process.

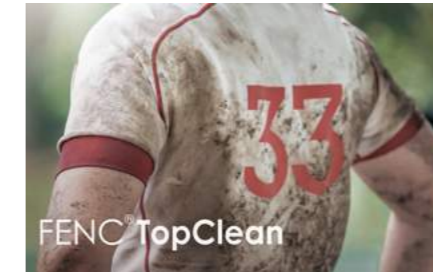
- Outstanding antibacterial function
- High wash durability and good dyeability
- Skin friendly
- Passes EPA, BPR and SIAA standards

2.2.3 SUSTAINABLE

PFCs-free Solutions

Perfluorinated and polyfluorinated chemicals (PFCs) are incredibly resistant to breakdown and will bio-accumulate into the eco-system. Moreover, research has shown that PFCs, including PFOA and PFOS can cause harm to reproduction and promote the growth of tumors and a host of health problems to human beings. In 2017, FENC became the first company in the industry to provide a series of PFCs-free solutions in 2017, making sure all its products are free of PFC pollution and not harmful to human health without compromising their effectiveness.

FENC® TopClean



FENC created the world's first PFC-free soil release polyester yarn-TopClean that removes soil and stains effortlessly when soaked in water and provides a soft and breathable comfort wear after washing.

FENC® TopDry Z™



By adding the non-toxic additive during spinning, TopDry Z™ raises the bar in one way wicking performance to provide a true dry interior, this effectively eliminating skin clamminess to maximize comfort.

- Durable hydrophobicity
- Compatible with conventional polyester dye process
- Enhance color fastness
- Easy to make multi-function fabric

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



FENC® Bio-PET



30% of the Bio-PET is Bio-MEG and 70% of it is petro-based PTA. All Bio-PET materials are coming from non-food plants and agriculture waste. This can reduce our reliance on crude oil and provides an opportunity to develop production technologies to achieve sustainability.

With over 30 years of experience in polyester synthesis, FENC has developed the world's first 100% Bio-PET bottles and shirts.

Application:

- Plastic bottles
- Plastic packaging sheets for toys
- Fibers



FENC® Dope Dyed Filament



By adding different color master batch with a certain percentage during spinning POY, the fabrics made with dope dyed filament can skip dyeing process, reducing the use of dyeing agent, wastewater treatment and the production of toxic substances, and save a lot of water/energy consumption and CO₂ emission. Dope dyed filament is a latest generation of eco-friendly product which can provide better fastness to sunlight and washing.

- Superior fastness to sunlight and washing
- Sustainable, reduces water and energy use
- Small minimum quantities (MOQ)

Application:

- Polyester fiber
- Nylon 6,6 fiber

FENC® Recycled PET



Recycled PET bottles are used as materials. The process of crushing, cleaning, decomposition, polymerization and granulation of the recycled PET bottles can help us reduce our reliance on fossil fuels and waste of resources, as well as promote the recycle and reuse of resources.

- Eco-friendly recycling technology
- Reducing environmental burden as responsible global citizen
- Traceable

Application:

- Plastic bottles
- Shrink film (for plastic bottles)
- Packaging sheet (for food, toy or electronics)
- Plastic ware (e.g. plastic containers)
- Waterproof and breathable membrane (for shoes, medical applications or garments)
- Cloth fabrics
- Shoe material



FENC® TOPGREEN® Membrane



TOPGREEN® Membrane is the world's first post-consumer recycled (PCR) hydrophilic polyester water proof breathable membrane. It is suitable for a variety of outdoor apparel and footwear applications. The materials used are eco-friendly and non-toxic.

- Superior performance under extreme heat and cold conditions
- Fully traceable PCR material

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



Sb Free Filament / PET



Antimony (Sb) catalyst is commonly used during polyester synthesis. It's harmless for human, but antimony is heavy metal. If it is discharged into environment permanently, it will do damage to the environment and human health.

- No heavy metal content
- Eco-friendly
- Reducing harm to environment and human body

Application:

- Plastic bottles
- Fibers

Zero Solvent Coating & Lamination



FENC developed a zero solvent water use coating and lamination technology. FENC Zero Solvent Coating & Lamination (ZSCL) simplifies the entire coating & lamination process and allows for:

- Superior wash durability
- Enhanced performance
- Unlimited functional possibilities
- Precise control of material add-ons

Benefits of replacing conventional solvent-based and water-based process to FENC Zero Solvent & Lamination process include:

- Zero water use
- Energy saving up to 70%
- Zero emission of harmful volatile organic compounds (VOC's)
- Zero pollutants discharged

FENC® EZ Dyed CD Filament



EZ Dyed allows for low temperature dyeing at ambient pressures without compromise to brilliance nor luster. Perfectly suited for blending with heat sensitive natural fibers or unique coloration effects.

- Deep dyeing at ambient pressure
- Outstanding dyeability
- Excellent fastness to washing



Creating Eco-friendly Yarn Out of Ocean Plastic Waste



FENC used its world-leading polymerization technologies to turn PET bottles from the ocean into eco-friendly yarn. It took the company only a short amount of time to pool resources, overcome technological difficulties and commercialize this pioneering product. As the quality of the fibers meets the strength requirement of garments and shoe materials, the Company is now adidas and Parley's only supplier in the project of using ocean plastic waste to create eco-friendly yarn. After the product was launched in 2016, it was warmly received by the market and sold out in no time. The project was estimated to have reduced more than 1,000 metric tons of ocean plastic waste in 2017. By the end of 2018, it is predicted to decrease 1,600 metric tons. The innovative product has succeeded in drawing public attention to circular economy and protection of the ocean ecology.

The Company's next step is to expand our collection of sustainable products by extending the application of the eco-friendly yarn from running shoes and jerseys to waterproof and breathable PET garment materials. We expect a 50% of increase in shipment in 2018 and will continue to fulfill our green commitment by protecting the ocean and promoting circular economy.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix




Sales Performance of Green Sustainable Products








 Revenue and Share of Green Sustainable Products



Certifications of Green Sustainable Products

Many of FENC's green eco-friendly products have attained high-level green product certifications. The current certifications are listed below, and will be regularly updated to ensure all products are consistent with all regulations and standards.

| Certifications | Products |
|--|--|
|  Global Recycle Standard, GRS Version 3.0 | <ul style="list-style-type: none"> • 100% Recycled Post-Consumer Polyester Chips • 100% Recycled Post-Consumer Polyester POY, FDY, DTY • 100% Recycled Post-Consumer Polyester Staple Fiber • 92%, 100% Pre-Consumer Recycled Content Nylon Yarn NEW • Contains Minimum 50% Recycled Post-Consumer Polyester Fabrics • Contains Minimum 20% Recycled Post-Consumer Polyester Combed Cotton Yarn |
|  SCS Recycled Content Certification Version 7.0 | <ul style="list-style-type: none"> • 30%, 50%, 70% Post-Consumer Recycled PET Content Sheet • 100% Post-Consumer Recycled PET Content POY, DTY • 100% Post-Consumer Recycled PET Content Chips • Minimum 50% Post-Consumer Recycled PET Content TPEE Film • Post-Consumer Recycled PET Shrinkable Film NEW |
|  TÜV Rheinland Recycled Material Verified | <ul style="list-style-type: none"> • Contains Minimum 90% of Pre-Consumer Recycled Nylon Yarn |

| Certifications | Products |
|---|---|
|  Taiwan Green Mark | <ul style="list-style-type: none"> • 100% Recycled Polyester Chips NEW • 100% Recycled Polyester Filament • 100% Recycled Polyester Fiber |
|  bluesign® standard | <ul style="list-style-type: none"> • Knits for Outdoor and Sportswear |
|  OEKO-TEX® STANDARD 100 CONFIDENCE IN TEXTILES | <p>OEKO-TEX® Standard 100 Confidence in Textiles Tested for Harmful Substances</p> <ul style="list-style-type: none"> • Filament Yarn Made of 100% Polyester (POY, DTY, HDI) • 100% Recycled Polyester Filament (POY, DTY) • EZ Dyed CD Filament (POY) NEW • Nylon 66 Yarn • Polyester Staple Fiber • 100% Polyester Recycled Staple Fiber • Bi-Component Bonding Fiber • PE/PET Bi-Component Staple Fiber • Nylon/PET Bi-Component Micro Fiber • PLA Fiber • 100% Combed Cotton Yarn • 100% Polyester/Recycled Polyester Blended Yarn |
|  GLOBAL ORGANIC TEXTILE STANDARD GOTS | <p>Global Organic Textile Standard, GOTS-NL Version 5.0</p> <ul style="list-style-type: none"> • 100% Organic Combed Cotton Yarn • Contains Minimum 70% Organic Combed Cotton Yarn |
|  ORGANIC 100 content standard | <p>Organic Content Standard (OCS) Version 2.0 : Organic Content Standard 100 (100% Organic Cotton)</p> <ul style="list-style-type: none"> • 100% Organic Combed Cotton Yarn |
|  ORGANIC BLENDED content standard | <p>Organic Content Standard (OCS) Version 2.0 Organic Content Standard Blended (Partial Organic Cotton Content)</p> <ul style="list-style-type: none"> • Contains 95% Organic Combed Cotton Yarn • Contains 5%-95% Organic Combed Cotton Yarn |
|  BCI Better Cotton Initiative | <p>BCI (Better Cotton Initiative)</p> <ul style="list-style-type: none"> • 100% BCI Combed Cotton Yarn • Contains BCI Combed Cotton Yarn • Contains BCI Cotton Fabrics |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



In order to obtain its products' environmental data, FENC completed life cycle assessments for 8 of its products in 2016 and obtained ISO 14040:2006 and ISO 14044:2006 for 3 PET resin products and 2 PET film products from an external certification body. In addition, in order to strike a balance between environmental protection and economic growth, the Company is active in the following green initiatives:

- ZDHC, Zero Discharge of Hazardous Chemicals
- The Natural Resources Defense Council - Clean by Design
- Sustainable Apparel Coalition
- Textile Exchange

2.2.4 Innovative R&D Awards and Achievements



FENC's Bio-PET Was Recognized as Environmentally Friendly

With the emergence of green opportunities, the Ministry of Economic Affairs has worked closely with Taiwan's industries to help them become more integrated in the global green economy and identified five eco-friendly and innovative material technologies, which can help lay the groundwork for Taiwan's circular economy and enable Taiwan to tap into the green opportunities.

FENC has succeeded in developing the world's first 100% Bio-PET bottles and shirts and received a lot of awards for its achievements at home and abroad. In recent years, the Company has been developing PEF which provides effective gas barrier. This innovation made us one of the top five iconic manufacturers to present at the Ministry's conference.



(Source: TechNews)



2017 Taiwan Corporate Sustainability Awards - Growth through Innovation Award

FENC won the "2017 TCSA - Growth through Innovation Award" with "the world's first 100% bio-PET shirt." The award recognizes a company's efforts to incorporate innovation into a product. As a leading polyester business in the world, the Company is committed to developing technologies to replace fossil fuels with biomass materials. Following the success of the world's first Bio-PET bottles, the Company pooled its R&D and production resources to create the world's first and unparalleled 100% bio-PET shirt with biomass materials.



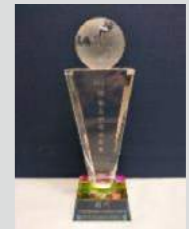
2017 Taiwan Corporate Sustainability Awards - Circular Economy Leadership Award

In order to protect the ocean, FENC used its world-leading polymerization technologies to turn PET bottles from the ocean into eco-friendly yarn. It only took the company a short amount of time to pool resources, overcome technological difficulties and commercialize this product. This project won 2017 TCSA - Circular Economy Leadership Award". The purpose of the award is to encourage companies to use innovative business models or technologies to help develop circular economy and achieve economic, environmental and social benefits.



Textile R&D Innovation Achievement Award

In 2017, Taiwan Textile Research and Development Association International presented Textile R&D Innovation Achievement Award to FENC to recognize its dedication to textile research and development, development of new products and innovative technologies and contribution to the sustainable development of Taiwan's textile industry.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



2.3 Customer Relationship Management

As customers are important stakeholders to FENC, we value their needs and dedicate ourselves to building long-term collaborative relationship with them. The Company has capitalized on our research and development to create a wide variety of products and shared information about our product development with our brand customers around the globe. In addition to our vertical integration of production process from upstream to downstream, we have introduced one-stop shopping to create higher added value for our customers.

Customers' feedback is important for us to improve our products and services. In addition to conducting customer satisfaction survey periodically to understand their concerns and identify their needs, we convene review meetings to discuss various plans to make improvement. The survey is developed and carried out by each business unit. Every year, we send out questionnaires to our customers a couple of times or engage with them by phone or email to maintain a close rapport. The Presidents of the production businesses are in charge of all these matters.

Customers' Recognition

For years, FENC has been the major supplier of many international brands which are leading companies in the area of CSR. They expect us to fulfill our social responsibilities concerning labor conditions, human rights, occupational safety and health, environment, innovation, training as well as management and auditing of suppliers and used the standards higher than international or industrial regulations to measure our performance. Our customers are satisfied with our overall performance and have given us high scores in various supplier evaluations.



Far Eastern Apparel (Suzhou) Became the First Supplier that Met Nike's HRMAT Requirements

On September 2017, Far Eastern Apparel (Suzhou) became the first supplier to pass the requirements of Nike's HRMAT, or Human Resources Management Assessment Tool, which includes six aspects such as recruiting and hiring, employee development, performance management, workforce planning, communication and strategic HR. Far Eastern Apparel (Suzhou) provides various training programs and adopts diverse training methods for its employees. Almost all employees and high-level managers have received training. The company's human resources are aligned based on their strategic plans and its workforce planning can be optimized in real time, so it received high scores in employee development and strategic HR.



Nike Evaluated FENC as a Silver Supplier

Since 2012, Nike has begun to evaluate its suppliers around the world, based on its Manufacturing Index, including quality, cost, on-time delivery and sustainability. Its suppliers are assigned to the gold, silver, bronze, yellow or red category based on their scores, which will determine whether a supplier will continue to receive Nike's order. Nike expects all its suppliers to be in the category of bronze or above by 2020.

Far Eastern Apparel (Suzhou) and Far Eastern Apparel (Vietnam) were evaluated as silver in Q3 and Q4 in 2017 as it had continued to improve in such areas as business, production, operation, quality management and vertical integration. There haven't been any gold suppliers yet, so the silver category indicates the best performance among Nike's existing suppliers. FENC will continue to pursue excellence to ensure long-term collaboration with our clients.



FENC Received "Hasbro Excellence in Sustainability"

As a global toy manufacturer, Hasbro ranked second in the industry of recreational products on the Forbes Global 2000 List in 2017. In recent years, the company has strived to lower the environmental impact of their toy packaging materials by, for example, replacing PVC with eco-friendlier PET for the plastic sheets used in toy boxes. As a major supplier of PET sheets to Hasbro, FENC has passed the stringent requirements for manufacturing products and played to our strength in green products by producing PET sheets from recycled PET bottles. The Company plans to develop and promote the use of Bio-PET as our next step.

We were invited to Hasbro's Suppliers Meeting in 2017 because of our achievement in green products and awarded "Hasbro Excellence in Sustainability". It was the first time that Hasbro recognized a supplier for its excellent performance in sustainability and environmental protection.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



H&M Recognized Far Eastern Apparel (Suzhou) as a Gold Supplier

As a famous fast fashion brand, H&M ranked second in terms of its market capitalization in 2017, according to Interbrand. H&M values suppliers' sustainable development and innovation capabilities and evaluates them based on three areas, namely, management, quality and sustainability.

Far Eastern Dyeing & Finishing (Suzhou) ranked among the top according to H&M's evaluation. In 2016, the brand visited the company with its "Global Change Award" winners to understand the company's efforts in sustainable development and innovation. In 2017, the company stood out from 400 suppliers as one of the 6 gold suppliers and the only supplier of knitted fabrics because of the high quality of their products and their continued efforts to improve management. In the future, H&M will give priority to gold suppliers when it comes to placing orders or product development.



2.4 Supply Chain Sustainability

At FENC, there are five major procurement units, namely, FEG Purchasing Department, the Purchasing Department of Oriental Petrochemical (Taiwan) Co., Shanghai Purchasing Unit, Suzhou Purchasing Unit and Raw Material Team. The Raw Material Team conducts market analyses of key materials such as cotton, PTA and MEG, formulates strategic plans and purchases materials. Other purchases such as machinery and equipment, as well as contract awarding are handled by the other four procurement units.

Supplier Management Policies

In order to facilitate the sustainable development of our supply chain and ensure that our suppliers meet social and moral standards when providing products and services, understand and comply with laws and regulations, address environmental and social issues proactively, undertake their CSR and make continuous improvement, FENC began to require suppliers to sign and comply with Supplier CSR Commitment Statement, which is one of the criteria for us to select suppliers, in November 2016. By the end of 2017, a total of 1,225 suppliers have signed the statement and will continue to fulfill their commitments, thereby increasing our capability to develop sustainability together.



Supplier CSR Commitment Statement

FENC's production sites are located in many countries, including Taiwan, China and Vietnam. As laws and regulations vary from place to place, we set additional assessment criteria on a case-by-case basis and added related clauses in the contract to ensure suppliers' compliance such as meeting ISO standards.

 **Supplier Selection and Management Principles**

| Procurement Unit | Selection and Management Principles |
|--|---|
| FEG Purchasing Department and Raw Material Team | <ul style="list-style-type: none"> • The FEG Purchasing Department expects all suppliers that they work with this year to sign the Supplier CSR Commitment Statement in order to ensure compliance. • To meet the demand of customers, the Raw Material Team works with international suppliers to introduce organic cotton, BCI cotton and Bio-MEG and visits suppliers regularly every year. |
| Purchasing Department of Oriental Petrochemical (Taiwan) Co., Ltd. | <ul style="list-style-type: none"> • All new suppliers are assessed and required to sign the Supplier CSR Commitment Statement. • For specific suppliers, there are additional assessment aspects and requirements. For example, environmental impact assessment is conducted on suppliers of microchemicals and industrial gases. They are expected to be equipped with ISO 9000, ISO 14001, environmental management systems and surveys on the environmental impact of the suppliers' major products and activities. Labor practice assessment is conducted on construction and maintenance service suppliers. |
| Shanghai Purchasing Unit | <ul style="list-style-type: none"> • According to the Procurement Regulations and Manufacturer Evaluation Guidelines, the Unit carries out paperwork or on-site evaluation on new suppliers and require them to sign the Supplier CSR Commitment Statement to select qualified supplier. • The unit requires the suppliers with over-one-year contracts to sign the Supplier CSR Commitment Statement and complete the procurement process after procurement review meeting. • Manufacturer Evaluation Guidelines have been adopted for suppliers with over-one-year contracts and each qualified manufacturer is rated as A, B or C based on its score. |
| Suzhou Purchasing Unit | <ul style="list-style-type: none"> • Suppliers with over-one-year contracts and new suppliers that provide larger amount of goods are assessed and required to sign the Supplier CSR Commitment Statement. 60% of the suppliers are expected to sign the statement by the end of 2018. • The Unit always first considers the suppliers that have ISO14001, OHSAS 18001 and other certifications to work with, based on its procurement management program and has established annual evaluation mechanisms. In 2017, the unit visited 38 suppliers and all of them score higher than 85 points in evaluation. • The Suppliers Management Team will be established in 2018 to ensure more effective communication with suppliers. |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  **Creating Diversified Values**
 - Innovation Capacity
 - Innovative Products
 - Customer Relationship Management
 - Supply Chain Sustainability
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



In 2017, the procurement units' assessment of their suppliers' impact on the environment, labor practice, human rights and society are described in the table below. If a major violation is found, they will help the vendor to make improvement or terminate the contract with them, depending on the nature of the violation. Over the course of last year, there were no suppliers found to have negative impact on the environment, labor practice, human rights or society.

| Assessment Aspect | Environment | Labor Practice | Human Rights | Society |
|---|-------------|----------------|--------------|---------|
| Total number of selected suppliers | 2,567 | 2,649 | 2,617 | 2,617 |
| Number of suppliers that have or may have negative impact | 0 | 0 | 0 | 0 |
| Number of suppliers that have made improvement | 0 | 0 | 0 | 0 |
| Number of supplier that we have stopped working with | 0 | 0 | 0 | 0 |

Note:

- Environmental assessment criteria include pollution prevention, waste disposal and energy consumption. Labor practice assessment takes into account occupational safety and equality as well as employee training. Human rights assessment deals with child labor, forced labor and rights of the indigenous people. Society assessment covers corruption, monopoly and fraud.
- FEG Purchasing Department and Raw material Team carries out assessment on local suppliers, while Shanghai Purchasing Unit carries out assessment on new suppliers in China and from overseas. Purchasing Department of Oriental Petrochemical (Taiwan) Co., Ltd conducts environmental assessment on suppliers of microchemicals and industrial gases and labor practice assessment on suppliers of engineering equipment, while Suzhou Purchasing Unit conducts assessment on construction and maintenance service suppliers with over-one-year contract and suppliers that provide larger amount of goods.

In 2017, there were a total of 1,047 new suppliers, 899 or 86% of which passed the evaluation, 7 percentage points up from the year before.

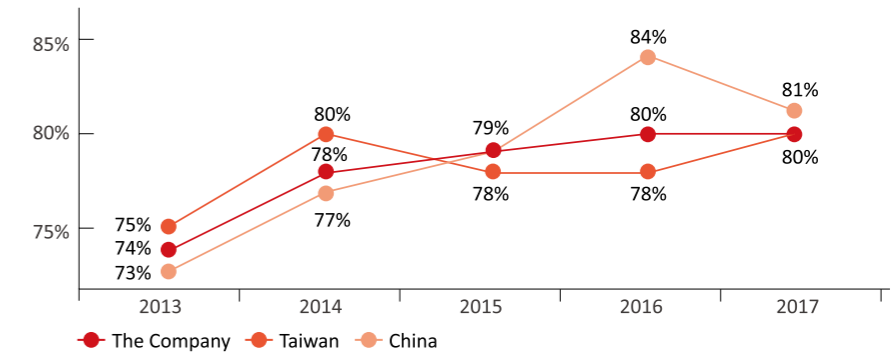
 **Selecting Suppliers Using Eco-friendly Textile Auxiliaries**  

In order to minimize environmental impact of the manufacturing process, FENC has adopted a list to ban or restrict to the use of 256 textile auxiliaries, required suppliers to follow the list and had a third party to conduct an on-site inspection to ensure our apparel products are made using environmentally sound textile auxiliaries. In the future, we will continue to raise environmental standards and continue to promote sustainable development with our suppliers.

Giving Priority to Local Suppliers

FENC considers working with local suppliers first in order to boost local economy and obtain satisfactory after-sale service.

 **The Percentage of Purchases from Local Suppliers**



Note:

- While the local suppliers to our Taiwan's businesses are located in Taiwan, the local suppliers to our businesses in China refer to those located in the province where our business is located.
- The procurement of PX is not included.
- Statistics of the purchase of Suzhou Procurement Unit on behalf of the production sites in Vietnam is not included.

In line with the government's policy, the FEG Purchasing Department launched the green procurement initiative to promote green consumption. In 2017, it took part in the green procurement performance evaluation carried out by the Department of Environmental Protection, Taipei City Government and was recognized as a role model in the "private enterprise and group green procurement plan". The Environmental Protection Administration presented a certificate of appreciation for the Company's efforts in green procurement.

Supplier Engagement

FENC places great emphasis on the communication with suppliers. By holding periodic meetings and using various forms of communication, we can oversee the behavior of our suppliers and stay on top of all movements. FEG Procurement Unit collects information about the production business's suppliers and contractors every month. In addition, there is a designated email on the Company's website for suppliers to submit their feedback. Oriental Petrochemical (Taiwan) convenes quarterly meetings with its partners, while Suzhou Purchasing Unit organizes supplier meetings every six months and invites manufacturers to exchange views on technology on an ad hoc basis.

On May 17, 2017, the FEG Purchasing Department convened a meeting on labor safety analysis at Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant to discuss with suppliers and contractors on the improvement plans for labor safety incidents and provide useful cases for their reference. This shows how proactive we are in addressing issues and developing with our supply chain partners. For more information on our training programs and their effectiveness, please refer to [Chapter 4.5.2 Contractor Safety and Health Management](#) and [Chapter 6.1.2 Construction Contractor Management](#).





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response

- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Nourishing Sustainable Environment

| | |
|---|-----------|
| 3.1 Overview of Environmental Data | 53 |
| 3.2 Energy and Resources Management | 53 |
| 3.3 GHG Management | 63 |
| 3.4 Pollution Prevention and Waste Management | 65 |
| 3.5 Green Production Process | 69 |
| 3.6 Neighboring Community Communication and Response | 69 |

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



Material Topics

- Response to climate change
- Energy and resources management
- Environmental pollution management
- Manufacturing process and product Innovation
- International standards certification
- Crisis management and disaster prevention

Purpose of Management

To slow down and mitigate climate change risks, reduce production cost and enhance competitiveness through energy and resources management and green manufacturing process, avoid environmental pollutions and reduce impacts on neighboring communities of operational activities, achieve environmental and corporate sustainability

Management Approaches and Effectiveness
Evaluating Mechanisms

- Establish task forces for energy management and environment management, and hold meetings regularly for follow-up and review
- Formulate related systems and objectives, continue to monitor outcomes
- Launch environment and energy management related certifications
- Learn latest technical trends through exchanges between production sites
- Investigate environmental data, which are regularly reviewed and analyzed to timely discover problems and make improvements
- Launch various projects for energy-saving, water-saving, emissions-reduction, and wastes-reduction, and follow up on progress and effects
- Have emergency response procedures in place, and hold drills regularly to minimize impacts of accidents on neighboring communities
- Report to the highest governance body through regular meetings
- Ensure all production activities comply with laws and regulations



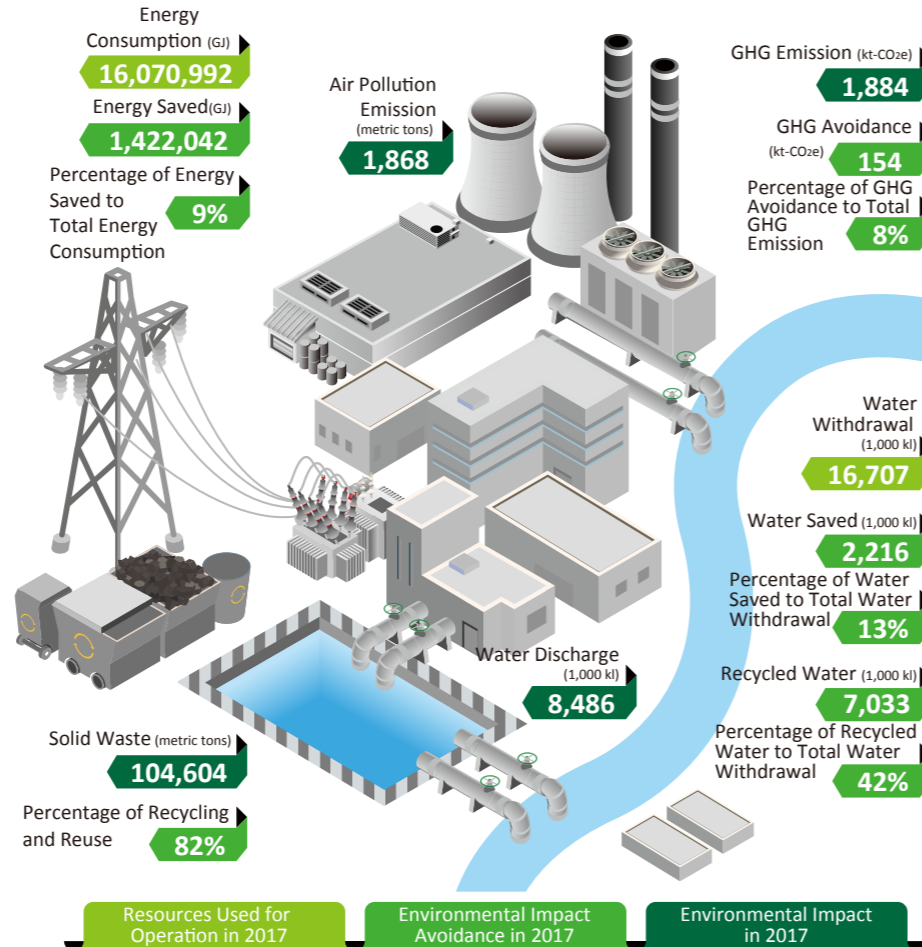


- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



3.1 Overview of Environmental Data



Note: For detailed data, please refer to description of this chapter

3.2 Energy and Resources Management

3.2.1 Energy Management

Among the 17 SDGs outlined by UN, the SDG13-Climate Action specifies that related measures should be taken to cope with global and entrepreneurial sustainability risk due to climate change. FENC therefore takes energy issues within corporate seriously. It not only proactively responds to government's energy policies, but also continues to promote measures for energy conservation and carbon reduction to improve efficiency of energy consumption. By lowering energy consumption step by step, it aims to mitigate global climate change.

Energy management methods

- Designate a unit responsible for energy management and hold meetings regularly for follow up and review.
- Establish energy management related systems and set energy conservation goals.
- Establish plan and procedure for energy conservation and carbon reduction
- Enhance promotion of energy conservation awareness through means such as circulation of energy conservation publications and sharing of case studies.
- Follow up on energy conservation project results and include performance as criteria for reward and compensation.
- Promote energy management related certification.

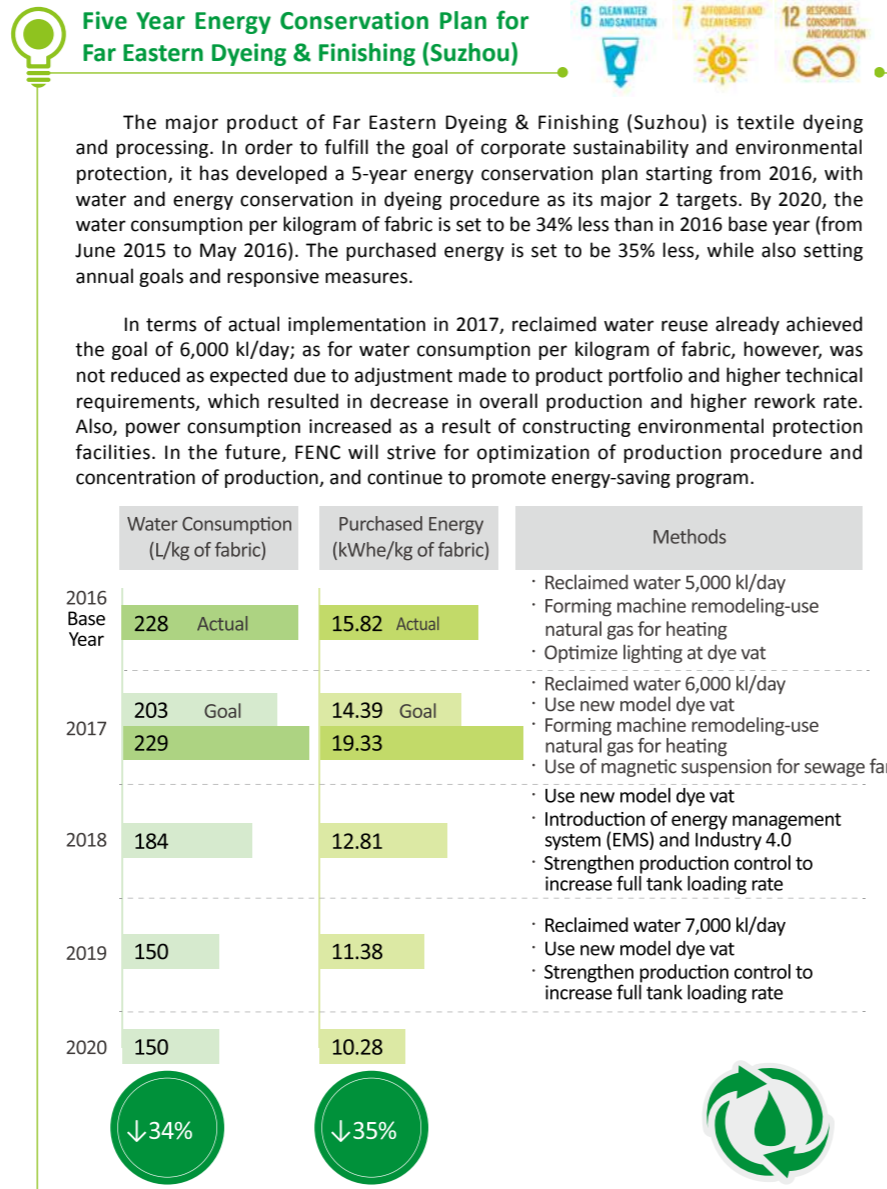
The power consumption was reduced by 1.9% in 2015, 2.3% in 2016, and 2.0% in 2017 at Taiwan production sites. This progress is ahead of the government's power conservation goal of 5% in five years. The Polyester Business reorganized its structure to accommodate Taiwan's energy policy, establishing four task forces (production procedure, water resources management, power management, and resource and reuse). Each task force will recruit members according to its duties and report the project status to the project's main point of contact with the aim to comprehensively enhance management capacity. Hsinpu Chemical Fiber Plant monitors power consumptions of each production unit through smart electricity management system, and introduces the three-stage pricing through setting contract capacity with power consuming units to reduce electricity cost and respond to the government's objective of energy conservation and carbon reduction, achieving significant results. Kuanyin Chemical Fiber Plant also plans to introduce the program in 2018. In the future, Hsinpu Chemical Fiber Plant will aim to consolidate power consumption information and integrate the public system into the smart electricity management system.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response

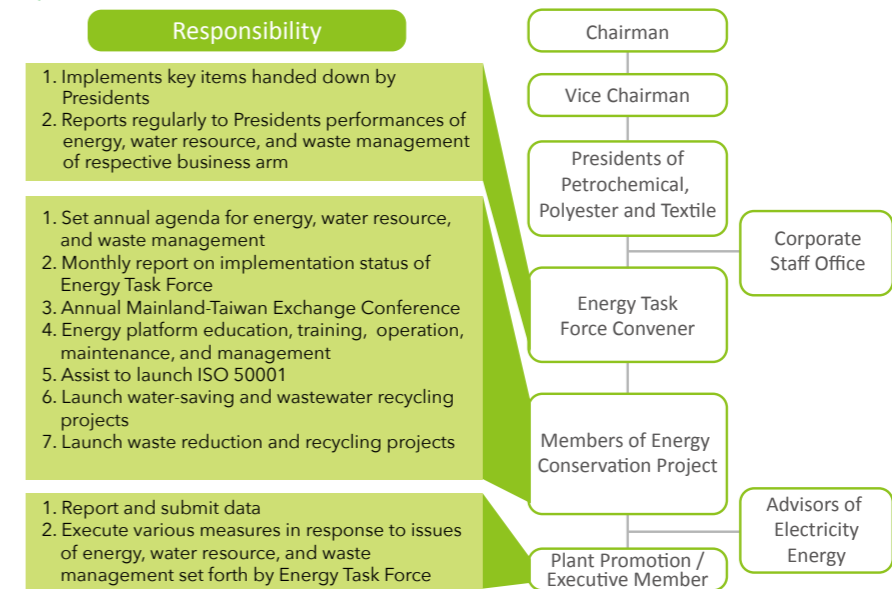
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Energy Task Force

FENC established the intercompany and interdepartmental “Energy Task Force” in 2010. The energy Task Force sets energy-saving goals, holds meetings regularly to review energy consumption and direction for energy saving, follows up on results and energy-saving projects and regularly reports to the governing body. The task force also organizes energy-saving technical exchange conferences and explores opportunities for energy-saving improvements to enhance the efficiency of energy consumption. All production sites have formulated related guidelines and regulations in accordance to the policies set by the Energy Task Force, and implemented the measures; professional personnel also review energy consumption status and propose improvement measures at monthly meetings, conduct energy-saving performance audit, cooperate with authority or clients for energy inspection, and provide the Energy Task Force information needed for the assessment of related projects.

Organization Structure of Energy Task Force



It has been years since FENC first launched energy-saving program, and most of the more effective projects with shorter payoff period have been executed; to further break new grounds and enhance energy-saving benefits, FENC once again allocated a special energy-saving budget of NT\$2 billion in 2017, after previously allocating a special budget of the same amount in 2010. The budget is provided to all arms of FENC, including petrochemical, polyester and textile, to propose and execute projects of energy conservation and carbon reduction. In 2018, 134 projects are planned, with a total budget of NT\$1.02 billion; 22 of the projects are major projects with over NT\$10 million of investment. Together, all the projects will bring a total of NT\$360 million annually in terms of energy-saving benefit.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks

- Appendix



❖ Statistics of Special Budget for Energy Conservation Allocated in 2018

Unit: Number of Projects, NT\$ million, NT\$ million/Year

| Business | Petrochemical | | | Polyester | | | Textile | | | Total | | |
|--------------|--------------------|------------|------------------|--------------------|------------|------------------|--------------------|------------|------------------|--------------------|--------------|------------------|
| | Number of Projects | Budget | Expected Benefit | Number of Projects | Budget | Expected Benefit | Number of Projects | Budget | Expected Benefit | Number of Projects | Budget | Expected Benefit |
| Power | 8 | 60 | 17 | 30 | 133 | 40 | 60 | 153 | 44 | 98 | 346 | 101 |
| Water | 1 | 14 | 3 | 6 | 22 | 12 | 3 | 181 | 94 | 10 | 217 | 109 |
| Fuels | 5 | 126 | 38 | 9 | 56 | 21 | 1 | 7 | 14 | 15 | 189 | 73 |
| Wastes | 1 | 21 | 5 | 3 | 233 | 72 | 0 | 0 | 0 | 4 | 254 | 77 |
| Others | 2 | 2 | 0 | 2 | 8 | 3 | 3 | 1 | 0 | 7 | 11 | 3 |
| Total | 17 | 223 | 63 | 50 | 452 | 148 | 67 | 342 | 152 | 134 | 1,017 | 363 |

Note: Fuels include natural gas, steam, and heavy fuel

The Energy Task Force actively promoted the introduction of ISO 50001 Energy Management System to production sites in 2017. In addition to the three sites that have already passed the certification, the task force plans to introduce the ISO 50001 Energy Management System to Oriental Petrochemical (Taiwan), Oriental Petrochemical (Shanghai), Far Eastern Apparel (Suzhou), and Far Eastern Apparel (Vietnam) in 2018.

❖ Environmental and Energy Management Certification Passed at Production Sites

| Certification Standards | Sites with Certifications |
|--|---|
| ISO 14001 Environmental Management Systems | Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Kuanyin Dyeing and Finishing Plant, Oriental Petrochemical (Shanghai) Corp., Far Eastern Industries (Shanghai) Ltd., Wuhan Far Eastern New Material Ltd., Oriental Industries (Suzhou) Ltd., Far Eastern Dyeing & Finishing (Suzhou) Ltd., Far Eastern Apparel (Vietnam) Co., Ltd., Headquarters |
| ISO 50001 Energy Management Systems | Hukou Mill, Far Eastern Industries (Wuxi) Ltd., Headquarters |

At the end of 2017, the scope of duties of the task force expanded to include water resource and solid waste management, setting consistent objectives and regulations at the corporate level to enhance water resource recycle rate, ensure water supply, and reduce waste production, fully committing to recycling and reusing waste materials.

❖ Water Resource and Solid Waste Management Approaches

Water Resource Management



- Evaluate the installation of reclaimed water recycling system
- Evaluate the installation of rainwater recycling system
- Recycle and reuse of wastewater or effluent
- Evaluate the introduction of reclaimed water

Solid Waste Management



- Evaluate the installation of anaerobic processing system/sludge drier
- Evaluate the installation of ultrasound technology for waste sludge treatment
- Install rotary kiln incineration facility
- Implement waste sorting, and recycle and reuse

The Energy Task Force organized Cross-Strait Energy Conservation Technical Conference which invited experts in the industry to share on related experiences and the latest trend in the field. Besides, the task force has promoted the online smart data analysis system project to precisely control energy data and to be able to penetrate into the core of energy management. To further encourage operation of data analysis system, the members of the task force served as lecturers in 2017 to hold system education and training classes for high-level executives at Oriental Petrochemical (Taiwan), Hukou Mill, and Hsinpu Chemical Fiber Plant.

In 2017, the Energy Task Force organized a group of power conservation experts, which visited Hsinpu Chemical Fiber Plant and Hukou Mill to evaluate power consumption and offer advice on analysis results of transformer usage and electric load, and provide information on power conservation and enhance production units' power usage and energy-saving awareness.



Cross-Strait Energy Conservation Technical Conference



The energy task force holds the Cross-strait Energy Conservation Technical Conference every year to exchange ideas on energy conservation, introduce new concepts and discuss the bottleneck in developing technology for energy conservation and application. "2017 Far Eastern Cross-strait Energy Conservation Technical Conference" was held from March 13 to 17, and May 15 to 19, 2017.

The highlights of this year's conference were the outstanding energy conservation projects over the past five years by all five major businesses, exploring how to introduce existing outstanding projects to other production sites, while following up on the progress of each unit's energy conservation project implementation in 2017, as well as actual modes of operation in the four energy conservation directions: power management, water resource management, recycle and reuse of waste, and energy-saving production procedure. The members of the task force visited 15 production sites to conduct research and onsite exchange.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

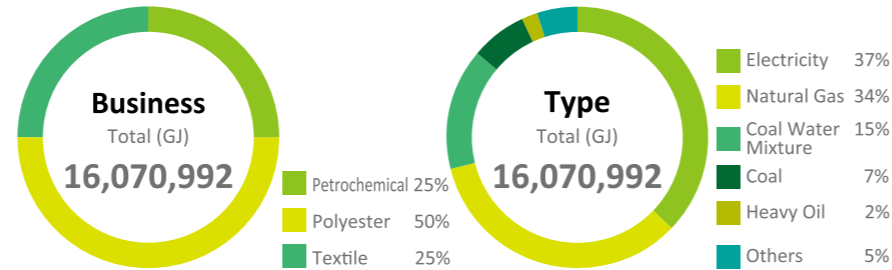
- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment

- Overview of Environmental Data
- Energy and Resources Management
- GHG Management
- Pollution Prevention and Waste Management
- Green Production Process
- Neighboring Community
- Communication and Response

- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix

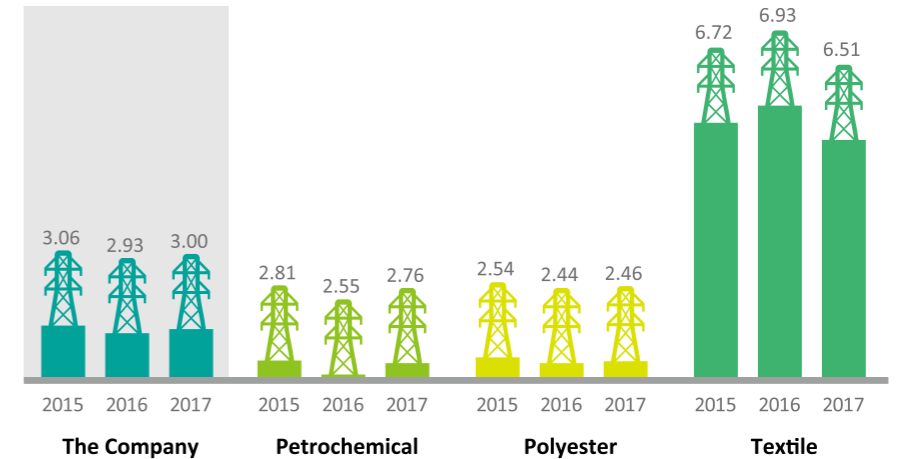


◆ Energy Consumption in 2017



The total energy consumption increased by 1.5% in 2017, which was mainly the result of increased production at Oriental Petrochemical (Taiwan) and Oriental Industries (Suzhou). FENC's energy intensity increased by 2.4%, due to factors such as slight decrease in overall production and adjustment and launch of new production lines.

◆ Energy Intensity



Note: The Textile Business does not include Far Eastern Apparel (Suzhou) Co., Ltd. and Far Eastern Apparel (Vietnam) Ltd.

◆ Energy Consumption

| Energy Type | Petrochemical | | | Polyester | | | Textile | | | Total | | |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Purchased Power | 885,017 | 1,005,486 | 1,045,816 | 2,754,247 | 2,839,321 | 2,840,856 | 1,957,374 | 2,033,461 | 2,081,316 | 5,596,638 | 5,878,268 | 5,967,988 |
| Purchased Green Power | 0 | 360 | 360 | 540 | 540 | 540 | 180 | 180 | 180 | 720 | 1,080 | 1,080 |
| Self-generated Green Power | 0 | 0 | 0 | 0 | 1,005 | 5,171 | 0 | 6,013 | 18,747 | 0 | 7,018 | 23,918 |
| Electricity | 885,017 | 1,005,846 | 1,046,176 | 2,754,787 | 2,840,866 | 2,846,567 | 1,957,554 | 2,039,654 | 2,100,243 | 5,597,358 | 5,886,366 | 5,992,986 |
| Natural Gas | 876,487 | 2,769,800 | 2,912,774 | 31,286 | 1,255,296 | 1,396,161 | 1,045,616 | 1,157,987 | 1,145,928 | 1,953,389 | 5,183,083 | 5,454,863 |
| Heavy Oil | 0 | 0 | 0 | 309,019 | 249,954 | 292,503 | 58,737 | 44,308 | 56,803 | 367,756 | 294,262 | 349,306 |
| Fuel Oil | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,265 | 0 | 0 | 6,265 |
| Coal | 0 | 0 | 0 | 1,009,054 | 1,048,185 | 989,739 | 49,237 | 91,435 | 80,851 | 1,058,291 | 1,139,620 | 1,070,590 |
| Coal Water Mixture | 1,458,945 | 62,876 | 27,880 | 3,746,151 | 2,388,625 | 2,212,238 | 157,521 | 104,052 | 139,962 | 5,362,617 | 2,555,553 | 2,380,080 |
| Ethylene tar | 631,420 | 437 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 631,420 | 437 | 0 |
| Purchased Steam | 0 | 0 | 0 | 240,244 | 330,852 | 393,441 | 401,792 | 443,173 | 423,461 | 642,036 | 774,025 | 816,902 |
| Total | 3,851,869 | 3,838,959 | 3,986,830 | 8,090,541 | 8,113,778 | 8,130,649 | 3,670,457 | 3,880,609 | 3,953,513 | 15,612,867 | 15,833,346 | 16,070,992 |

Note:
1. Above figures are energy consumption for production procedure.
2. Heating value is based on heating value coefficient at each production site.
3. Energy consumption outside of the organization is not included.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Far Eastern Industries (Wuxi) Innovative and Smart Spinning Plant's Energy Conservation Technology

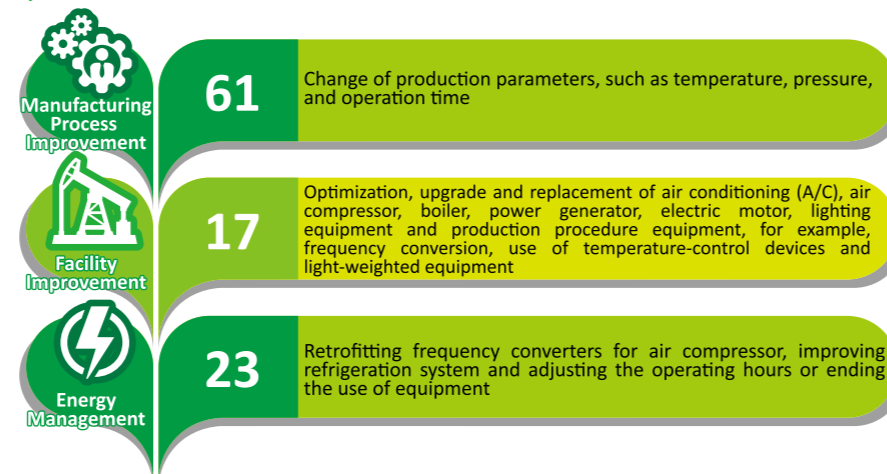
Far Eastern Industries (Wuxi) launched the energy improvement project for spinning facilities and auxiliary production system, carrying out own research and conducting improvement of production, dust removal, and A/C systems. Each year, it is projected that the project will save 23.1 thousand kWh electricity, a rate of 28%, and save NT\$12.17 million in electricity bill. The main projects included modification of cotton suction fan on spinning machine, development of automatic block valve and pressure adjustment system, and remodeling A/C room's centrifugal nozzle to target spray nozzle.

| System | Measures | Saved Power (kWh/Year) | Energy Saving Rate |
|--------------|---|------------------------|--------------------|
| Production | Modification of cotton suction fan on spinning machine | 602,643 | 37.7% |
| Dust Removal | Development of automatic block valve and pressure adjustment system | 1,382,901 | 23.3% |
| A/C | Remodeling A/C room's centrifugal nozzle to target spray nozzle | 328,386 | 46.2% |
| Total | | 2,313,930 | 28.1% |

Measures and Performances of Energy Conservation and Carbon Reduction

FENC continues to implement measures to conserve energy and reduce carbon emission. There were 101 related projects in 2017, mostly were about improvement of production procedures in aim to reduce consumption of natural gas.

Energy Conservation and Carbon Reduction Projects in 2017



Performance of Energy Conservation and Carbon Reduction Projects in 2017

| Type of Measures | Energy Saved (GJ) | GHG avoidance (t-CO ₂ e) | |
|-----------------------------------|-------------------|-------------------------------------|---------|
| | | Scope 1 | Scope 2 |
| Manufacturing Process Improvement | 932,876 | 38,228 | 59,855 |
| Facility Improvement | 137,298 | 6,985 | 9,346 |
| Energy Management | 351,868 | 22,828 | 16,509 |
| Total | 1,422,042 | 153,751 | |

| Measures by Business | Energy Saved (GJ) | GHG avoidance (t-CO ₂ e) | |
|----------------------|-------------------|-------------------------------------|---------|
| | | Scope 1 | Scope 2 |
| Petrochemical | 968,585 | 47,915 | 68,303 |
| Polyester | 102,855 | 4,458 | 3,294 |
| Textile | 350,602 | 15,667 | 14,114 |
| Total | 1,422,042 | 153,751 | |

- Note:
- The energy saved is calculated by comparing to energy consumptions of original facilities and production process prior to the execution of the projects.
 - Heating value is based on heating value coefficient of each production site.
 - GHG Emission Coefficient: for Taiwan, is based on "GHG Emission Coefficient Management Chart" version 6.0.3 published by Bureau of Energy, MOEA, and EPA. Electricity GHG Emission Coefficient is 0.529 t-CO₂e/1000 kWh, and steam emission coefficient is 0.1518t-CO₂e/t; Electricity GHG Emission Coefficient for Mainland China is based on local electricity network, other emission coefficients are calculated based on "General Principles for Calculation and Report (trial) of GHG Emission by China Chemical Production." Electricity GHG Emission Coefficient for Vietnam is calculated based on 0.57t-CO₂e/1000kWh.
 - Scope 1 Emissions include heavy oil, natural gas and CWM. Scope 2 emissions include purchased electricity.
 - GHG includes CO₂, CH₄, N₂O, PFCs, HFCs and SF₆.

Performance of Energy Conservation and Carbon Reduction Projects

| Item | 2015 | 2016 | 2017 |
|------------------------------------|---------|-----------|-----------|
| Investments Amount (NT\$ 1,000) | 311,165 | 384,486 | 239,134 |
| Energy Conservation (NT\$ 1,000) | 189,258 | 156,618 | 106,466 |
| Energy Savings (GJ) | 608,400 | 1,192,761 | 1,422,042 |
| GHG avoidance(t-CO ₂ e) | 74,022 | 166,252 | 153,751 |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Energy Conservation Optimization of Compressed Air System at Polyester Plants in Taiwan

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant had old and inefficient air compressors, and changes were made to the plants' manufacturing structures. Therefore, an optimization project was launched for the air compressors in 2017. Each year, the optimization project is estimated to save electricity 4.2 million kWh, and NT\$9 million in electricity cost, and reduce GHG emissions by 2,222t-CO₂e. Items of optimization included:

| | |
|---|---|
| Replacement | Replacing old centrifugal air compressors and water slurry air compressors with high-efficiency air compressors |
| Addition of variable frequency regulation | Added variable frequency regulation to oil-injected compressors |
| Manufacturing procedure adjustment | Rotary variable frequency compressor transfer system and reduced pressure operation |
| Divergence of high and low pressures | Added low-pressure centrifugal compressors |

Note: Electricity GHG Emission Coefficient is 0.529 t-CO₂e/1,000 kWh.

Oriental Petrochemical (Taiwan) Energy Conservation Project through Lowering RPM of Centrifugal Air Compressor via Variable Frequency System

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Oriental Petrochemical (Taiwan) had long been limiting the opening of the inlet air flap to keep its high-speed (10,000 RPM) centrifugal air compressor at low load operation, resulting in low energy efficiency. Thus, assessment was made to widen the opening of the inlet air flap and add a variable frequency drive to lower the speed. After on-line testing, the current significantly lowered during operation, and each year, an estimated 2.5 million kWh are saved.

Oriental Petrochemical (Taiwan) Cooling Water Diverge

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

After reviewing cooling water pipes, Oriental Petrochemical (Taiwan) found that there was room for cooling water pressure adjustment and also for the distance of pipe transportation and for production procedure. It has started to use both high and low pressure for water pressure to replace the previous 3 high power (1,090kW) water pumps in parallel operation and transport cooling water via single discharge pressure. Upon completion of the project, annual power consumption is projected to be reduced by 8 million kWh, saving NT\$17 million in electricity cost and reducing GHG emissions by 4,232t-CO₂e. Since the outcome of the project is outstanding, Oriental Petrochemical (Shanghai), Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, and Far Eastern Industries (Shanghai) all plan to introduce the project.

Note: Electricity GHG Emission Coefficient is 0.529 t-CO₂/1,000 kWh.

Far Eastern Industries (Shanghai) Extraction Tank Water-Cooled Heat Exchanger Replacement by Air-Cooled Heat Exchanger

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

During the process of esterification that separates MEG and water mixtures, extraction tank is needed to condensate water vapor into liquid form for ensuing processing. This process requires pumping cooling water to the elevated extraction tank to cool down the water vapor, consuming large amount of power and water resource. Now the process has been changed to air-cooled technology in place of the water-cooled heat exchanger to reduce consumption of water and electricity. The new system was launched in July 2017, and by the end of December, 500,000 kl of cooling water and 240,000 kWh of power were saved.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



3.2.2 Material Management

FENC's each production site carries out regular reviews to monitor the utilization of raw materials, introduce new technology and systems and enhance efficiency of raw material utilization. Also, through executing facility maintenance and evaluation of suppliers, the Company ensures the quality of materials and thus is able to improve yield rate to achieve the goal of reducing material usage.

FENC has also formulated related safety management regulations regarding hazardous materials, including safety guidelines, storage method, and emergency response measures for leaking and provide trainings for related personnel. In 2017, there was no incidence of leaking of oil, fuel or waste chemicals.

Raw Materials Management

Raw materials account for the largest share of production cost, and quality of raw materials is the key factors that affect the yield rate. Therefore, stable raw material supply and outstanding quality are our top priorities for raw material procurement.

In 2017, Oriental Petrochemical (Shanghai) implemented purification system improvement project to enhance recycling rate of PX; each year, recycled PX reduces the cost of procuring PX by NT\$4.53 million.

With highest standards in the industry, we strictly follow internal procurement management procedures and procurement regulations to select raw material suppliers that abide by laws and CSR regulations and high independent expert to carry out material examination. For supply stability, raw materials are provided by a number of suppliers, which ensures flexibility that helps us to react quickly to rapidly changing market of raw materials. At the same time, we study the operational situation of suppliers through interviews and market research, so we can make corresponding adjustments when a supplier cannot provide stable supply, ensuring production security and achieving the goal of sustainable management.

Procurement of Major Raw Materials

Unit: 1,000 metric tons

| Raw Materials | Sources | 2015 | 2016 | 2017 |
|---|---|-------|-------|-------|
| PX | Japan, Korea, China, Singapore | 905 | 990 | 1,035 |
| PTA | Taiwan, China, Korea, Thailand, Japan | 1,260 | 1,311 | 1,313 |
| MEG and Bio-MEG | Saudi Arabia, Taiwan, Canada, India, China, Japan | 506 | 520 | 521 |
| Cotton (Including Organic Cotton and Recycled Cotton) | China, USA, Australia, Brazil, India | 73 | 78 | 70 |

Notes: Some PTA are self-produced by Oriental Petrochemical (Taiwan) and Oriental Petrochemical (Shanghai) after procuring raw material PX. The remaining PTA is purchased externally.

We care about impact of raw material to the environment and support use of recycled material. We engage in development and use of biomass material and environmentally friendly plastics such as Bio-MEG, Bio-PTA, 100% Bio-PET, PLA. Besides, we also adopt environmentally friendly material such as organic cotton, BCI cotton, etc. to lower the negative impact to the environment and minimize influence of chemicals to human health. (Please refer to [2.2.3 Sustainable](#).)

Packaging Material Recycling and Management

FENC cares about packaging materials, using environmentally-friendly materials is our top priority. The Company also recycles and reuses packaging materials and avoid excessive packaging. In addition to doing our own recycling and reutilization, we also collaborate with recycling companies. Qualified contractors help to recycle packaging materials from domestic clients, sort the recycled materials, and sell back to us the packaging materials that are still in good conditions. Every month, we calculate the amount of packaging materials recycled, recycle rate, and achievement rate, and review items we fail to achieve. Through packaging materials recycling management mechanism, the Company has lowered amount of materials used and its cost, and at the same time, reduces waste materials.

FENC achieved 70% packaging materials recycling rate in 2017. We also recycle packaging materials of other companies in the industry to boost recycling rate to exceed 100%, such cases include plastic bases and plates, recycling rates of which are 200% and 103% respectively.

Furthermore, Far Eastern Dyeing and Finishing (Suzhou) replaced packaging paper boxes with recycled paper boxes, saving approximately NT\$3.42 million in cost annually; Hsinpu Chemical Fiber Plant switched the wooden pads provided to Japanese clients to recyclable plastic pads, reducing the consumption of wooden material.

3.2.3 Water Resources Management

FENC is deeply concerned with water resources management and continues to review efficiency of water withdrawal in its daily operation and activities. In addition to recording meter readings every day, the Company also assesses and reviews water withdrawal status and water conservation results in monthly meetings, and devises solutions and improvement plans, such as regular maintenance of facilities, adopting new manufacturing technology, recycling and reusing of wastewater, in order to establish comprehensive monitoring and control of water resources.

In addition to the development of the company and changes of the industry, FENC also takes into consideration land utilization needs of residents living in the surrounding areas for water resources planning to effectively manage supply and distribution of water resources. Our water usage and the ways we withdraw water did not bring negative impact to environment and local residents.



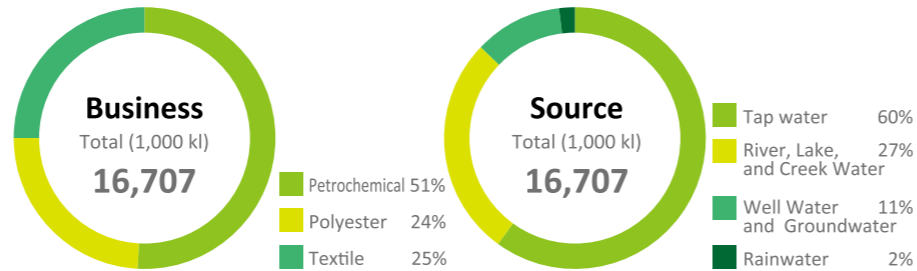
- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



FENC carries out manufacturing procedure water consumption planning and implements reclaimed water recycling to reduce water consumption and boost water usage efficiency. Far Eastern Industries (Shanghai) has conservation plans for short, mid and long terms. For short term, it's 80% reclaimed water; for mid and long terms, 100%. Far Eastern Dyeing & Finishing (Suzhou) plans to recycle 7,000 kiloliter/day of reclaimed water by 2019. In 2017, Oriental Petrochemical (Shanghai) began to reclaim the water discharged by the cooling tower, saving 182,000 kl of water annually. Far Eastern Industries (Shanghai) recycled staple fiber oily wastewater and saved 39,000 kl of water annually. Hsinpu Chemical Fiber Plant constructed cooling water and wastewater recycling facilities to recycle approximately 54,000 kl of water annually.

Water Withdrawal in 2017



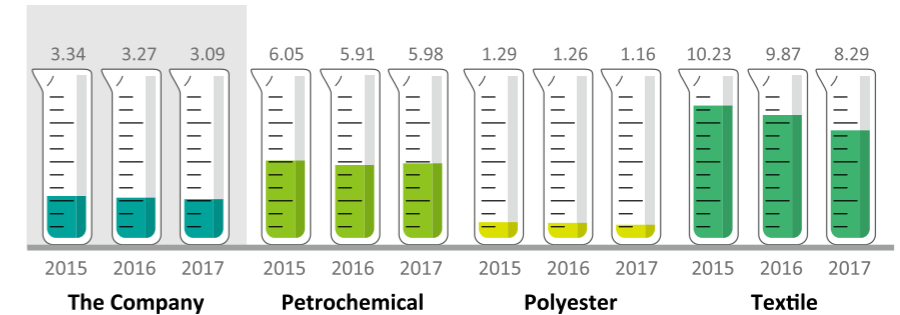
Water Withdrawal

Unit: 1,000 kl

| Type | Petrochemical | | | Polyester | | | Textile | | | Total | | |
|------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Tap Water | 7,325 | 7,483 | 7,099 | 1,673 | 1,689 | 1,586 | 1,463 | 1,462 | 1,407 | 10,461 | 10,634 | 10,092 |
| River, Lake, and Creek Water | 898 | 1,406 | 1,316 | 955 | 840 | 880 | 2,844 | 2,792 | 2,388 | 4,697 | 5,038 | 4,584 |
| Well Water and Groundwater | 73 | 0 | 0 | 1,607 | 1,814 | 1,517 | 325 | 309 | 257 | 2,005 | 2,123 | 1,774 |
| Rainwater | 0 | 0 | 209 | 0 | 0 | 0 | 64 | 64 | 48 | 64 | 64 | 257 |
| Total | 8,296 | 8,889 | 8,624 | 4,235 | 4,343 | 3,983 | 4,696 | 4,627 | 4,100 | 17,227 | 17,859 | 16,707 |

Water Intensity

Unit: kl / metric ton of product



Note: Textile business does not include Far Eastern Apparel (Suzhou) Co. Ltd. and Far Eastern Apparel (Vietnam) Ltd.

Outcome of Water Saving Projects in 2017

| Business | Investment (NT 1,000) | Water Saved (kl/year) | Percentage to Water Withdrawal |
|--------------------|-----------------------|-----------------------|--------------------------------|
| Petrochemical | 9,576 | 230,515 | 3% |
| Polyester | 12,165 | 130,064 | 3% |
| Textile | 46,135 | 1,855,641 | 45% |
| The Company | 67,876 | 2,216,220 | 13% |

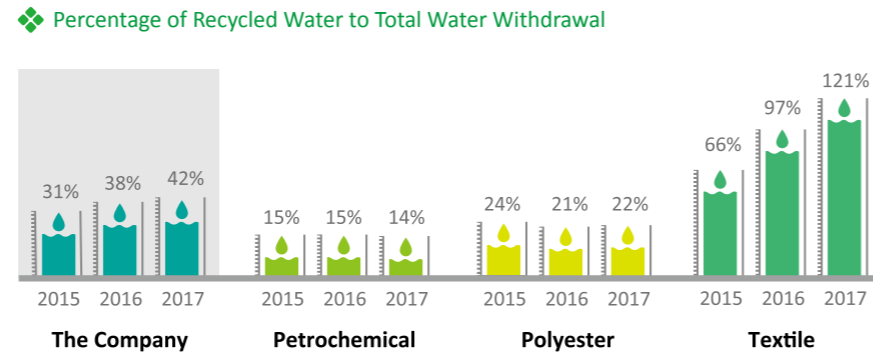
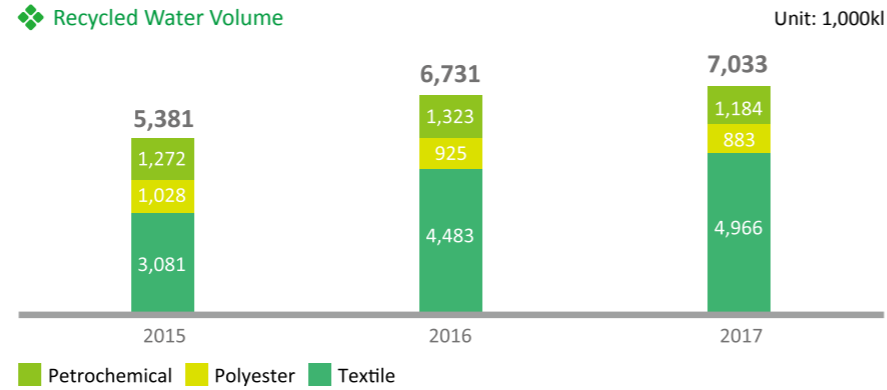
Note: Water saved is calculated by before the project with the same facility and same production procedure



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response

- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix

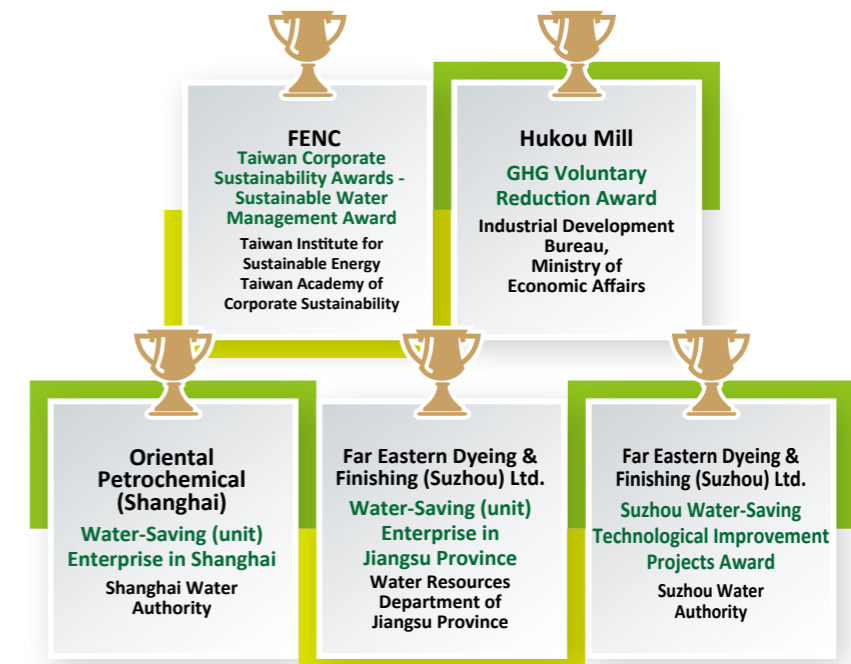


Water intensity has been decreasing over the years because FENC continues to improve manufacturing procedure, promote water recycling projects, and enhance management, reducing water withdrawal annually. The percentage of recycled water to total water withdrawal continues to grow each year, because Far Eastern Dyeing and Finishing (Suzhou) that has the largest water intensity continues to promote reclaimed water recycling project. Currently, the Company plans to promote related water recycling projects at other production sites.

Replacing Traditional Dyeing Machine with Low Liquor Ratio Dyeing Machine

Tradition fabric dyeing process consumes a large amount of water and discharges a large amount of wastewater that leads to environmental pollutions. FENC introduced water-free dyeing technology; however, the new dyes for this technology are only applicable to polyesters, rather than to all fabrics. Therefore, it is necessary for dye suppliers and brands to engage in long-term research and development together. FENC will continue to replace traditional liquor ratio dyeing machine with low liquor ratio dyeing machine as short- and mid-term solution, which is estimated to save 63% of water, 50% of electricity, 50% of steam, and 35% of dyeing agent, mitigating the environmental impact of the dyeing process. After replacing traditional liquor ratio dyeing machine with low liquor ratio dyeing machine in 2018, Far Eastern Dyeing and Finishing (Suzhou) and Kuanyin Dyeing and Finishing Plant will both have low liquor ratio dyeing machines over 20% of all dyeing machines.

3.2.4 Outstanding Achievements





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Recognized as Water-Saving Enterprises and Awarded for Water-Saving Technological Improvement Projects

In 2017, Oriental Petrochemical (Shanghai) and Far Eastern Dyeing and Finishing (Suzhou) won the Water-Saving Enterprise honors from Shanghai City and Jiangsu Province respectively for outstanding water resource management performances. Furthermore, Far Eastern Dyeing and Finishing (Suzhou) was recognized for its water-saving technological improvement project by Suzhou City Water Resources Bureau.

Shanghai City launched the water resource management system of Water-saving Enterprise to promote the "prioritizing water-saving" principle. Through quantitative and qualitative assessments and promotion of wastewater utilization, the city government reviews all enterprises and encourages water saving efforts. Oriental Petrochemical (Shanghai) achieved water-saving goals through effective utilization of water resources, reaching 98% water reusing rate; the steam boiler can be 100% reused by the boiler after condensation through production system, and the reclaimed water facility can reduce the amount of discharge water. Also, rainwater recycling and reutilization reduces fresh water consumption. Jiangsu Province Water-Saving Enterprise review is an important foundation for the building of water-saving city. Far Eastern Dyeing and Finishing (Suzhou) was recognized as Water-Saving Enterprise, and won the Water-Saving Technological Improvement Project Award with its reclaimed water reuse project. Currently, the plant reuses reclaimed water up to 6,000 kl/day.



Hukou Mill Won the MOEA's Excellent Corporation on GHG Voluntary Reduction Award

Hukou Mill won the MOEA's Excellent Corporation on GHG Voluntary Reduction Award in 2017 with 15 GHG reduction projects, investing approximately NT\$11 million and reducing 1,741 tons CO₂e/year; the benefit reached NT\$7.4 million as Hukou won the recognition of all sectors with such outstanding performance.

The key of Hukou Mill's GHG reduction is to enhance the efficiency of electricity consumption, including renewal of production and public facilities, introduction of most optimal feasible technology and establishment of management system. The automatic voltage regulation variable frequency energy-saving project achieved the best result. Negative voltage detectors detect the actual negative voltage at the end of pipeline, and transmits signal to digital controller that controls power output of facilities through variable frequency device, resolving the issue of energy waste due to actual negative voltage greater than minimum demand. The criteria of this award are actual performance of annual GHG reduction, total annual reduction and percentage to total plant emissions, innovativeness of reduction measure, return period of reduction measure, and GHG management system, where the first two criteria have the highest weight. This is a recognition of Hukou Mill's long-term commitment to GHG reduction.





- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response

- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



3.3 GHG Management

In response to the trend of global warming caused by GHGs that result from human activities, FENC has established GHG management mechanism, and all production sites will regularly discuss and implement related management measures. Furthermore, FENC has been a step ahead of the government and launched a GHG emission inventory and audit at all production sites, establishing a sound foundation for further reduction of GHG emission.

After the "Trial Procedures of Shanghai Municipality on Carbon Emission Administration" launched in 2013, carbon emissions quota has been imposed. Oriental Petrochemical (Shanghai) and Far Eastern Industries (Shanghai) formulated carbon emission reduction and monitoring measures to ensure compliance with government regulations; both subsidiaries also formulate annual energy-saving goals and amount of carbon emission reduction at the end of each year, follow up on monthly energy consumption and carbon emissions in monthly meetings, and propose suggestions for improvement, while also ensuring responsible divisions to monitor carbon price daily and report at monthly energy-saving meeting. At the end of 2017, Mainland China launched the national carbon trading market and included the power generation industry in the first phase; in addition to compiling reports in accordance to existing regulations in Shanghai, the aforementioned two subsidiaries are also required to compile annual carbon emissions report and emissions monitoring plan for 2016 and 2017 in accordance to the system of national carbon trading market.

Carbon Quotas and Emissions of Oriental Petrochemical (Shanghai) and Far Eastern Industries (Shanghai)

Unit: kt-CO₂e

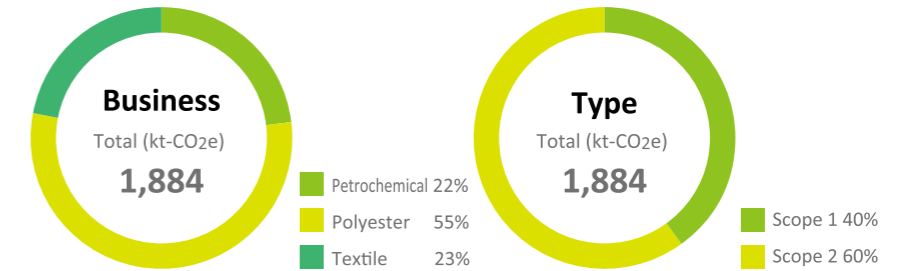
| | | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------|------------------|------|------|------|------|------|
| Oriental Petrochemical (Shanghai) | Quota | 299 | 299 | 299 | 265 | 166 |
| | Actual Emissions | 298 | 291 | 261 | 167 | 161 |
| Far Eastern Industries (Shanghai) | Quota | 349 | 349 | 349 | 375 | 366 |
| | Actual Emissions | 368 | 399 | 393 | 319 | 328 |

Both Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant set the emission reduction goal at 2% per year. Kuanyin Dyeing and Finishing Plant's goal is at 2.5% per year. Far Eastern Industries (Shanghai)'s goal is at 3% per year. Meanwhile, the plants have actively participated in local government's regulation amendment to demonstrate how much we cared about the issue.

3.3.1 GHG Inventory

In order to be in full control on the status of GHG emission for the formulation of GHG reduction plan, FENC conducted an inventory on GHG emissions at all production sites. All production sites must conform to ISO 14064-1 or local official standards and conduct an inventory and calculation of GHG emissions, and must complete third party auditing every 3 years. Currently, all production sites have completed GHG emission audit by the third party. Through establishing inventory data, FENC can set reduction goals and execution priorities, so as to ultimately reduce GHG emissions for mitigation of climate change.

GHG Emission in 2017



GHG Emission

Unit: kt-CO₂e

| Type | Petrochemical | | | Polyester | | | Textile | | | Total | | |
|----------------------------------|---------------|------------|------------|--------------|--------------|--------------|------------|------------|------------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Scope 1 | 326 | 242 | 246 | 530 | 442 | 435 | 68 | 69 | 70 | 924 | 753 | 751 |
| Scope 2 | 158 | 176 | 175 | 558 | 579 | 588 | 377 | 390 | 370 | 1,093 | 1,145 | 1,133 |
| Biofuel CO ₂ emission | 20 | 20 | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 20 | 20 | 18 |
| Total Emission | 484 | 418 | 421 | 1,088 | 1,021 | 1,023 | 445 | 459 | 440 | 2,017 | 1,898 | 1,884 |

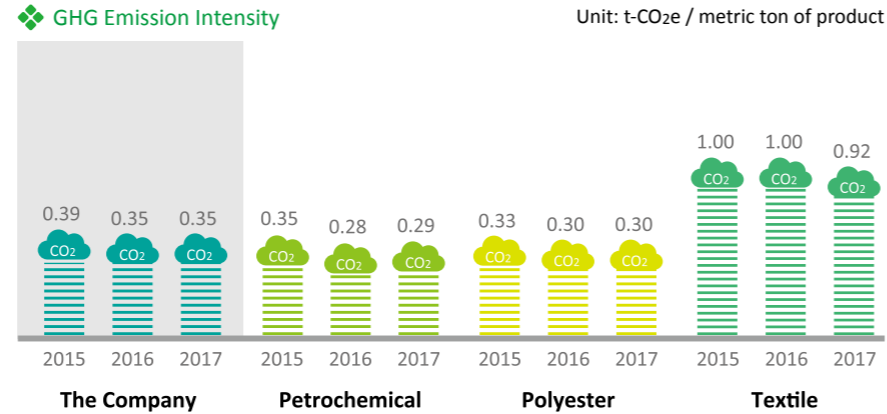
Note:

- Scope 1: direct emission includes CO₂, CH₄, N₂O, PFCs, HFCs and SF₆; scope 2 indirect emission includes CO₂, CH₄, and N₂O. Total emission does not include CO₂ emission from biofuel.
- Oriental Petrochemical (Shanghai) and Far Eastern Industries (Shanghai) conform to SH/MRV-004-2012, which only CO₂ emission is calculated.
- Production sites which have completed standards (e.g. ISO 14064-1) for GHG inventories in 2015 included: Oriental Petrochemical (Taiwan), Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Far Eastern Fibertech, Neili Texturizing Plant, Hukou Mill, Oriental Petrochemical (Shanghai), Far Eastern Industries (Shanghai), and Wuhan Far Eastern New Material.
- Production sites which have completed standards (e.g. ISO 14064-1) for GHG inventories in 2016 included: Oriental Petrochemical (Taiwan), Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Oriental Petrochemical (Shanghai) and Far Eastern Industries (Shanghai).
- Production sites which have completed or were in progress of standards (e.g. ISO 14064-1) for GHG inventories in 2017 included: Oriental Petrochemical (Taiwan), Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Kuanyin Dyeing and Finishing Plant, Oriental Petrochemical (Shanghai), Far Eastern Industries (Shanghai), Far Eastern Industries (Wuxi), Oriental Industries (Suzhou), Far Eastern Dyeing & Finishing (Suzhou), Far Eastern Apparel (Suzhou) and Far Eastern Apparel (Vietnam).
- The total emission for FENC's 5 production sites in Taiwan is 743 kt-CO₂e.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Note: The textile business does not include Far Eastern Apparel (Suzhou) Co., Ltd. and Far Eastern Apparel (Vietnam) Co., Ltd.

Implementation of GHG Inventory Scope 3: Employee Business Trip by Air Travel and Waste Processing

To implement GHG management, FENC has launched employee business trip by air travel and waste processing inventories. For employee business trip inventory, all employees of production sites in Taiwan and Mainland China are included. The calculation of GHG emission is using the air travel carbon calculator implemented by International Civil Aviation Organization, ICAO, adding up all the mileage of employees' business travels. The employee business trip by air travel carbon emissions of 2017 was 838 tons CO₂e. Waste processing inventory includes all waste removed from all production sites in Taiwan, calculating ton-kilometer of waste removal based on carbon footprint emissions coefficient announced by EPA. The carbon emissions of waste processing in 2017 was 2,770 tons CO₂e.

The total GHG emissions and intensity in 2017 remained the same as 2016. The textile business GHG emissions and intensity decreased by 4% and 8% respectively compared to 2016, because Far Eastern Industries (Wuxi) and Far Eastern Dyeing and Finishing (Suzhou) have implemented energy-saving technological improvement and manufacturing procedure optimization, reducing GHG emissions and intensity.

3.3.2 Use of Renewable Energy

Solar power is an environmental-friendly and sustainable renewable energy in that it never runs out. To increase the use of green energy and reduce GHG emissions and environmental impact, solar power stations at Oriental Industries (Suzhou), Far Eastern Dyeing and Finishing (Suzhou), and Far Eastern Industries (Shanghai) were launched in August 2016 in order to further monitor the power generation efficiency of solar stations. In 2017, AISolar management platform was established, and FENC is currently planning the second phase of solar power construction at the aforementioned three sites and first phase solar power station construction at Far Eastern Industries (Wuxi).

To mitigate the risk of climate change resulted from GHG emissions, Taoyuan City Government launched the "Autonomous Regulations on Developing Taoyuan City as a Low-Carbon-Emission and Green City," which requires those with a certain level of power consumption to establish renewable energy facilities. The Energy Task Force investigated the green energy insufficiency at production sites in Kuanyin District, and proposed coping measures, planning to launch solar power project at Oriental Petrochemical (Taiwan) in 2018.

Establishment of AISolar Management Platform for Solar Power Stations

To maintain normal efficiency of solar power station requires manual maintenance and inspection. However, inspection points are often on rooftop, making inspections more dangerous. Usually, solar power station information provided by general suppliers only present an overview on the operation, and the operator cannot gain access to the information of a single panel.

Far Eastern Industries (Shanghai), Oriental Industries (Suzhou), and FENC Information and Technology Division established the digitalized management platform AISolar, to collect and organize big data of solar power stations, and establish various models through statistics and deep learning, to produce statistical analysis results for onsite personnel to use for management, reducing the need for onsite inspections and workplace safety risks. The results of data analysis can also be used to timely detect malfunctions and enhance efficiency of facilities. AISolar management platform is also in construction for Far Eastern Dyeing and Finishing (Suzhou), and is projected to go online in 2018.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment

- Overview of Environmental Data
- Energy and Resources Management
- GHG Management
- Pollution Prevention and Waste Management
- Green Production Process
- Neighboring Community Communication and Response

- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Advocating Renewable Energy

To support the development of renewable energy in Taiwan, FENC voluntarily purchased green power in 2015, purchasing a total of 800,000 kWh of power from 2015 to 2017, showing our support for local renewable energy, such as wind power, solar power, and geothermal power and contributing to environmental protection. Since the opening of Taiwan Renewable Energy Certificate (T-REC) trading in 2017, FENC has planned to purchase T-RECs in 2018, and have signed contract with ITRI Southern Branch's Liujia Office for 2018 T-RECs supply. FENC also continues to negotiate with qualified vendors. Oriental Petrochemical (Taiwan) will also apply for T-RECs after completion of its solar power station.

3.4 Pollution Prevention and Waste Management

FENC complies with regulations of “CSR Policy” and adopts preventive measures for pollution, focusing on handling of waste materials and avoiding air, water, soil pollutions. We prioritize the consideration of environmental risks in all production processes and strive to minimize pollution. We also faithfully report amounts of wastewater, emissions and waste materials as well as abide by all related laws and regulations.

Awareness for environmental protection is on the rise in recent years, and related laws have been rapidly promulgated. In 2018, Mainland China changes from “charges for disposing pollutants” to “Environmental Protection Tax,” imposing tax on pollutants including air pollutants, water pollutants, solid wastes and noises. Therefore, environmental protection expenses of production sites in Mainland China are expected to increase in 2018. To enhance environmental protection outcome and comply with laws and regulations, FENC has established environmental protection task force and allocated environmental protection project budget NT\$1 billion, reviewing policies and performances of water resources management, air pollution prevention, and waste management of all production sites, and carrying out necessary addition of replacement of related facilities based on the review results.

3.4.1 Air Pollutant Discharge Management

Through pollution prevention facilities, FENC processes pollutants produced through manufacturing processes and continues to review existing facilities and production processes to find areas for improvement. We also conduct periodical examination on boilers and pollutant emitting channels to make sure that all emissions are within the limits of related regulations.

Winter is especially vulnerable to smog, and Oriental Petrochemical (Shanghai) and Far Eastern Industries (Shanghai) have been scheduling annual maintenance in November as requested by Shanghai City environmental protection agency; on days of severe pollution, the plants will halt operations that will generate aeolian dust and reduce transportation vehicles at the plants by half, in order to reduce pollutants.

In response to Mainland China’s environmental protection tax beginning in 2018, all production sites have implemented related measures, including establishment of environmental protection task force to study influences of laws and coping measures; Oriental Industries (Suzhou) has installed regenerative thermal oxidizer, which can convert VOC in tail gas into water and CO₂, achieving a removal rate of approximately 95%. One such facility has been installed in 2017, and 4 more will be installed in 2018; Oriental Petrochemical (Shanghai) has installed monitoring devices on exhaust pipes and boiler pipes to ensure stable emissions that meet the terms of tax reduction and exemption.

In 2017, Far Eastern Fibertech changed two oil-burning boilers to gas-fired boilers; in 2018, Kuanyin Chemical Fiber Plant plans to improve NO_x prevention facilities, and it is estimated to reduce NO_x emissions by 60%. Hsinpu Chemical Fiber Plant will also introduce the facility. Hukou Mill plans to replace oil-burning boiler with electric yarn humidification machine to provide steam, achieving 0 emissions of NO_x and SO_x.

Regenerative Thermal Oxidizer

Mainland China’s environmental laws and regulations are becoming increasingly strict, setting higher standards for tail gas emissions. Oriental Industries (Suzhou) originally adopted the washing method for processing tail gas of dipping machine, reducing approximately 60% of VOC; after switching to regenerative thermal oxidizer, VOC can be reduced by over 95%, while also recollecting tail gas heat by over 50% and decreasing the temperature of tail gas emissions to less than 80°C.

It is an innovation in the industry to combine dipping machine with regenerative thermal oxidizer, and the process must overcome the problems of controlling powder particles, avoiding condensation of tail gas materials, and balancing the use of recycled heat; the system also needed to be installed in existing facility piping and space, while maintaining the operation of original washing facility during the construction. After the installation, the quality of tail gas emissions has been enhanced, while odor in air improved, eliminating the problems of water consumption, wastewater discharge, and sludge processing of the original washing method. Recycled heat also reduced natural gas consumption by 20%. Furthermore, the facility is highly automated, requiring minimal manpower for maintenance.

Total air pollutant emission in 2017 decreased significantly by 31% compared to five years ago; however, it slightly increased by 2.9% compared to 2016. It was mainly because that although chemical fiber plants greatly reduced pollutants by half, it could not make up for the increase in NO_x emissions. FENC will continue to improve manufacturing procedures and install discharging and processing facilities to reduce air pollutant emission.



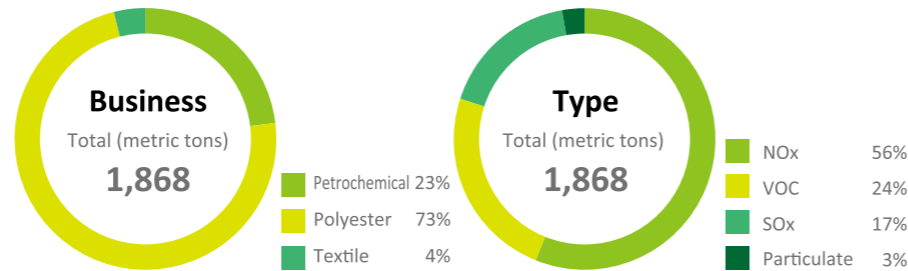
- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response

- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



Air Pollution Emission in 2017



Air Pollution Emission

Unit: metric tons

| Category | Petrochemical | | | Polyester | | | Textile | | | Total | | |
|-----------------------|---------------|------------|------------|--------------|--------------|--------------|-----------|-----------|-----------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| NOx | 493 | 167 | 170 | 811 | 750 | 854 | 32 | 34 | 26 | 1,336 | 951 | 1,050 |
| SOx | 187 | 123 | 152 | 191 | 154 | 153 | 8 | 7 | 6 | 386 | 284 | 311 |
| VOC | 198 | 88 | 101 | 177 | 339 | 324 | 15 | 16 | 20 | 390 | 443 | 445 |
| Particulate Pollutant | 3 | 2 | 3 | 60 | 113 | 38 | 23 | 23 | 21 | 86 | 138 | 62 |
| Total | 881 | 380 | 426 | 1,240 | 1,356 | 1,369 | 77 | 80 | 73 | 2,198 | 1,816 | 1,868 |

Note:
 1. Only gases emitted are listed.
 2. Particulate matter pollutants include PM, dust and smog.
 3. The data includes four types: actual measured values, annualized sample values, calculate values, and permitted amounts of emissions. Actual measured values come from Hsinpu Chemical Fiber Plant (NOx, SOx, particulate pollutant), Kuanyin Chemical Fiber Plant (NOx, SOx, particulate pollutant), Far Eastern Fibertech, Oriental Petrochemical (Shanghai), Wuhan Far Eastern New Material Ltd., Far Eastern Industries (Wuxi), Far Eastern Dyeing & Finishing (Suzhou), Far Eastern Apparel (Suzhou); annualized sample values are from Kuanyin Dyeing and Finishing Plant, Far Eastern Industries (Shanghai), Far Eastern Apparel (Vietnam) Ltd.; calculated values are from Oriental Petrochemical (Taiwan), Hsinpu Chemical Fiber Plant (VOC), Kuanyin Chemical Fiber Plant (VOC), Hukou Mill, Neili Texturizing Plant, Far Eastern Industries (Suzhou); permitted amounts of emissions are from Oriental Industries (Suzhou).

3.4.2 Wastewater Discharge Management

FENC has formulated comprehensive regulations and procedures for wastewater treatment. Sewage is treated prior to discharge and quality of wastewater is regularly checked to ensure compliance with government regulations. The Company has also obtained enterprise sewage discharge permit in accordance with related regulations, and discharges sewage into the permitted water bodies. Furthermore, we have enhanced wastewater recycling and increased volume of wastewater recycled to reduce volume of sewage discharged to realize our goal of recycle and reuse. FENC's discharged wastewater is not reused by any other organizations. There is no leakage reported in 2017.

Volume of Sewage Discharged and Location

Unit: 1,000kl

| Location | Production Site | Volume of Sewage | | | Sewage Treatment Method and Discharge Location |
|--------------|---|------------------|--------------|--------------|--|
| | | 2015 | 2016 | 2017 | |
| Taiwan | Hsinpu Chemical Fiber Plant | 1,046 | 1,062 | 907 | Wastewater is bioprocessed to meet local effluent standards before being discharged into the Fengshan River. |
| | Kuanyin Chemical Fiber Plant | 382 | 434 | 394 | Wastewater is bioprocessed to meet local effluent standards before being discharged into the Shulin River. |
| | Kuanyin Dyeing and Finishing Plant | 524 | 558 | 502 | Wastewater is processed at onsite wastewater treatment plant before being discharged to the sewage treatment plant of the industrial park. |
| | Neili Texturizing Plant | 103 | 110 | 63 | Discharge directly into sewage system upon permission |
| | Hukou Mill | 98 | 74 | 72 | Wastewater is Bioprocessed onsite (oxidation and aeration) before being discharged into the Desheng River. |
| | Oriental Petrochemical (Taiwan) | 2,358 | 2,579 | 2,185 | Wastewater is Bioprocessed (deep-well aeration and anaerobic treatment) to meet local effluent standards before being discharged into the Shulin River. |
| | Far Eastern Fibertech | 97 | 99 | 98 | Wastewater from manufacturing process and domestic wastewater are bioprocessed (contact oxidation) and undergoes the precipitation process to meet local effluent standards before being discharged into the Shulin River. |
| China | Oriental Petrochemical (Shanghai) | 1,348 | 1,347 | 1,423 | Wastewater from manufacturing process, domestic sewage, and lab wastewater are all discharged to sewage treatment plant. Treated wastewater is recycled at reclaimed water recycling unit; final wastewater is discharged through underground sewage system to sewage treatment plant in eastern Fengxian District before being discharged into sea. |
| | Far Eastern Industries (Shanghai) | 483 | 425 | 437 | Wastewater is treated at the plant's wastewater treatment station before being discharged to city wastewater treatment plant. |
| | Wuhan Far Eastern New Material | 12 | 12 | 13 | Directly discharged into Wuhan City's sewage system |
| | Oriental Industries (Suzhou) | 140 | 138 | 239 | Domestic wastewater is permitted to be directly discharged into the city's sewage network for centralized management upon meeting local effluent standards. |
| | Far Eastern Industries (Suzhou) | 9 | 11 | 25 | Wastewater is discharged into sewage treatment plant; wastewater is treated to meet local effluent standards before being discharged into the Grand Canal. |
| | Far Eastern Industries (Wuxi) | 4 | 4 | 4 | Wastewater is directly discharged into Wuxi's sewage system. |
| | Far Eastern Dyeing & Finishing (Suzhou) | 2,663 | 2,474 | 1,965 | Wastewater treatment is commissioned to national sewage treatment plant. |
| | Far Eastern Apparel (Suzhou) | 129 | 93 | 88 | Wastewater is treated at the plant to meet effluent standards before being discharged into city sewage network. The wastewater is ultimately discharged to sewage treatment plant in the south of the city. |
| Vietnam | Far Eastern Apparel (Vietnam) | 69 | 76 | 71 | Wastewater is discharged to the sewage process center of the industrial area |
| Total | | 9,465 | 9,496 | 8,486 | |

Note:
 1. The differences between sewage discharge and water withdrawal come from evaporation at cooling tower. Small volume of water is lost through related manufacturing processes.
 2. The discharged wastewater poses no obvious impact to waterbodies and related habitats.
 3. Wastewater at Oriental Petrochemical (Taiwan), Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Far Eastern Fibertech, Oriental Petrochemical (Shanghai), Far Eastern Industries (Shanghai), and Oriental Industries (Suzhou) include wastewater from manufacturing process, domestic wastewater, and lab wastewater; wastewater at Kuanyin Dyeing and Finishing, Far Eastern Industries (Suzhou), and Far Eastern Dyeing and Finishing (Suzhou) include wastewater from manufacturing process and domestic wastewater; wastewater at Neili Texturizing Plant, Hukou Mill, Wuhan Far Eastern New Material, Far Eastern Industries (Wuxi), Far Eastern Apparel (Suzhou) and Far Eastern Apparel (Vietnam) include only domestic wastewater.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
 - Appendix



❖ Sewage Management Measures

Wastewater Monitoring

- Formulation of related management guidelines
- On-site discharge monitoring
- Wastewater plant management
- Outsource water quality examination and report to competent authority
- Submission and formulation of report on operation status

Personnel Training and Facility Maintenance

- Promotion of water pollution prevention
- Regular maintenance and repair of machines
- Regular training of management personnel and assistance in acquiring related certificates

Staple Fiber Waste Water Reduction Project

Far Eastern Industries (Shanghai) staple fiber business launched oil-water separation system and bio-processible project in 2017. The oil-water separation system separates oily water into pure water and concentrated oily water, and the pure water can be recycled together with cooling water, reducing amount of discharged wastewater. Wastewater processing method changed from air floatation to anaerobic treatment, which can effectively reduce sludge. The system has been modified and tested, beginning to show significant effect in September 2017. Each year, the system reduces 29,700 kl of discharged wastewater, reduces 61,380 kl of water consumption, and reduces 100 tons of sludge.

3.4.3 Waste Management

The objective of FENC's waste management is to increase the rates of reusing and recycling waste materials produced through the production process, reducing the amount of waste from the source. All handling and removal of waste materials are in compliance with related laws and regulations, permits have been applied and obtained, and all amounts are reported. Qualified contractors are employed to remove the waste materials. The governance principle of waste management is "categorization to reduce garbage; turn waste into valuables, turn valuables into something precious." All production units follow categorization of wastes strictly, and valuable wastes are sold through procurement department for external organizations to recycle and reuse. Qualified contractors are commissioned for the removal of invaluable wastes. We strictly review qualification of contractors. In addition to GPS tracking, FENC also conducts inspections on removal and transportation of waste materials from time to time.

Hazardous business wastes produced through the manufacturing process are collected and stored at designated sites before qualified contractors are commissioned for removal and transportation. Ad hoc inspections are conducted by having personnel follow the contractors for the removal and transportation of waste materials to ensure contractors comply with all regulations.

Taiwan's Waste Disposal Act was amended in 2017, which stipulates that when an enterprise commissions clearance and disposal of its waste, it shall take up joint liability with the commissioned agency for the clearance of the waste. Due to this amendment, all production sites in Taiwan amended internal waste management procedures, adding clauses on commissioned enterprises' responsibilities in waste removal contracts, while also increasing internal patrol and inspection and external audit, including requirement for commissioned enterprises to provide documentations, interview with commissioned enterprise at least once a year to examine management, irregular check at processing facilities, and random access to transportation record of waste materials upon leaving the plant, to ensure compliance with laws and regulations.




With rising cost of waste processing and low recycling price, companies are less willing to recycle materials. Through introduction of new manufacturing procedures and facilities, FENC strives to reduce waste at the source and implement waste sorting and categorization, to limit generation of waste. FENC also joins forces with research institutes to develop other usage for wastes that cannot be remanufactured.

Sludge Drying System





Sludge drying system dries sludge with steam, decreasing the water content in sludge to reduce carbon emissions from transporting sludge and processing cost. Hsinpu Chemical Fiber Plant first installed sludge-drying system in 2015. As the outcome is outstanding, Oriental Industries (Suzhou) and Kuanyin Chemical Fiber Plant also adopted sludge-drying system in 2016 and 2017. Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant plan to install upflow anaerobic sludge bed (UASB) in 2018 to treat high-concentration wastewater, further reducing amount of sludge generated.

| Category | Oriental Industries (Suzhou) | Hsinpu Chemical Fiber Plant | Kuanyin Chemical Fiber Plant |
|---|--|-----------------------------|------------------------------|
| Water Content of Sludge (Before Installation) | 80% | 85% | 85% |
| Water Content of Sludge (After Installation) | 40% | 25-30% | 35% |
| Cost Saved Annually | NT\$ 5.4million | NT\$ 5.0million | NT\$ 1.8million |
| Future Plan | Water Content of Sludge reduced to 15% | Installation of UASB | Installation of UASB |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment

- Overview of Environmental Data
- Energy and Resources Management
- GHG Management
- Pollution Prevention and Waste Management
- Green Production Process
- Neighboring Community Communication and Response

-  Creating Employee Passion
-  Building Altruistic Society
-  Starting Futuristic Parks
-  Appendix

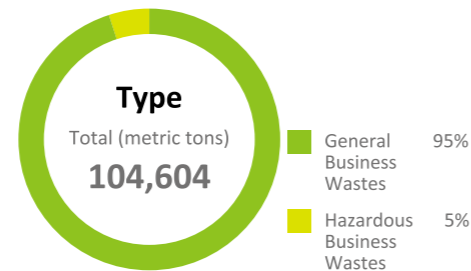


 **Hukou Mill Recycles LED Light to Love the Earth through Environmental Protection**

Hukou Mill emphasizes energy saving and environmental protection, and continues to replace energy-saving lights. However, currently there are not recycling companies that can recycle used LED light, and LED light tubes cannot be processed as wastes. Therefore, Hukou Mill conducts manual recycling procedure, including disassembling, separating, and sorting LED lights, to disassemble light tubes into aluminum strip, plastic, circuit board, and screw, for recycling. Approximately 4,000 LED light tubes were disassembled in 2017.




 **Waste in 2017**



 **Percentage of Recycling and Reuse in 2017**



In 2017, total waste volume increased by 12% compared to 2016. This was due to bad sales of wastes at Hsinpu Chemical Fiber Plant in 2016, leaving behind some wastes in storage to be sold in 2017; also, Far Eastern Dyeing and Finishing (Suzhou) was required to construct wastewater treatment facility by environmental protection regulations, resulting in increase of sludge. Furthermore, amount of sludge that was incinerated increased, resulting in share of recycled wastes to total volume of wastes dropping 4 points from the year before.

 **Data of Waste**

Unit: metric tons

| | | 2015 | 2016 | 2017 | |
|--------------------------------------|--|-------------------------|---------------|----------------|---------------|
| General Business Wastes | Manufacturing Process Wastes | Recycling and Reuse | 84,934 | 75,263 | 79,140 |
| | | Energy Uses | 214 | 207 | 345 |
| | | Incineration | 4,649 | 8,854 | 13,689 |
| | | Landfilling | 3,328 | 339 | 475 |
| | | Other Treatment Methods | 1,003 | 871 | 1,151 |
| | | Subtotal | 94,128 | 85,534 | 94,800 |
| | Domestic Wastes | Recycling and Reuse | 2,601 | 2,417 | 2,397 |
| | | Energy Uses | 340 | 340 | 340 |
| | | Incineration | 1,088 | 1,102 | 1,369 |
| | | Landfilling | 341 | 365 | 352 |
| | | Other Treatment Methods | 110 | 110 | 110 |
| Subtotal | | 4,480 | 4,334 | 4,568 | |
| Total General Business Wastes | | 98,608 | 89,868 | 99,368 | |
| Hazardous Business Wastes | Recycling and Reuse | 3,957 | 2,538 | 3,860 | |
| | Energy Uses | 0 | 0 | 0 | |
| | Incineration | 1,390 | 872 | 1,267 | |
| | Landfilling | 0 | 0 | 0 | |
| | Other Treatment Methods | 62 | 66 | 109 | |
| | Total Hazardous Business Wastes | 5,409 | 3,476 | 5,236 | |
| Total | | 104,017 | 93,344 | 104,604 | |

Note: Recycling and reuse includes recycling and reuse by the plants, selling of waste materials, and recycling by commissioned contractors.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment**
 - Overview of Environmental Data
 - Energy and Resources Management
 - GHG Management
 - Pollution Prevention and Waste Management
 - Green Production Process
 - Neighboring Community Communication and Response
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks
- Appendix



3.5 Green Production Process

FENC strives to do its part for environmental sustainability, actively reducing amount of energy consumed in production processes. The Company has also set the long-term goal of zero waste production and responds to UN's SDG12, responsible consumption and production, to ensure a sustainable production model and steadily proceeding into green industry.

Oriental Petrochemical (Taiwan) New Energy-Saving and Carbon-Reducing Manufacturing Procedure



Oriental Petrochemical (Taiwan) adopts the latest PTA manufacturing procedure, and sets up a third production line. Related manufacturing procedures adopt BAT and BACT to meet the comprehensive execution objectives of energy and water conservation and minimization of pollutant emissions. Trial production was officially launched on November 23, 2017.



| Item | Benefit |
|---|---|
| Energy-Saving and Carbon-Reducing Manufacturing Procedure | • GHG emissions of unit of capacity reduced to 0.25 t-CO ₂ e/ton PTA, a 48% decrease. |
| Air Pollution Prevention | • Unit SO _x emissions reduced to 0.001kg/ton PTA, a 99% reduction. • Unit NO _x emissions reduced to 0.124kg/ton PTA, a 69% decrease. |
| Recycle and Reuse of Water Resources | • Recycle rate of wastewater from manufacturing process estimated to exceed 60%. |

3.6 Neighboring Community Communication and Response

Most of FENC's production sites are located in industrial parks. Only a handful of production sites are located in residential areas, such as Hsinpu Chemical Fiber Plant and Hukou Mill and Far Eastern Industries (Suzhou). We proactively communicate with neighboring residents and listen to their opinions about how to improve the environment. In our opinion, the neighborhood around the plant is in close relationship with local residents' living. We would like to upgrade the environment to maintain amiable relationship and increase work efficiency so that our production activity can proceed with ease.

In 2017, to reduce the impact of noises on neighboring residents, Far Eastern Industries (Suzhou) carried out improvement measures for noise sources along the streets, such as addition of soundproof room, vehicles transporting goods only during the day to go along with residents' routine, pipeline transportation switching to manual packaging during night time. No further complaints were received after the implementation of the improvement measures. To ensure noise level in compliance with laws and regulations, and eliminate residents' speculations, Oriental Petrochemical (Shanghai) stopped self-monitoring, and commissioned a professional third party for noise level monitoring.

Furthermore, each production site has its own emergency response procedure and carries out regular drills to minimize the impact on surrounding communities in the event of emergency. Communities around production sites can submit appeals or complaints through official channels. Regarding the channels and ways of communication between production sites and residents in nearby communities, please refer to [1.4.4 Grievance Procedures](#).



A muffler installed for the exhaust port



Noise monitoring

Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment
-  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
-  Building Altruistic Society
-  Starting Futuristic Parks
-  Appendix



Creating Employee Passion

| | | |
|--|----|--|
| 4.1 Employment | 71 | Target Readers: |
| 4.2 Care for Employees | 74 | <input checked="" type="checkbox"/> Employees / Labor Unions |
| 4.3 Communication Between Labor and Management | 77 | <input checked="" type="checkbox"/> Government |
| 4.4 Career Development | 78 | <input type="checkbox"/> Shareholders / Investors / Financial Institutions |
| 4.5 Occupational Safety and Health Management | 82 | <input type="checkbox"/> Customers or Partners or Industry Associations |
| | | <input type="checkbox"/> Local Residents |
| | | <input type="checkbox"/> NGOs |



| | | | | |
|---|---|-----------------------|---|---|
| Material Topics | <ul style="list-style-type: none"> ● Care, benefits and compensation for employees ● Career training and development | Purpose of Management | <p>To promote a high-quality work environment, protect the rights and interests of employees, and effectively retain talent to increase the Company's human capital and competitiveness under the principle of labor-management harmony for a win-win situation.</p> | <ul style="list-style-type: none"> ● Work environment and safety ● Chemicals and toxic substances management ● Contractor health and safety management |
| Management Approaches and Effectiveness | <ul style="list-style-type: none"> ● We provide opportunities for education, training and job rotations and seek to promote talent within the Company through an effective internal mechanism that offers diversified career advancement paths. ● We stay on top of the salary changes in the industry, make appropriate changes accordingly, and regularly review the salary levels of our employees to retain talent. ● Our Remuneration Committee reviews the remuneration system of the employees. ● We have a performance evaluation system that regularly assesses personal performance against project goals annually. ● Employee Welfare Committees are installed for employees to discuss among themselves issues related to their welfare. ● We protect the human rights of employees to ensure a culture of respect in the workplace. ● At each production site, there is either a labor union or a mechanism for regular labor-management meetings to ensure employees' freedom of association and collective bargaining. Department heads also hold regular meetings with workers to facilitate communication. ● We conduct employee satisfactory surveys and use the results as reference for further improvement. ● We have a well-built internal organizational structure and human resource management system to realize goals. ● We ensure legal compliance. Investigations and follow-ups are conducted in the event of a violation. | Evaluating Mechanisms | <ul style="list-style-type: none"> ● Our Occupational Safety and Health Committees are the highest authority in the review and discussion of safety and health related issues. ● We provide sound safety and health management and training to our employees and contractors. ● We have a system of controls for chemicals to prevent accidents caused by misuse or harm to employee health caused by inappropriate exposure. ● Contractors are required to meet the safety and health standards of the Company. ● Our goal is to have zero occupational safety incidents. | |



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix

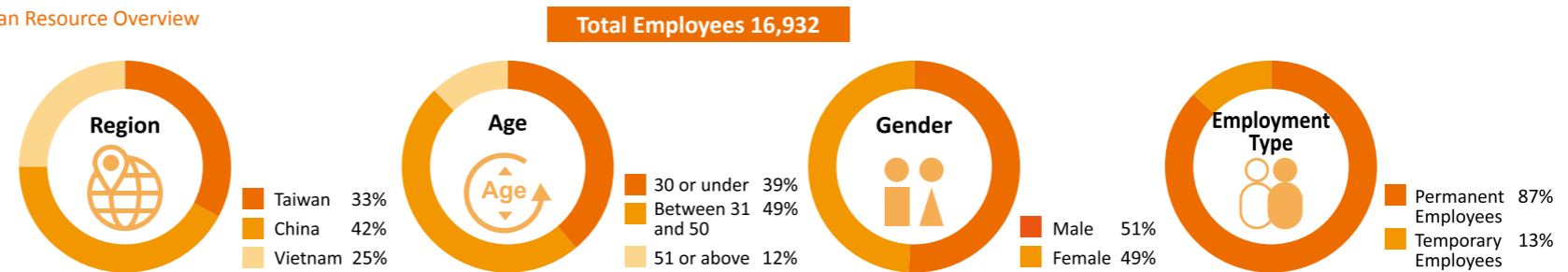


4.1 Employment

4.1.1 Human Resource Overview

FENC always puts the right people in the right place and allows them to play to their strengths by creating a sound internal organizational structure and human resource management system. The Company employs 16,932 people, 87% of which are permanent employees. Key positions are all filled by permanent employees. Training and job rotation opportunities are available to everyone. In addition, we have an effective internal promotion system to select competent employees for management positions and provide various opportunities for career advancement.

Human Resource Overview



Human Resource Profile

| | | Taiwan | | | China | | | Vietnam | | | Total | | |
|---------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Permanent Employees | Male (%) | 71% | 71% | 72% | 51% | 53% | 52% | 17% | 19% | 19% | 47% | 47% | 49% |
| | Female (%) | 29% | 29% | 28% | 49% | 47% | 48% | 83% | 81% | 81% | 53% | 53% | 51% |
| | Number | 4,655 | 4,571 | 4,446 | 6,475 | 6,176 | 6,252 | 4,778 | 5,000 | 4,068 | 15,908 | 15,747 | 14,766 |
| Temporary Employees | Male (%) | 76% | 83% | 85% | 57% | 57% | 59% | 36% | 8% | 19% | 64% | 70% | 68% |
| | Female (%) | 24% | 17% | 15% | 43% | 43% | 41% | 64% | 92% | 81% | 36% | 30% | 32% |
| | Number | 1,099 | 1,063 | 1,042 | 974 | 975 | 918 | 239 | 13 | 206 | 2,312 | 2,051 | 2,166 |
| Total | Male (%) | 72% | 73% | 74% | 52% | 53% | 53% | 18% | 19% | 19% | 49% | 50% | 51% |
| | Female (%) | 28% | 27% | 26% | 48% | 47% | 47% | 82% | 81% | 81% | 51% | 50% | 49% |
| | Number | 5,754 | 5,634 | 5,488 | 7,449 | 7,151 | 7,170 | 5,017 | 5,013 | 4,274 | 18,220 | 17,798 | 16,932 |

Note:

1. In Taiwan, temporary employees are foreign workers. In China, temporary employees are dispatched workers or contract workers. In Vietnam, temporary employees are those on probation.
2. Foreign workers are not considered in Taiwan's age distribution.
3. None of our operational bases or production sites employ part-time workers.


- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



4.1.2 Employment Policies

At FENC, when it comes to the recruitment, selection, assignment, arrangement, evaluation, promotion, compensation, retirement, layoff, resignation, dismissal, training and welfare of an employee of any level, no discrimination is allowed based on one's race, class, language, ideology, religion, political affiliation, place of ancestry, place of birth, gender, sexual orientation, age, marital status, appearance, facial features, handicap or membership of a labor union. There is no discriminatory incident during this reporting period.

Our Legal Department, Human Resource Department, Auditing Department and all businesses convene joint meetings quarterly to ensure the legal compliance of each unit. In 2017, Taiwan's revised Labor Standard Act was enforced. The revision took out the seven national holidays, changed the number of days for annual leave, amended scheduling rules, and added overtime pay mechanism for working on rest days. In the same year, the Company optimized its labor workhours accordingly by providing one mandatory day off every seven days, hiring more shift staff, and carrying out process improvement to increase machinery efficiency. The optimization was completed in March, 2017. In terms of overtime, the Company has revised its overtime pay mechanism for working on rest days to ensure compliance with the law. In addition, employees are encouraged to use their annual leave. The usage rate of annual leave increased from 51% in 2016 to 76% in 2017. Unused annual leave is paid out in monetary terms. The Company is dedicated to ensuring the rights of its employees at the workplace and reasonable recruitment is one way to create labor-management harmony and a win-win situation.



FENC on the Forbes World's Best 500 Employers List

FENC ranked 445th on the Forbes World's Best 500 Employers list in October 2017. Based on Forbes' May 2017 Global 2000 rankings of public companies, the Forbes World's Best 500 Employers list was made by surveying 360,000 anonymous business employees online, with factors such as regional differences, social expectations and industry adjustments taken in consideration.

In 2017, the Company sought out talent in Taiwan via channels such as the Internet and school career fairs. We participated in 6 recruitment information sessions and 12 campus job fairs, totaling 18 on-campus events. Employment in Shanghai and Suzhou was facilitated through the Internet, private employment agencies, the talent market, internal referrals, government employment agencies, and campus and face-to-face job fairs. In addition, our effort in industry-university cooperation produced a number of internship opportunities to outstanding students from Yuan Ze University and Oriental University of Science and Technology for the gaining of practical experiences.



FENC Industry-University Cooperation Internship Testimonial




- **Wu, Quan-gao (Industry-University Cooperation Program, 2017) / Intern at FEG Purchasing Department**

The summer before I became a senior, I decided to join the FENC Industry-University Cooperation Program as I was unsure of my future direction. I wanted to explore and learn interesting trades not related to my major in the hope of understanding the details of these trades and clarifying my own future path.

The two-month internship at FEG Purchasing Department allowed me to observe and learn many things. Take meetings for example. I learned how to convene a meeting with supervisors from other companies, what to take note of during a meeting, how to lead a meeting so it achieves the intended purpose while contributing to the relationships of all parties involved, how to bring about results beneficial to all, etc. In addition, I saw the actual production process at a factory and joined several discussion sessions. Even though I did not take part in any actual case, but observing professionals working out solutions was already a great stimulator for deep thinking. The experience was very rewarding and I am very glad to have interned here. I am immensely grateful for the two supervisors for mentoring the interns patiently, granting us permission to attend meetings of various scales and exposing us to fieldwork so that we could see and learn more. Thank you all.





Far Eastern Industries (Shanghai) Engaged in University-Enterprise Cooperation to Develop Potential Employees





To help fund the studies of students from impoverished families, relieve the financial burdens for education on families and on the nation as a whole, and solve employment problems for graduates in disadvantaged areas, Far Eastern Industries (Shanghai) initiated university-enterprise cooperation since 1998. In 2017, a total of 150 students took part in the program and 28 were successfully employed during December 2017 and January 2018. Another 10 students are expected to join the Company in June and July 2018.

In 2017, Far Eastern Industries (Shanghai) further partnered with Yangling Vocational and Technical College. The university-enterprise cooperation offers tuition subsidies and job contracts to 20 students and invites them and their parents on a tour to Far Eastern Industries (Shanghai). This collaboration helps relieve the college's difficulty in attracting new students and strengthen the brand image of Far Eastern Industries (Shanghai).



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



◆ Number and Percentage of New Employees in 2017

| | | Taiwan | | China | | Vietnam | |
|-----------------|----------|------------|-------------|--------------|--------------|--------------|--------------|
| | | Number | Percentage | Number | Percentage | Number | Percentage |
| Age 30 or under | Male | 189 | 39.0% | 1,559 | 95.5% | 174 | 34.0% |
| | Female | 57 | 33.1% | 1,057 | 87.0% | 1,142 | 50.4% |
| | Subtotal | 246 | 37.5% | 2,616 | 91.9% | 1,316 | 47.4% |
| Age 31-50 | Male | 126 | 7.6% | 537 | 27.1% | 59 | 20.5% |
| | Female | 39 | 5.7% | 544 | 25.6% | 363 | 30.4% |
| | Subtotal | 165 | 7.0% | 1,081 | 26.3% | 422 | 28.5% |
| Age 51 or above | Male | 11 | 1.1% | 6 | 3.5% | 1 | 33.3% |
| | Female | 5 | 1.2% | 3 | 8.1% | 2 | 16.7% |
| | Subtotal | 16 | 1.1% | 9 | 4.3% | 3 | 20.0% |
| Total | | 427 | 9.6% | 3,706 | 51.7% | 1,741 | 40.7% |

Note:

1. The number of new employees indicates the number of new permanent employees in an area.
2. The percentage is derived by dividing the number of the new employees of an age group by the total number of employees of the same age group.
3. Please see the Company website for the statistics of the last three years.



Statistics of new employees in the last three years

◆ Number of Employees Who Left the Company and Turnover Rate in 2017

| | | Taiwan | | China | | Vietnam | |
|-----------------|----------|------------|--------------|--------------|--------------|--------------|--------------|
| | | Number | Percentage | Number | Percentage | Number | Percentage |
| Age 30 or under | Male | 101 | 20.9% | 1,453 | 89.0% | 254 | 49.6% |
| | Female | 42 | 24.4% | 961 | 79.1% | 1,620 | 71.6% |
| | Subtotal | 143 | 21.8% | 2,414 | 84.8% | 1,874 | 67.5% |
| Age 31-50 | Male | 113 | 6.8% | 661 | 33.3% | 126 | 43.8% |
| | Female | 62 | 9.1% | 596 | 28.0% | 663 | 55.5% |
| | Subtotal | 175 | 7.5% | 1,257 | 30.6% | 789 | 53.2% |
| Age 51 or above | Male | 127 | 12.2% | 9 | 5.2% | 1 | 33.3% |
| | Female | 65 | 16.0% | 24 | 64.9% | 5 | 41.7% |
| | Subtotal | 192 | 13.3% | 33 | 15.7% | 6 | 40.0% |
| Total | | 510 | 11.5% | 3,704 | 51.7% | 2,669 | 62.4% |

Note:

1. The number indicates the total number of employees who left the Company in an area in a specific year.
2. The percentage is derived by dividing the number of employees of an age group who left the company by the total number of employees of the same group.
3. Please see the Company website for the statistics of the last three years.



Statistics of employees who left the Company in the last three years

In 2017, we officially hired 427 new permanent employees in Taiwan, 246 or 58% of whom were mostly under 30. In addition, as our Vietnam Investment Project required a large number of factory workers and management talent as it entered its initial operations, we recruited people over 30 with related hands-on experience after a careful stock take of the project's manpower needs. In Taiwan, a total of 510 people left the Company in 2017, including 192 applying for retirement, accounting for almost 40% of the total. Our turnover rate was 11.5%, much lower than the 20% of the manufacturing sector in Taiwan.

In China, we had 3,706 new recruits in 2017. All of our sites in China have an internal referral mechanism to encourage local employment. A total of 3,704 people left the Company in China in 2017. Despite the continuously high turnover rates of manual workers in the overall Chinese market, the rate at our sites in China have consistently dropped from approximately 80% in 2014 to approximately 50% in the last two years, demonstrating the effectiveness of our optimization effort in both management and employee benefits.

Our Vietnamese base mostly recruits locals, with only a few high-level management and highly technical positions filled by non-locals. The Company's dedication to strengthened communication with local employees, increased recreational activities and better work environment in recent years has yielded significantly result, as shown in the declining annual turnover rates in Vietnam since it peaked in 2014 at 123.7%. However, the turnover rate increased slightly in 2017 compared to 2016 as a result of the Company's reasonable manpower policy, which reduced two shifts to one, resulting in a decrease in staffing needs.

4.1.3 Salary and Compensation

At FENC, variable pay is awarded as an incentive based on the individual's or the organization's performance. According to our Articles of Incorporation, part of the Company's net profits is disbursed to employees as compensation at the end of the year. Neither share-based compensation nor company policies concerning deferred or vested shares are used to reward the employees. There is no signing bonus or recruitment incentive for recruiting high-ranking executives. Employees of the same production site are entitled to the same retirement, benefits and severance plans which are made in accordance with the law of the area where the production site is located.

The operational bases in Taiwan participate in Towers Watson's salary survey periodically to stay on top of the salary movement in the industry and make proper adjustments. Our operational bases in China make adjustments to the employees' payment based on the adjusted salary and percentage released by the local government. Salaries are reviewed regularly to retain talent in the Company.

From an industry-chain perspective, the bases in Taiwan and China are mostly upstream and midstream businesses with a technical focus on chemistry. As more male employees are equipped with this expertise, they generally receive higher pay than their female colleagues. On the contrary, the bases in Vietnam are part of the downstream garment industry, which requires a skill set usually more discernible in female workers; therefore, female supervisors and employees tend to earn higher wages than their male counterparts. These cases show that gender is not a factor in determining employee promotion or compensation at FENC.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



❖ Salary Comparison by Gender

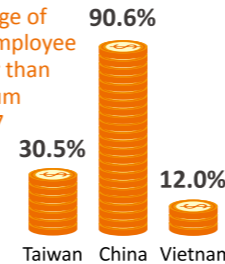
| | Taiwan | | | China | | | Vietnam | | |
|----------------------------------|--------|------|------|-------|------|------|---------|------|------|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Director/Section Chief and above | 87% | 89% | 90% | 103% | 95% | 96% | 97% | 150% | 127% |
| Office Clerk | 100% | 94% | 96% | 85% | 85% | 78% | 100% | 107% | 107% |
| Factory Worker | 95% | 100% | 121% | 95% | 94% | 92% | 97% | 93% | 92% |

Note: The percentage is derived by dividing average female salary by average male salary for the same rank of job

❖ The Percentage of Full-year Salary Higher than Market Average in 2017



❖ The Percentage of Entry-level Employee Salary Higher than Local Minimum Wage in 2017



Note: Taiwan's salary data is extracted from the average salary of the manufacturing sector and minimal wage released by the Directorate-General of Budget, Accounting and Statistics. China's salary data is extracted from the average and minimal wage released by Shanghai and Suzhou government. Vietnam's salary data is extracted from the average wage and District 1, Ho Chi Minh City from the General Statistics Office of Vietnam.

❖ Ratio of the Highest Salary vs Median Salary and Median Salary Adjustment in 2017

| | Taiwan | China | Vietnam |
|--|----------|----------|----------|
| Ratio of the Highest Salary vs Median Salary in 2017 | 7.58 : 1 | 4.12 : 1 | 1.24 : 1 |
| The Highest Individual Salary Adjustment vs Median Salary Adjustment in 2017 | 0.73 : 1 | 0.96 : 1 | 2.14 : 1 |

Note: The numbers in China are the average of each production base.

The highest individual salary adjustment ratio appears in Vietnam. It exceeds the median salary adjustment ratio of all employees (2.14:1) as a result of a change to the job description of the supervisor receiving the highest salary and their outstanding performance evaluation.

The Company's Remuneration Committee, chaired by an independent director, examines employees' remuneration system and the remuneration payout methods for the Board members, compares the Board's remuneration and managers' bonuses with their counterparts in other companies, and assesses important issues such as long-term compensation, year-end bonuses, annual salary adjustment and the enforcement rules of performance evaluation.

At FENC, we have a system to periodically evaluate individuals' performance against project goals every year. The results serve as the basis for salary adjustment. (Please refer to [Chapter 4.4.1 Performance Evaluation](#).) In addition, there are special programs for high achievers to receive raised salaries and gain internal promotion.

4.2 Care for Employees

4.2.1 Human Rights Protection

At FENC, employees are fundamental to our business development. Therefore, the Company has observed all laws and regulations related to human rights protection and developed policies and procedures to safeguard our employees' human rights. Our human rights protection measures cover all employees at the Company and require our suppliers to comply with all related laws and regulations. Our commitments to protecting employees' human rights are described below:

- The Company ensures employment is voluntary.
- The Company prohibits child labor.
- The Company ensures an employee's wage is not lower than the minimum wage of the area where the employee's base is located and benefits are provided.
- The Company ensures that employees do not work overtime and that working for additional hours must be voluntary and compensated accordingly.
- The Company ensures an employee has 24 hours of rest every 6 working days.
- The Company respects an employee's decision to select, organize, join or refuse to join a labor union or other types of employee groups.
- The Company ensures there is no sexual, mental, physical or verbal harassment, abuse or threat in the workplace.
- The Company ensures respect and non-discrimination in the workplace.
- The Company protects female employees.

In order to safeguard employees' human rights, we provide 2 to 4 hours of training on human rights and labor laws to new recruits and arrange repeated training periodically to ensure everyone understands the conducts expected of them and our corporate values. Every month, we inspect and report on working overtime and working hours at all sites and launch investigations when abnormality is observed. In addition, we enforce legal compliance each quarter at all bases to ensure laws and regulations regarding human rights are observed. If there is any violation, we will launch an investigation and track the improvement progress.

Gender Equality

Dedicated to protecting maternity rights, FENC has created a system and an environment friendly to both genders. In Taiwan, the Company adheres to the Act of Gender Equality in Employment by establishing nursing rooms and granting parental leave. In 2017, of all the employees who used their parental leave, 76% successfully returned to former positions.

In China, we have developed Regulations Concerning the Labor Protection of Female Staff and Workers to protect the rights of female employees. The regulation prevents pregnant women from working overtime or doing work that might be dangerous to their pregnancy. Female employees will receive the same amount of pay after returning from maternity leave.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



❖ Application of Parental Leave and Returning Statistics in Taiwan

| | | 2015 | 2016 | 2017 |
|----------------------------|--------------|------------|------------|------------|
| Entitled to Parental Leave | Male | 256 | 212 | 289 |
| | Female | 106 | 124 | 141 |
| | Total | 362 | 336 | 430 |
| Number Applied | Male | 3 | 4 | 9 |
| | Female | 21 | 26 | 18 |
| | Total | 24 | 30 | 27 |
| Number Should Returned | Male | 3 | 3 | 3 |
| | Female | 15 | 23 | 14 |
| | Total | 18 | 26 | 17 |
| Number Returned | Male | 2 | 2 | 3 |
| | Female | 13 | 21 | 10 |
| | Total | 15 | 23 | 13 |
| Return Rate | Male | 67% | 67% | 100% |
| | Female | 87% | 91% | 71% |
| | Total | 83% | 88% | 76% |
| Returned over One Year | Male | 0 | 0 | 1 |
| | Female | 7 | 12 | 14 |
| | Total | 7 | 12 | 15 |
| Retention Rate | Male | 0% | 0% | 50% |
| | Female | 100% | 92% | 67% |
| | Total | 88% | 80% | 65% |

Note:
1. Return Rate = Number Returned / Number Should Return
2. Retention Rate = Returned over One Year / Number Returned Last Year

At FENC, measures against sexual harassment are put in place. The complete procedures concerning filing a complaint or administering a disciplinary action are made public to all employees. A person can lodge a complaint to the head of a department or to the Human Resource Department, which then must organize an investigation team within 5 days after receiving the complaint. At least half of the members of the investigation team should be female. The investigation should be completed within two months after receiving the complaint. All related information should be kept confidential during the investigation and opportunities should be made available to the accused to present a defense. In addition, we provide training to supervisors and employees in accordance with the Sexual Harassment Prevention Act to prevent violations.

In 2017, there was no incident at any of our production sites that violated our commitment to safeguarding employees' human rights, or any complaint thereof. All of our production sites passed their customers' inspections on human rights, child labor and labor conditions.

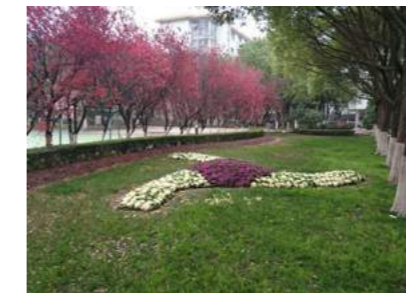
4.2.2 Employee Welfare

FENC places great emphasis on employee welfare. In the operational bases in both Taiwan and China, employees have formed their own Employee Welfare Committees to discuss how and on what to use their welfare funds. In Taiwan, welfare funds are set aside in accordance with the law and used at the discretion of the labor union and the Employee Welfare Committee of each operational base for various activities, including outings, movie screenings, hiking trips, club activities, health checkups, scholarships, various cash gifts and insurance for both native and foreign workers. In addition, employee indemnity measures are put in place. All employees, both native and foreign, are enrolled in a life insurance plan and a disability insurance plan that covers level 2 to 11. The Company has also negotiated with its insurer to offer policies covering individual diseases and cancer at preferential premium rates to FENC employees, who may purchase the policies at their own discretion.

In China, benefits are disbursed by the labor union and available to all permanent employees. There are various types of benefits, including monetary gifts (for birthday, wedding, childbirth, hospitalization, funeral, etc.), holiday benefits (e.g. red envelopes, gift vouchers, etc.), healthcare benefits (physical checkups, maternity checkups, single child healthcare) and other benefits for transportation, meals, lodging and traveling.

At Far Eastern Apparel (Vietnam), welfare activities are organized by the labor union, factory office and human resource office every year and well-received by all employees.

As some of the production sites are in remote industrial districts and requires employees to work in shifts, they deserve more care and attention. Every year, FENC improves the work environment and the amenities of employee dormitories and carries out evaluations on dormitories and cafeterias to better understand their needs and make improvements accordingly.



Greenery in dormitories of Far Eastern Industries (Shanghai)



The volunteer club's activities

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



 **Summer and Winter Camps for Employees' Children at Far Eastern Industries (Wuxi)**



Far Eastern Industries (Wuxi) held winter and summer camps to help solve the problem of childcare for its employees during summer and winter vacations. Participating children did their homework and took part in fun activities in the company lounge and their parents got to spend time with them during lunch break. In 2017, 22 children participated in the two-week winter camp and 54 children took part in the one-month summer camp. Putting the mind of parents at ease, the camps were applauded by both employees and their children.

• **Testimonial for the 2017 Summer Camp for Employees' Children at Far Eastern Industries (Wuxi) / Li Jian, Department of Environment, Safety and Health**

Following the success of the winter camp for employees' children in 2016, Far Eastern Industries (Wuxi) held another camp in the summer of 2017. Adhering to the FENC motto of sincerity, diligence, thrift, and prudence, the company tries to alleviate the worries of its employees by looking after their children during long vacations as parents constantly worry that, if unattended, their children might stumble into dangerous areas or befriend the wrong people. This concern leaves the heart of many parents hanging when they leave home for work. We know that sometimes the employees are more appreciative of the company when the company cares for their children than when the company only looks after the employees themselves. Now, with their children safe and protected in a summer camp, the worries of parents are naturally replaced by happiness.

On the surface, it may seem that only a small handful of employees benefited from this program; however, the message that it carried was specific and far-reaching. Employees may develop a real sense of belonging at the company, see it as home and consider themselves one with the company when the company takes the initiative to share their concerns. This program is a manifestation of the company's care for its employees on a higher level - emotional level - that allows the employees to enjoy ease of mind with their family right by their side.



 **New Dormitory Underway for Employees in Suzhou**



A new employee dormitory with improved amenities is underway in Wujiang District, Suzhou City as a response to the needs arising out of company expansion. By providing a better space for living and leisure activities and by looking after employees' needs for accommodation and eating, the company hopes its employees can work without worries and feel at home in the new dormitory.

The new dormitory has all the amenities that one needs. Furnished with pure scots pine furniture, solar-power water heating system, LED energy saving lightings, fence monitors, and even access controls, the new dormitory provides a safe, environmentally friendly, energy saving and comfortable living environment where the employees can feel a sense of belonging. Following the completion of the construction in October 2017, interior work began. The dormitory is expected to be ready for moving in by June 2018. The new dormitory will be open to employees working at Oriental Industries (Suzhou) and Far Eastern Dyeing & Finishing (Suzhou) and can accommodate 1514 residents.



Caring for Foreign Workers



At FENC, there are 1,042 foreign workers in Taiwan. Their base salaries are paid in accordance with the law. In order to help them adapt and work comfortably in Taiwan, we organize various activities, including ball sports, group tours, fun games, birthday parties and Christmas parties for them. In 2017, 12 activities were held, participated by a total of 881 people. In addition, we hold meetings on an ad hoc basis to develop a good rapport with them.

 **Group Tours for Foreign Workers at Hsinpu Chemical Fiber Plant**



On non-working days, most foreign works are limited to the areas around their dormitory. To enrich their lives and help them experience local life and culture to the fullest, 3 one-day group tours were organized in May, July and August 2017 to Lefoo Village Theme Park, Hsinchu and Lihpao Land, Taichung for foreign workers. These day tours recharged the workers and boosted their energy after returning to work. They unanimously agree that the benefits at FENC are the best in the industry.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



4.2.3 Retirement Plan

FENC has developed retirement plans in accordance with the laws and regulations of different countries. In Taiwan, FENC has made contributions into a pool of funds set aside for a worker's retirement pension since 1980 and established Employee Retirement Fund Committee. With more than half of its members being labor representatives, the committee convenes meetings regularly to oversee the management of pension funds. Every year, we commission Towers Watson to provide actuarial services and each company's contribution to employees' pension fund falls between 4% and 15% of their full salaries. In July, 2005, the Ministry of Labor launched the new pension scheme. New recruits and employees who adopted the new scheme are required to pay 6% of their full salaries into their pension plan and their seniority based on the old scheme remains unaffected despite their transition to the new one. Employees begin to receive their pension when they retire. FENC's retirement plan covers every permanent employee in the Company.

Our subsidiaries in China enroll all employees in a social insurance plan in accordance with the Social Insurance Law. The source of their retirement pension is their endowment insurance plan. Each company's contribution falls between 19% to 20% of employees' full salaries and their retirement plans cover all employees. According to Vietnam's Social Insurance Law, every employee is entitled to receive retirement pension. In 2017, Far East Apparel (Vietnam) paid for its workers' social insurance, which is 17.5% of workers' salaries and allowances combined.

4.3 Communication Between Labor and Management

4.3.1 Labor Union

FENC observes the conventions of the International Labor Organization and applicable laws of the countries where our operational bases are located. All of our employees are entitled to form and join a labor union and engage in collective bargaining in accordance with related laws and regulations. We do not intervene in the formation, operations and management of any employees' organization, nor their collective bargaining. There was no violation to freedom of association or collective bargaining during the reporting period.

Currently, labor unions have been formed in most of our production sites to ensure members' freedom of association and collective bargaining. The members all have signed the collective bargaining agreement with the unions. Labor-management meetings are convened regularly and the meeting minutes are published. Heads of departments are required to attend the meetings and respond to or address workers' concerns, relay related information or conduct negotiations.

Update on FENC's Labor Unions

| Location | Production Sites | Year of Establishment | Number of Members | Employee Participation Percentage |
|----------|--|-----------------------|-------------------|-----------------------------------|
| Taiwan | Hsinpu & Kuanyin Chemical Fiber Plant | 1978 | 2,210 | 100% |
| | Kuanyin Dyeing & Finishing Plant | 1956 | 153 | 100% |
| | Neili Texturizing Plant | 1977 | 151 | 86% |
| | Hukou Mill | 1989 | 368 | 96% |
| | Oriental Petrochemical (Taiwan) | 1997 | 310 | 75% |
| China | Oriental Petrochemical (Shanghai) | 2009 | 220 | 100% |
| | Far Eastern Industries (Shanghai) | 2004 | 1,394 | 100% |
| | Wuhan Far Eastern New Material Ltd. | 2014 | 176 | 97% |
| | Oriental Industries (Suzhou) | 2007 | 1,396 | 83% |
| | Far Eastern Industries (Suzhou) | 2007 | 170 | 100% |
| | Far Eastern Industries (Wuxi) | 2007 | 392 | 53% |
| | Far Eastern Dyeing & Finishing(Suzhou) | 2008 | 1,045 | 100% |
| Vietnam | Far Eastern Apparel (Vietnam) Ltd. | 2004 | 1,719 | 100% |
| | | 2007 | 3,780 | 89% |

Note: At Far Eastern Fibertech Co.,Ltd, there is no labor union in, but the relationship between labor and management is harmonious. Labor and management meetings are convened quarterly and meeting minutes are published.


- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix





4.3.2 Communication Channels

FENC values employees' participation in corporate affairs and uses various mechanisms to facilitate communication between labor and management. After major operational changes are discussed and resolutions are passed in a Board meeting, operation review meeting, performance evaluation meeting or HR Policy Committee meeting, related information shall be communicated to employees and their representatives in plant meetings periodically. Before any major change that may affect employees' rights take effect, information shall be communicated to employees in accordance with employee collective bargaining agreement and related laws and regulations. If the major change affects employees' work, it shall be discussed through the agreement or in the labor union, recorded in the meeting minutes and made public within the notice period. During the reporting period, there were no major changes that affected employees' rights.

At FENC, there are diverse ways for employees to effectively make a comment or raise a grievance on human rights or labor practice to the Company. Information concerning this is communicated to the employees through orientation training or internal guidelines and procedures. (Please refer to [Chapter 1.4.4 Grievance Procedures](#) for more information on the various ways to file a grievance and how grievances were handled at FENC in 2017.)



2017 Employee Satisfaction Survey

FENC uses systematic satisfaction surveys to understand employees' levels of satisfaction with work and the organization. The results are then used as reference for improvement. In 2017, the Company collaborated with Yuan Ze University to conduct an employee satisfaction survey, covering six areas including work content and environment, employee development, organizational climate, direct supervisors, organizational commitment, and work devotion. The response rate was 80%, and the overall satisfaction rate was 84%, up 7 percentage points from the previous survey (2014).

Regulations for Layoff Notice Period

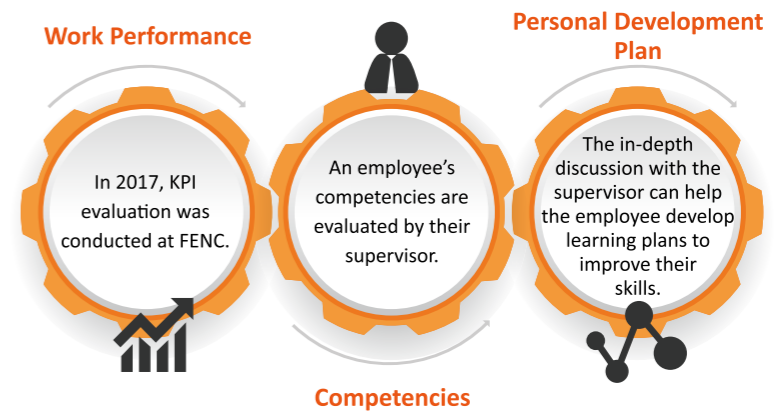
| |
|--|
| Taiwan |
| Notice will be given in advance prior to termination of employment contract in accordance to the Labor Standards Act and the Protective Act for Mass Redundancy of Employees. Related regulations have all been included in the company's internal governance documents. |
| China |
| A written notice is given 30 days prior to the layoff day pursuant to regulations of the Labor Law of the People's Republic of China. All related regulations have been included in the company's internal governance documents. |
| Vietnam |
| For employees with open-ended contracts, a notice is given at least 45 days in advance in accordance to the Labor Code of Vietnam; for definite term employee contracts, a notice shall be given at least 30 days prior to the termination. Related regulations have been included in the company's internal governance documents. |

4.4 Career Development

4.4.1 Performance Evaluation

At FENC, there are four types of evaluation, namely, probation evaluation, regular evaluation, project evaluation and annual evaluation. The employees are required to evaluate their own performance before talking with their supervisors. Work performance is linked to annual performance bonuses and annual salary adjustment percentage and serves as main reference for promotion or dismissal.

FENC's Performance Evaluation System



At the operational bases in Taiwan and Vietnam, all employees who have worked for more than one year, except part-timers and foreign workers, are subject to annual performance evaluation, while in China, annual evaluation applies to every permanent employee. After evaluation, salary is adjusted regardless of gender. In 2017, all employees were evaluated, except those who left the Company or were on leave without pay for more than one year. Foreign workers are evaluated based on their monthly attendance and production rate of A-grade products. The evaluation results will determine the performance bonus they receive.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



4.4.2 Training

Having high-caliber talent is critical for us to stand apart from our competition. Since the inception of FENC in 1949, we have provided training on business management and factory management. In order to further expand our businesses, we have also offered courses on professional skills to help our employees develop the expertise the Company needs. Faced with the challenge of developing and improving human capital, the Human Resources Development Center has invested a great deal in transforming the Company into a learning organization, so that every member can grow together with our businesses. In 2017, the Company spent NT\$ 15 million on the building of a brand new Human Resources Development Center to provide state-of-art training facilities, flexible teaching space and high-quality learning environment to its employees, which won the Company a Taiwan Training Quality System (TTQS) Silver Medal Award from the Workforce Development Agency, Ministry of Labor.



TTQS Silver Medal Award (for Businesses)

The Workforce Development Agency, Ministry of Labor, Executive Yuan launched a Taiwan Talent Quality Management System (TTQS) as one of the highest standards for the designing and execution of training programs offered by the human resource departments of various businesses. With the spirit of continuous improvement, the Company adopted the TTQS to optimize training management and increase training quality. The Company's effort was recognized in 2017 when it received a TTQS Silver Medal Award for businesses.

The public data released by the Workforce Development Agency, Ministry of Labor show that only 5-7% of businesses were awarded the TTQS Silver Medals or medals of higher ranks.

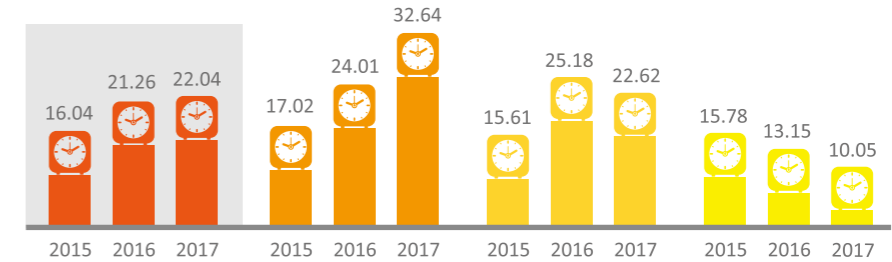
As a response to the Company's overseas expansion and workforce needs, FENC strives to offer a comprehensive training blueprint and sound learning environments to meet the career needs of employees and attract more talent. The reception of the national training standard award is a recognition of not only the training quality at the FENC Human Resources Development Center but also the general effort that the Company has put into talent development.



The purpose of training is to create maximized value from current human resources. With this in mind, three stages are adopted to demonstrate the outcomes of human resources, organizational performance and finances. It is fundamental to increase the competency of employees themselves. The skills, know-how, attitude and motivation of employees can help shape a positive organizational climate that contributes to higher retention rates. We believe that only competent employees can positively impact organizational performance, optimize work quality, increase production and sales and eventually benefit financial performance.

Average Number of Training Hours

Unit: hour / person



| | | 2015 | 2016 | 2017 |
|---|--------------|--------------|--------------|--------------|
| Director/ Section Chief and above | Male | 29.03 | 48.58 | 38.01 |
| | Female | 27.51 | 70.05 | 40.13 |
| | Total | 28.63 | 54.33 | 38.64 |
| Office Clerk | Male | 21.13 | 19.40 | 36.24 |
| | Female | 19.26 | 22.21 | 18.70 |
| | Total | 20.48 | 20.38 | 30.04 |
| Factory Workers | Male | 14.53 | 25.08 | 17.83 |
| | Female | 11.23 | 13.45 | 10.68 |
| | Total | 12.38 | 17.63 | 13.34 |
| Total Employees | Male | 18.99 | 25.46 | 29.47 |
| | Female | 13.42 | 17.43 | 14.91 |
| | Total | 16.04 | 21.26 | 22.04 |

Note:

1. Courses on quality control and statistics for entry-level managers and workers are offered in the bases in Taiwan to meet the requirements of ISO9001:2008. Furthermore, courses on big data, water saving, environmental issues, etc. are also provided in collaboration with Yuan Ze University as a response to industry developments.
2. The training hours at Far Eastern Industries (Shanghai) in 2017 decreased compared to the previous years because regular training was changed to a voluntary basis as a result of improved work efficiency by employees trained in previous years.
3. In 2016-2017, training resources of Vietnam were allocated for cadre training.
4. Orientation training is excluded from the job level statistics in Suzhou.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix

 Lifelong Learning



FENC offers diversified training methods and courses that cover specialized areas for voluntary participation by employees who wish to increase their work competency. In 2017, an online library and a cloud platform for e-books were established for increased access to books and help employees learn continuously, explore their potentials, enrich their careers and encourage self-realization.

Our training covers six categories: orientation training, specialized training, legal compliance training, commissioned training, competency program and New Century Executive Training Program.

Different types of training are described below:

Orientation Training

Our orientation training is designed to help newcomers understand our corporate culture, values and goals, as well as gain an overview of the organization, human resource regulations and products of different businesses. This will familiarize them with their work environment and help them quickly fit in the organization, thereby increasing their retention rate. In 2017, we provided 59 orientation training sessions in Taiwan, which were participated by 434 people. In China, 73 orientation training sessions were held with a total attendance of 3,743. In Vietnam, there were 68 orientation training sessions with a total attendance of 1,792. (The number of sessions in China excludes those held in Suzhou.)

Specialized Training

Specialized training for the different knowledge, skills, and work methods required at different departments is organized to develop the necessary competency among employees. Covering both theoretical and practical aspects, the training is taught by quality trainers or held at external training organizations. In 2017, 1,222 sessions were held in Taiwan with a total attendance of 16,901; 195 sessions were held in China with a total attendance of 24,373; and 154 sessions were held in Vietnam with a total attendance of 37,833. (The number of sessions in China excludes those held in Suzhou.)

Legal Compliance Training

Training and retraining programs for machine operators are arranged to ensure that they obtain the licenses, knowledge and skills required for their jobs. Being equipped with correct safety and health knowledge and behaviors can reduce and prevent occupational hazards and ensure compliance with the Occupational Safety and Health Education and Training Rules. In 2017, 383 sessions were held in Taiwan with a total attendance of 11,029; 52 sessions were held in China with a total attendance of 5,759; and 34 sessions were held in Vietnam with a total attendance of 18,178. (The number of sessions in China excludes those held in Suzhou.)

Commissioned Training

To meet the needs of each department, we select and commission the right teacher for this project-based training. In 2017, 14 sessions were held in Taiwan with a total attendance of 190; 29 sessions were held in Oriental Petrochemical (Shanghai) Corporation with a total attendance of 258; and 46 sessions were held in Vietnam with a total attendance of 853.

Competency Program

FENC has developed training focuses for employees at different levels by identifying the competencies expected of them and the corresponding behavioral criteria.

Competency based training stresses not only the connection with practical needs and the teaching of knowledge and skills, but also the use of diversified teaching methodology, in-class practices, and discussions of work-related issues in class, which is conducive to solving actual problems in the workplace. The training should eventually be linked to work performance.

The Human Resources Development Center and Yuan Ze University have jointly developed 23 competency training courses that focus on 13 competencies. The courses were designed after repeated communication regarding program requirements. The courses are provided with assessments to ensure a sound competency system where the employees speak the same language and think in the same logic and where the participants can obtain the required knowledge and skills. In 2017, 19 sessions were held with a total attendance of 633.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



New Century Executive Training Program

Learning through sharing and case studies allows high-performing employees and those with high potential to grow at an accelerated pace into suitable candidates as future leaders at different businesses in FENC. Leaders of such should be visionary, growth-driven, client oriented, and committed to delivering. They should live by the Company's core values and operational fundamentals that center on humanity and care, change and innovation, close relationships with clients, and business excellence, which is key to true sustainability. In light of this, the Human Resources Development Center launched the New Century Executive Training Program on July 11, 2014, covering four modules, totaling 16 courses. Each course is three-month long and the entire program spans over a period of two years and six months. The program is designed for employees at levels equivalent to assistant managers. In the form of case studies, the program covers theories and applications by professors from renowned universities and practical experience sharing by industry experts, which can foster the participants' abilities in decision making, problem solving and logical thinking. The program helps build a talent pool that addresses the needs of the organization's future development.

The first program was completed in 2016. The second program already covered 5 courses in 2017 with a total attendance of 128.

Online Learning

Learning in the past was mostly limited to a physical classroom, yet the advancement in technology has provides more possibilities such as online learning that takes away the constraints of time and space. In 2017, we not only launched an online library to increase book management efficiency and facilitate access to books but also created an e-book cloud platform open to employees around the clock.

Meanwhile, as foreign language proficiency is a required skill for those in sales, an online business English learning program has been made available to employees who find learning difficult due to time or space constraints. Employees can receive personalized learning advice based on the results of their pre-assessments and the language competencies required of their jobs. The FENC Human Resources Development Center encourages participants to build good learning habits. Supervisors are provided the learning progress of their subordinates for ease of assistance. It is our goal to provide a friendly and convenient learning environment that not only motivates employees to learn but also transforms us into a learning organization and a knowledge-creating company.



Expansion Training Camp for Shift Supervisors in Business in Suzhou



Accountability can transform one's thinking pattern, remove the common victim mentality and give one the courage to look at problems in the eye. In a team setting, accountability helps reach consensus, increase execution efficiency, motivate individual growth and reduce complains and conflicts. In light of this, the vocational training center in Suzhou organized an expansion training camp for 40 shift supervisors with the aim of building accountable teams.

The training highlighted learning through experience to provide participants lessons that were memorable, intuitive and enjoyable. Methodologies such as individual thinking, group discussion, objective observation and hands-on practice were used in the training to increase participation. The camp centered on building accountable teams and encouraged participants to step up and shoulder responsibilities.

Towards the end of the camp, the participants indicated they learned a lot from the training. Moreover, they applied what they learned on actual work problems, expressed their ideas, and designed a new work plan for use after returning to work. When interviewed one-month later as part of the follow-up effort, the participants described how they had changed and improved in the workplace. The training not only offered knowledge to the participants, but also transformed their behaviors, proving that the training was a great success.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



 **Vietnamese Cadre Training**



In 2017, the Company organized the first ever group of Vietnamese new entrants consisting of 60 workers who were fresh university graduates to Taiwan for a six-month internship program. These seed elites not only interned at factories to polish up their “hard competencies” but also received training in the indispensable “soft competencies” such as personal capacities and management skills.

Six courses were arranged in a span of two months that highlighted communication, work management, and team interactions. The courses were taught in English with supplementary explanation from a Vietnamese teaching assistant. Varied tools and methods were designed to help the interns better understand themselves and their partners through practice and discussion. At the end of the program, having acquired practical management skills, the interns could manage unexpected situations much better.

The participants were devoted wholeheartedly to the courses with active class discussions and won high scores in their assessments. They were also able to propose practical measures for work. The assessments and feedback from participants were provided to the human resource department of Vietnam for future training reference. There will be continuous training for outstanding new recruits to drive stable growth in Vietnam.



4.5 Occupational Safety and Health Management

4.5.1 Implementing Occupational Safety and Health Management

Policies and Goals

With a vision and aim to create a safe, healthy, and comfortable work environment and reduce work hazards, the Company has formulated the Occupational Safety and Health Policies as the highest guiding principles for the management of safety and health at FENC.

FENC gives priority to safety over anything else and utilizes management principles such as risk management and continuous improvement to increase the identification of hazards and actively better workplaces, manufacturing equipment and operations. This is effective in preventing occupational hazards and diseases and ensuring the safety and health of our employees and stakeholders.

Safe and Healthy Work Environment under Labor-Management Effort

At FENC, there is an Occupational Safety and Health Committee in each production site. Chaired by the vice president of the corporate management, these committees form the highest authority for the management of safety and health at the Company. With at least one third of the members being labor representatives, these committees hold quarterly meetings to plan, coordinate and supervise safety and health issues in each production site.

The key to successful management of occupational safety and health lies in the participation of everyone. At FENC, each operational base formulates its own workplace safety and health principles with support from labor representatives while taking into consideration the different scales and specifics of each production site. In addition, accidents are investigated, if any, and the workplace remains monitored. At FENC, occupational safety and health is ensured not only through these committees but also through labor-management meetings, labor union meetings and suggestions from individual workers at each production site. Employees are encouraged to participate by proposing suggestions for improvement for the building of a safe and healthy work environment.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



❖ The Occupational Safety and Health Committee at Operational Sites

| Operational Sites | Number of Committee Members | Percentage of Worker Representatives |
|--|-----------------------------|--------------------------------------|
| Headquarters | 11 | 33% |
| Hsinpu Chemical Fiber Plant | 27 | 33% |
| Kuanyin Chemical Fiber Plant | 31 | 53% |
| Kuanyin Dyeing and Finishing Plant | 24 | 44% |
| Neili Texturizing Plant | 19 | 45% |
| Hukou Mill | 12 | 33% |
| Oriental Petrochemical (Taiwan) Co., Ltd. | 17 | 35% |
| Far Eastern Fibertech Co., Ltd. | 12 | 33% |
| Oriental Petrochemical (Shanghai) Corp. | 22 | 80% |
| Far Eastern Industries (Shanghai) Ltd. | 28 | 64% |
| Wuhan Far Eastern New Material Ltd. | 14 | 36% |
| Oriental Industries (Suzhou) Ltd. | 29 | 52% |
| Far Eastern Industries (Suzhou) Ltd. | 34 | 48% |
| Far Eastern Industries (Wuxi) Ltd. | 17 | 65% |
| Far Eastern Dyeing & Finishing (Suzhou) Ltd. | 51 | 96% |
| Far Eastern Apparel (Suzhou) Co., Ltd. | 25 | 72% |
| Far Eastern Apparel (Vietnam) Ltd. | 99 | 76% |

Occupational safety and health management is one of the most important topics that the management and workers discuss. The collective bargaining agreement, management-labor meetings and the Occupational Safety and Health Committee meetings all address the following safety and health issues.

- Provision of personal protection equipment
- Establishment of labor-management mechanism and Occupational Safety and Health Committees
- Participation of labor representatives in health and safety reviews, examinations and accident investigations
- Provision of job related training and education
- Labor grievance mechanism

- Right to refuse unsafe work
- Provision of regular health checks
- Compliance with the regulations of the International Labor Organization
- Clear processes or mechanisms for employees to follow in case of safety and health problems
- Clear identification of safety and health goals and ways to achieve them

Introduction of New Mechanism for Safety and Health Management

FENC continuously seeks improvement in safety and health management in all production sites. Oriental Petrochemical (Taiwan) and Far Eastern Fibertech first introduced the Process Safety Management (PSM). Covering the technical, equipment and personnel aspects of process safety, PSM ensures mechanical safety through scientific assessments and hazard improvements and with the use of 14 elements, including management of change (MOC), process hazard analysis (PHA), mechanical integrity & quality assurance (MIQA), and pre-startup safety review (PSSR), just to name a few. Far Eastern Industries (Shanghai) and Hsinpu Chemical Fiber Plant subsequently adopted the same management model in 2017 to prevent occupational hazards by early identification and intervention of potential problems.

Reinforcing Safety and Health through Education and Training

1. Safety and Health Personnel Training


In order to familiarize all employees with the laws and regulations concerning occupational safety and health and with the Company's related measures, FENC periodically provides training on safety and health. In 2017, a total of 53,295 hours of training was provided across all operational bases.



| Title of the Training Session | Number of Sessions | Number of Participants | Number of Hours |
|--|--------------------|------------------------|-----------------|
| Safety and Health On-the-job Training | 150 | 6,467 | 34,256 |
| Health Management Training | 35 | 1,795 | 3,618 |
| Hazardous Chemicals Management Training | 54 | 1,205 | 3,520 |
| Radiation Protection Personnel Training | 2 | 21 | 132 |
| Emergency Response and Personal Protection Gear Training | 34 | 2,954 | 9,751 |
| Safety and Health Internal Auditor Training | 4 | 144 | 2,018 |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



 **3D VR Safety Training at Oriental Petrochemical (Taiwan)**



The petrochemical industry is a high-risk field, posing constant threat to those working in it, and how to use the latest technologies to reduce natural or man-made disasters has become an important issue to many. In light of this, Oriental Petrochemical (Taiwan) has introduced a VR training system that simulates 3D reality and spares trainees the risk of being actually exposed to harm during their training in preparation for work.

The VR system allows training for multiple people at the same time and is mainly used for the education of process operators, process supervisors and console control supervisors. By the end of 2017, 3 training sessions were held using the VR system and a total of 20 employees were trained in the standard procedure for starting an engine and emergency fire drills. Trainees generally gave the training positive feedback as a result of its vividness that left a much stronger impression on the employees regarding emergency response compared to traditional training methods. Supervisors can also use the VR system to assess how well their subordinates respond to emergencies.

Emergency scenarios such as chemical leaks, high pressure gas explosions, plant-wide blackouts, and emergency evacuation routes will be added to the VR system in the future. Using the VR system, all new entrants are required to receive training and complete assigned mission within a specified timeframe; and existing employees are required to be retrained regularly. The results will be included in their annual performance evaluations. Moreover, a 3D model of a compressor will be added to the VR system to train mechanical maintenance personnel, allowing them to understand the disassembling and assembling processes before actually embarking on work. To sum up, the occupational competencies of employees can be assessed and improved through the use of the VR training system.



Employee Health Management

1. Implementing a Health Management System

To safeguard employee health, the Hsinpu Chemical Fiber Plant launched a health management system in November 2016 and completed filing the health checkup results of employees into the system in 2017. The system can not only communicate information on health education and related activities but also further analyze, assess, manage, and archive employee health checkup details. The system also screened 110 high-risk employees for additional health instructions by doctors and nurses specializing in occupational medicine. By the end of 2017, 83% (91 out of 110) completed follow-up and improvement.

2. Prevention of Occupational Diseases

FENC is dedicated to ensuring employee safety at all operational bases. To prevent employees from physical harm or even life threatening events in the workplace, the Company is actively engaged in hazard potential monitoring and risk management.

(1) Health Checkups and On-site Health Consultation

All operational bases offer above-regulatory-requirement health checkups and management for employees every year. In the operational bases in Taiwan, there are not only occupational health nurses but also doctors specializing in occupational medicine to provide special health checkups and health triage management to employees engaged in operations that might pose threat to their health. The medical team also assesses whether employees of occupational hazards are ready to return to work. In 2017, no abnormality was observed regarding occupational diseases in the special checkups. Employees of occupational hazards all returned to work after assessment.

(2) Work Environment Monitoring

To better understand the work environments of employees and assess their exposures to risks, FENC commissions certified work environment monitoring institutions to monitor our bases following our operational environment monitoring plans that take into account the differences of each site. The monitoring result of 2017 indicated manufacturing noise as the main health hazard. As a response, a hearing protection plan was put in place in each production site to encourage relevant education, wearing of personal protection equipment, setting up of warning signs, hearing checks and follow-ups for our employees. We have also introduced hearing triage management effective in securing employee health.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



(3) Chemical Management

To gather precise safety information for chemicals and reduce our employees' exposure to harm, our operational bases in Taiwan and China have generated a list of hazardous chemicals for special control in accordance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and related regulations on chemical use. The production unit for industrial fabrics in our Neili Texturizing Plant improved its processes to reduce employee exposure to N-hexane solvent during production. In the Kuanyin Dyeing and Finishing Plant, automatic sample printing machines were added in 2017, allowing operators to safely complete sample dyeing and glass recycling through machine arms. A system to automatically measure and dispense dyeing auxiliaries was also introduced, making it possible for operators to precisely control the amount of dyeing auxiliaries through a computer system. This helps to better manage dyeing auxiliaries, increase production effectiveness, prevent dyeing auxiliary waste as a result of human errors, reduce employee exposure to chemicals in the workplace, and increase product yield. No abnormality concerning chemicals was found in the health checkups of our employees in any production site in 2017.

3. Wellness Promotion

(1) Overwork Risk Control

Various wellness events were held at all FENC's operational bases in 2017. To prevent abnormal work load from causing diseases, the human resource departments at the Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant referred workers with long working hours to their occupational health nurses for health assessments. The supervisors of these workers were notified and the workers themselves were given personalized health guidance and reminders from doctors specializing in occupational medicine to minimize risks associated with overwork.

(2) Ergonomic Prevention

To ensure the work safety and the physical and mental health of the employees, FENC has implemented ergonomic hazard prevention across all production sites to reduce the risk of musculoskeletal problems caused by repetitive work. In Far Eastern Apparel (Vietnam), a large number of employees conducted fabric inspection, ironing, and quality check while standing on their feet, which might cause musculoskeletal problems. To address this risk, ample rest time, ergonomic chairs and regular health checkups were provided to these employees in 2017.

(3) Health Programs

Prevention is better than cure. FENC holds various kinds of health events and activities to meet the varying needs of employees at different operational bases. In 2017, our Hukou Mill held a number of events for eye care, bone mass examination and other health topics to help employees better understand the risks of various diseases and adjust their lifestyles accordingly. The Neili Texturizing Plant held an event on summer heat stroke prevention. The Kuanyin Chemical Fiber Plant held an eight-week healthy weight loss program. The 26 employees who participated in the program enjoyed nutritionist-designed calorie-calculated meals and attended aerobics classes and weight training sessions. At the end, 18 people successfully lost weight, with one employee losing as much as six kilograms during the program.



Wuhan Far Eastern New Material held a training session on CPR and AED. The 35 employees who attended the session learned first aid through hand-on exercise. At the end of the session, the participants were equipped with the knowledge and skills required to perform first aid independently.

Occupational Safety and Health Achievement in 2017

1. Continuous Effort in Occupational Safety and Health Assessment Series

By the end of 2017, 11 operational bases of FENC obtained certification from OHSAS 18001:2007. Our production sites in Taiwan received additional recognition from the Taiwan Occupational Safety & Health Management System (TOSHMS) and passed third-party audits every year.

2. Safety and Health

At FENC, we believe that work safety comes from the protection of oneself and others as well as constant monitoring. FENC has been a core member of the northern office of the Taiwan Occupational Safety & Health Management System (TOSHMS) since 2013. The Company received the honor of "Outstanding Staff" at the end of 2015 and has been commissioned as a member of the Technical Promotion Unit in 2017 and 2018, charged with the responsibility of drafting a TOSHMS technical manual on safety and health for reference in the industry.



Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

Establishing Strong Governance

Creating Diversified Values

Nourishing Sustainable Environment

Creating Employee Passion

Employment

Care for Employees

Communication Between Labor and Management

Career Development

Occupational Safety and Health Management

Building Altruistic Society

Starting Futuristic Parks

Appendix



FAR EASTERN NEW CENTURY CORPORATION

2017 CSR Report



Our Kuanyin Chemical Fiber Plant took the initiative to serve as the leader for the "Kuansin E Family" in the "SME Work Environment Assistance and Improvement Program: Labor Safety and Health Family Project" organized by the Office of Labor Inspection, Taoyuan City Government, intended for larger companies to help smaller companies identify occupational safety and health issues and propose corresponding solutions. By the end of 2017, a total of 102 items were identified in the "Kuansin E Family" and 94% (96 out of 102) saw improvement actions completed. The achievement was recognized as the company received the Occupational Safety Contribution Award and the Occupational Health Devotion Award from the government in addition to winning the second place in the national poster design competition in the safety and health family project.



3. Record of No Lost Days Caused by Occupational Hazards

FENC aims for zero hazard as its occupational safety and health goal across its production sites. We value the safety and health of each and every employee and promote safety awareness and knowledge among our employees by assessing risks, identifying potential hazards, offering safety and health education and notices, holding pre-work toolbox meetings and choosing monthly safety themes. There have been no lost days due to disability caused by occupational hazards since the Far Eastern Fibertech was established 20 years ago in April 1996. As of November 2017, the record for safe work hours reached a milestone of 7.5 million hours at the company with zero work hours lost to employee disability caused by occupational hazards.

4. Fire Safety Achievements

Disaster response drills for different disaster scenarios are conducted numerous times a year across our operational bases to assess the response of our employees, familiarize them with equipment operations, and ultimately avoid or reduce casualty, property loss and environmental impact. In the first quarter of 2017, Far Eastern Apparel (Vietnam) cooperated with local authorities to hold a fire drill that won the company an "Outstanding Organization Award" from the fire and police department of Binh Duong Province, Vietnam. The story was also reported in Vietnamese newspaper Lao Động.



4.5.2 Contractor Safety and Health Management

At FENC, we view contractors as important partners. As required by the Occupational Safety and Health Act and other relevant laws and regulations, we notify our contractors of potential hazards and provide them necessary monitoring at every production site. Numerous management mechanisms have also been put in place to ensure the operational safety of our contractors.

1. Formulation of Standards for the Examination of Controlled Machinery into Plants

To ensure safety when contractors bring machinery and equipment into our plants, FENC has formulated the "Examination Standards Governing the Entry of Controlled Machinery into Plants" and prepared relevant checklists in 2017 for use in all bases in Taiwan. Examinations are carried in accordance with the standards and adjustments are made at different plants when necessary.

2. High-risk Operation Management

To ensure the operational safety of the workers hired by our contractors, the contracting department must jointly conduct a work safety analysis with the contractor and notify the contractor of potential hazards and the operation must be approved by the appropriate safety and health department before any high-risk operation can be commenced. The same controls applicable to our own workers are imposed on all permitted operations of our contractors.

For any in-plant operations at Far Eastern Industries (Shanghai), contractors are required to obtain OHSAS 18001 certification, submit a copy of their relevant licenses and operation plans to appropriate management departments in the local government, and establish rules that ensure worker wellness, operational safety and health, and environmental protection.

3. Stacker Operator Certification Program for Contractors

To increase safety and health awareness among contractors and encourage self-management, Kuanyin Chemical Fiber Plant launched a stacker operator certification program for contractors, which was held four times in 2017. The program introduced automatic inspection items, regulations for safe operation, common errors in the plant, and case studies for participants to understand how to safely operate a stacker. A total of 47 people were certified through the program.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  **Creating Employee Passion**
 - Employment
 - Care for Employees
 - Communication Between Labor and Management
 - Career Development
 - Occupational Safety and Health Management
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 -  Appendix



4. Training

In order to ensure that the workers of our contractors work safely at FENC's operational bases, we provide safety and health training specific to each type of suppliers. In 2017, the training was provided to 1,824 people for a total of 5,381 hours, which translates into 3 hours per person on average.

4.5.3 Statistics on Occupation Injury

Statistics on Occupational Injury

| Category | | Taiwan | | | China | | | Vietnam | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Number of Occupational Injury Cases | Male | 9 | 7 | 9 | 16 | 14 | 27 | 8 | 14 | 12 |
| | Female | 6 | 3 | 2 | 4 | 4 | 5 | 13 | 10 | 8 |
| | Total | 15 | 10 | 11 | 20 | 18 | 32 | 21 | 24 | 20 |
| Injury Rate (IR)*1 | Male | 0.14 | 0.12 | 0.16 | 0.17 | 0.14 | 0.16 | 0.16 | 0.27 | 0.23 |
| | Female | 0.09 | 0.05 | 0.03 | 0.04 | 0.04 | 0.03 | 0.25 | 0.20 | 0.16 |
| | Total | 0.23 | 0.17 | 0.19 | 0.21 | 0.18 | 0.19 | 0.41 | 0.47 | 0.39 |
| Absentee Rate (AR)*2 | Male | 0.10% | 0.08% | 0.15% | 0.08% | 0.05% | 0.07% | 0.04% | 0.10% | 0.01% |
| | Female | 0.06% | 0.03% | 0.04% | 0.31% | 0.31% | 0.10% | 0.03% | 0.04% | 0.00% |
| | Total | 0.16% | 0.11% | 0.19% | 0.39% | 0.36% | 0.17% | 0.07% | 0.14% | 0.01% |
| Lost Day Rate (LDR)*3 | Male | 13.72 | 13.27 | 7.54 | 2.66 | 2.60 | 6.50 | 0.12 | 0.99 | 0.61 |
| | Female | 3.26 | 1.61 | 1.12 | 4.57 | 0.46 | 1.12 | 0.32 | 0.25 | 0 |
| | Total | 16.98 | 14.88 | 8.66 | 7.23 | 3.06 | 7.62 | 0.44 | 1.24 | 0.61 |
| Number of Deaths | Male | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |

Note:
 1. *1. IR = (Occupational Injury / Total Work Hours) × 200,000, *2. AR = (Days of Absence / Total Work Days) × 100%, *3. LDR = (Lost Days / Total Work Hours) × 200,000
 2. Occupational injuries includes death, permanent total disability, permanent partial disability and temporary total disability. Lost days do not include the day of injury and the day of work resumption.
 3. IR and LDR indicate the percentage of every 100 workers with 40 work hours a week, 50 weeks a year.

In 2017, a major occupational hazard took place at Hsinpu Chemical Fiber Plant. An employee fell from the entry of an elevator on the sixth floor to the elevator pit on the first floor and died of blunt force injuries to the head, chest and abdomen as the employee was moving cake by the elevator.

The plant immediately carried out an investigation and implemented the follow measures.

1. Identifying the cause of failure with professional elevator companies and made improvement accordingly
2. Installing surveillance cameras in elevator carts for monitoring and installing intercoms for emergency communication
3. Reinforcing training on the safe operation of elevators


In addition, the following improvement measures were taken for comprehensive improvement in safety and health:

1. Consultants and safety management associations have been commissioned to assess the integrity and management of machinery and equipment and provide improvement suggestions. This effort is currently underway.
2. Academic institutions were invited in August 2017 to investigate occupation health exposure, assess health hazards in Hsinpu Chemical Fiber Plant and provide suggestions. Improvements were made accordingly.
3. High-level supervisors have been asked to conduct quarterly safety and health inspections since the fourth quarter of 2017 in Hsinpu Chemical Fiber Plant. Problems identified during inspections are addressed for review.
4. Occupational safety management has been decentralized to each plant. A full-time occupational safety supervisor is installed at each operational base.
5. Smart manufacturing (Industry 4.0) has been identified as a priority for the safety and health management at Hsinpu Chemical Fiber Plant in 2018 to prevent similar events from repeating.

Contractors' Occupational Injury at Operational Sites

| Category | | Taiwan | | | China | | | Vietnam | | |
|-------------------------------------|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Number of Occupational Injury Cases | Male | 2 | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| | Female | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| | Total | 2 | 1 | 0 | 3 | 0 | 0 | 0 | 0 | 0 |
| Number of Deaths | Male | 1 | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| | Female | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| | Total | 1 | 1 | 0 | 3 | 0 | 0 | 0 | 0 | 0 |

In 2017, there were no injuries or deaths on the part of contractors caused by occupational hazards across FENC's operational bases.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
 -  Starting Futuristic Parks
 -  Appendix



Building Altruistic Society

5.1 Social Engagement by All Operational Sites 89

5.2 Social Engagement by Corporate Foundations 91

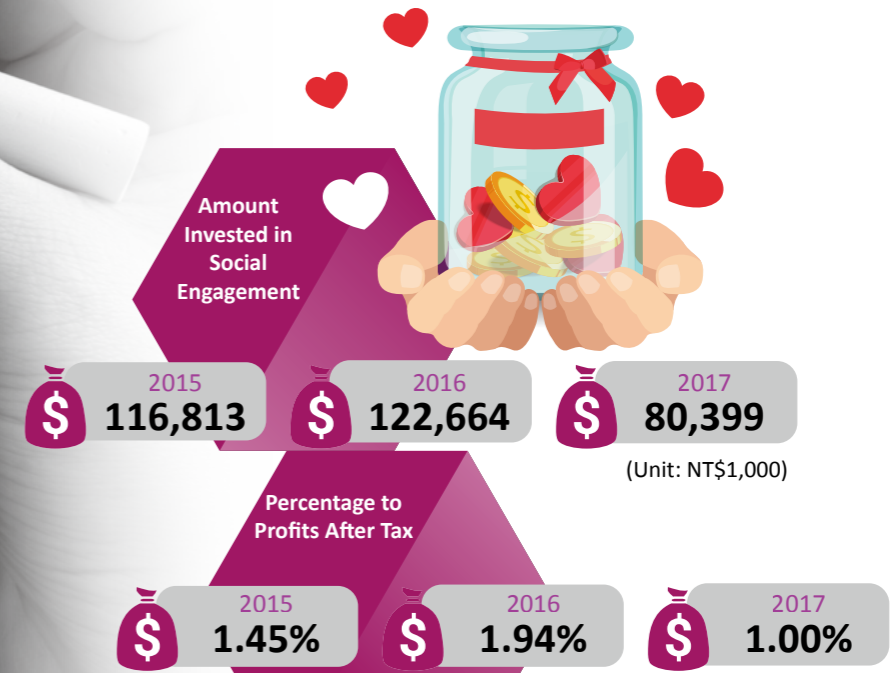
Target Readers:

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




As we benefit from society, so shall we give back. This is why over the past 50-plus years, we have dedicated ourselves to advancing the public interest. Social engagement has become integral to our corporate culture. We primarily engage with society in two ways: One way is enabling our production and operational sites to contribute to local communities by leveraging our core capabilities and mobilizing our plant resources. For example, we hold the FENC Classic Marathon, promote resource cycle education, provide volunteer services and protect the environment of the surrounding communities. Another way is through funding non-profit organizations such as schools, hospitals and foundations, thereby providing resources to various social groups. The resources we provide cover many areas, such as education, medical care, sports, environmental protection, technology and innovation as well as culture and the arts. Our goal is to advance public well-being, enable our society to develop a global vision and comprehensively raise our competitiveness.

Amount Invested in Social Engagement and Percentage to Profits After Tax



Note:
 1. The amount invested takes into account FENC's main subsidiaries in the consolidated financial statement. FarEasTone's amount is disclosed separately.
 2. The amount invested in 2015 and 2016 includes the NT\$60 million used for the water-themed exhibition, "Taiwan Water, Fountain of Life", which was closed on August 21st, 2016.
 3. In 2017, profits after tax grew 28% from the year before.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
 -  Starting Futuristic Parks
 -  Appendix



5.1 Social Engagement by All Operational Sites

Each of the FENC operational sites has built an excellent rapport with people living in the surrounding neighborhood. Not only do we actively participate in community organizations, we also provide resources on our own initiative. Our community services include cleaning campuses along with each respective neighborhood, maintaining roads which we have adopted, and carrying out security patrols in the evening. In addition, we donate to charitable groups, offer volunteer services, care for underprivileged groups, host blood drives, and provide our plant areas for community gatherings and fire drills. More importantly, as per our core strengths, we promote recycling to the people in the hope of raising public awareness of environmental protection. In 2017, the volunteer hours of all production sites totaled 5,308 hours and some of the highlights of our social engagement work are described below.

Resource Cycle Education Promotion Program



FENC participated in the "Resource Cycle Education Promotion Program", organized by the Environmental Protection Department, New Taipei City. On February 3, 2018, our employees served as counselor and played a game, named "The Digital World of Plastics" with nearly 30 junior high and elementary students in order to raise their environmental awareness. Through the interactions and hands-on experience with the plastics, the students came to understand the materials used in plastic products and their recycling codes as well as know more about recycling and resource classification.

To test what they learned through the game, a quiz contest was organized, providing FENC's products as gifts. These products were made from recycled materials, such as clothes made of eco-friendly yarn extracted from ocean plastic waste as well as socks, pens and storage boxes made of recycled PET bottles. During the program, our employees introduced the applications of recycled polyester to promote resource cycle education.



Volunteers from Far Eastern Apparel (Suzhou) Prepared a Heart-warming Dinner for the Elderly



Far Eastern Apparel (Suzhou) worked with Wuzhong Social Welfare Home to build a senior activity center, where it mobilized its employees to care for and entertain the elderly on weekends. Employees talked with the senior citizens, played games and made dumplings. The project received in-depth coverage by a local TV station in Suzhou. On January 15, 2017, the volunteers prepared a reunion dinner for the elderly at the welfare home so that they could enjoy a hearty and heart-warming meal with each other before the Chinese New Year.

Supporting Taiwan's Athletic Development by Sponsoring Sporting Events



FENC sponsors large sporting event to support Taiwan athletic development, encourage students to play sport on campus and help foster Taiwan's athletic talent. In April 2017, the Company sponsored the National Intercollegiate Athletic Games, organized by National Taiwan University. Part of the games were in fact the test matches for the Summer Universiade in Taipei with 9,606 athletes from 161 colleges across the country participating in the event. For this international event, FENC provided the goodwill ambassadors with uniforms produced by its affiliated business. In October 2017, the Company sponsored the National Games, "See Taiwan, See Yilan", held by Yilan County Government. Nearly 10,000 athletes from 22 cities and counties of Taiwan signed up for the event, featuring 33 sports encompassing 41 events.



Hsinpu Chemical Fiber Plant Won the Third Place in Talent Show in the Lantern Festival



For years, Hsinpu Chemical Fiber Plant has got involved in local affairs and provided services to the community. Every year, it actively participates in various activities in Hsinchu. For instance, it collaborates with Hsinchu Welfare Promotion Association for the Blind, Genesis Social Welfare Foundation, Huashan Social Welfare Foundation and Zenan Homeless Social Welfare Foundation to organize philanthropic activities, helping the community to hold Mid-Autumn Festival and keeping the Hsinpu and Riverside Parks clean. The plant has thus built a close rapport with people in the neighborhood and given back to the community.

On February 11, 2017, the plant participated in the Lantern Festival organized by Hsinpu township. It had built two large lantern floats and organized a flag team and a saxophone team. Their performance won the third place in the talent show.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
 -  Starting Futuristic Parks
 -  Appendix



 **2017 FENC Classic Marathon and Charitable Event to Raise Funds**



The Company decided to hold the annual FENC Classic Marathon to help our employees relax their body and mind in the first place. In 2016, we introduced the SROI analysis and discovered that we could generate NT\$8.19 worth of social benefit for every NT\$1 we invested. The social benefit is manifested the improvement in the runners' health, interpersonal relationship, satisfaction and sense of achievement. In addition to the positive impact on society, local cultural elements are incorporated in the event, making it a famous marathon race in Taiwan.

The 9th FENC Classic Marathon kicked off at 6 o'clock on November 5th, 2017, with 6,500 people having signed up for the event. The runners were given functional sporting clothes as a gift that was made of 13 recycled plastic bottles from the ocean. The inner layer of the clothes wicks away moisture fast, while the outer layer is provides insulation and UV protection. The design of the clothes was not only to keep the runner's upper body dry and reflect the source of heat, but also to protect the ocean.

In order to build a rapport with the local community and promote the local culture, FENC invites members of the community, in addition to our employees, to serve as volunteers or prepare for the event. In addition, the route this year passes Hsinchu's beautiful countryside scenery, including Hsinpu Yimin Temple, the Hakka people's religious center, a tea farm in Hukou as well as the camphor trees on the Fengshan River embankment on the runners' way back.

The event was not only athletic but also charitable. Our volunteers encouraged the runners to donate the deposit of NT\$100 they had paid for the chip to Huashan Social Welfare Foundation to support the underprivileged old local people. In 2017, the chip deposit and the donation from the vouchers sold amounted to NT\$270,000.



 **Far Eastern Apparel (Vietnam)'s Charitable Donation**



Located in Binh Dương Province, Far Eastern Apparel (Vietnam) has taken care of the underprivileged groups and donated to the charitable organizations in the area for a long time. As such, the people's committee of Binh Dương Province awarded the company a certificate in appreciation of their philanthropic efforts.

In 2017, the company continued to donate to an orphanage and a humanitarian center, financially supporting 409 orphans. In addition, it sponsored the charitable event, organized by a local magazine, dedicated to the good students from impoverished families, in order to support 60 local orphans, handicapped children and poor students. All these efforts were aimed at supporting children to live on and receive schooling.




 **An Ecological Philanthropic Trip to Hualien**



In November 2017, the FENC volunteer club organized a two-day philanthropic trip to Hualien to raise environmental awareness, taking a total of 14 teachers and students from Yi Guan Organange to Asia Cement Ecological Park and Taroko National Park. During the trip, the children appreciated Hualien's unique natural landscape and abundant mineral resources and learned about the environmental impact of mining, ecological rehabilitation as well as soil and water conservation. We organized this activity to show our care toward the underprivileged children and help them understand the importance of environmental protection.



A Trip of Loving and
Fond Memories
Far Eastern New Century /
Ruo-Ping Hu
(Chinese Version)

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
 -  Starting Futuristic Parks
 -  Appendix



5.2 Social Engagement by Corporate Foundations

Since the 1960s, FENC has engaged with society by supporting such areas as education, culture, the arts, medical care, and technology. In 1968, we established Oriental Academy of Industrial Technology, which was renamed the "Oriental Institute of Technology" in 2000, to support educational promotion. In 1976, the Far Eastern Memorial Foundation was established to organize various artistic, cultural, and educational events, as well as to launch sponsorship programs for charity. In 1977, Far Eastern Medical Foundation began operations, providing charitable medical services. In order to commemorate Mr. Yu-Ziang Hsu, the founder of the Far Eastern Group, we established Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation to support and reward those people who innovate and engage in R&D.

5.2.1 Education


In order to nourish the skilled workers of tomorrow and support education for the long term, FENC established the Oriental Institute of Technology, Yu Chang Technical & Commercial Vocational Senior High School, and Yuan Ze University. Since 2013, FENC and affiliated companies have provided practical training programs for outstanding students to help them gain hands-on corporate experience and close the gap between school and industry. To date, 463 students have participated in the summer internship program, an experience which gave them an advantage when entering the workforce upon graduation. The program has benefited students, companies and society. (Please refer to [Chapter 4.1 Employment](#))

5.2.2 Medical Care

Back in the 1970s, there were no large modern hospitals in the Banqiao and Tucheng districts of New Taipei City that would have been able to provide emergency medical services. Filling that need, we established the Far Eastern Medical Foundation to build a hospital, provide emergency support and medical care for impoverished patients, as well as to award medical research. In 1981, Far Eastern Memorial Hospital was established in Banqiao. In 1999, Far Eastern Memorial Hospital forged a strategic alliance with National Taiwan University Hospital and received both individual and group awards of the National Quality Awards for 2006 and 2008.

Over the years, the hospital has continued to pursue excellence with its medical expertise and professional medical teams, while providing high-quality medical services to the public. It is now the one and only medical center in New Taipei City. In 2006, the hospital was upgraded to a medical center. In September, 2014, the second hospital area began operations with nearly 1,400 beds. The hospital is on track to become an international-level medical center. In 1988, Far Eastern Polyclinic was established in Taipei City and collaborated with NTU hospital to raise medical standards. New medical equipment has also been installed in the establishment to improve medical services.

In 2017, the hospital established the first joint care center for people with dementia and completed the first cochlear implant operation that was covered by the National Health Insurance, indicating that the hospital can provide more affordable healthcare service to the hearing impaired.



Established in 1968

Oriental Institute of Technology





Established in 1980

Yu Chang Technological and Commercial Vocational Senior High School





Established in 1987

Yuan Ze University

Established in 1981


Far Eastern Memorial Hospital

Established in 1988

Far Eastern Polyclinic



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
 -  Starting Futuristic Parks
 -  Appendix



5.2.3 Culture and the Arts

Sponsoring Toruk: The First Flight

Cirque du Soleil is Canadian entertainment company, based in Montreal, Quebec. The performing troupe has toured nearly 300 cities around the world, attracting 160 million people to watch their shows that are lauded as must-see performances in a person's life time. The troupe is also the only circus that does not incorporate animals in their performances. It has garnered countless accolades as one of the most popular, world-class artistic and cultural groups.

Since 2009, FENC has sponsored Cirque du Soleil's tour in Taiwan. In 2017, it was the fourth time that the Company sponsored the troupe. The troupe collaborated with the Oscar-winning director James Cameron in the production of Toruk: The First Flight and created new theater experience for Taiwanese audience with their innovative 4D multimedia projection.

Far Eastern Architectural Design Award

Established by the Far Eastern Memorial Foundation by in 1999, the Far Eastern Architectural Design Award been organized for nine times. In recent years, this important event has included Far Eastern Excellent Architectural Design Award, FE Group Architectural Renovation Award, Eastern Architectural Young Talent Award, the Exhibition of Far Eastern Architectural Young Talent and the widely-lauded Far Eastern International Architecture Seminar.

Far Eastern Excellent Architectural Design Award

The Far Eastern Excellent Architectural Design Award is organized every three or four years, inviting international judges to perform on-site review and presenting a NT\$1 million prize to a winning architect. The award pays out the highest cash prize among the architectural awards in Taiwan in the hope of improving the country's architectural culture. Since 2007, we have begun to accept submissions from architects from China, encouraging excellent architects to engage in architectural design; thus, the award has received a great deal of attention from architectural circles in both China and Taiwan.

In 2017, the 9th The Far Eastern Excellent Architectural Design Award focused on the architectural works in Taiwan and Chengdu and received a total of 43 submissions. The evaluation considered expert opinions, online popularity and on-site popularity. The winners of award were Taiwan's Cloud Gate Theater and Chengdu's West Village-Basis Yard. The award ceremony and the International Masters' Forum were held on May 20th and 21st, 2017. Renowned Chinese and Japanese architects such as Liu Jia-kun, Zhang Ke and Junya Ishigami were invited to give a speech to an audience of more than 700 people.



Winner of Taiwan area - Cloud Gate Theater



Winner of Chengdu area - Village Basis Yard

Far Eastern Architectural Renovation Award

In addition to promoting breakthroughs and innovation, the foundation focuses on passing down the culture associated with architecture and injecting new life into the old buildings of Taiwan. The Company supports the renovation and redevelopment of old buildings to promote environmental sustainability and encourage the public and private sectors to rejuvenate and reutilize old buildings. In 2015, we began to organize the Far Eastern Group Architectural Renovation Award, which was held for the second time in 2017.

The evaluation was carried out in two phases to select one winner for First Prize and two winners for Design Merit Award. The Frist Prize winner FOLIO responds to the significant issue of urban renewal and creates an important paradigm for rejuvenating old apartments. The Design Merit Award winners are The Inverted Truss – Renovation of A Historical Building and AMA Museum. The latter bears historical significance and tugs at heartstrings; therefore, the judges decided unanimously to present the architect the Special Jury Award as a token of encouragement.



On-site evaluation for the final selection - FOLIO



On-site evaluation for the final selection - AMA Museum

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
 -  Starting Futuristic Parks
 -  Appendix



Ja-Sheng Chen, the First Prize winner from Taiwan Jia-Kun Liu, the First Prize winner from Chengdu



The Far Eastern Architectural Design Award jury and winners from Taiwan and China



The renowned Japanese architect Ishigama Junya at the Masters' Forum The renowned architect Jia-Kun Liu at the Masters' Forum

Far Eastern Architectural Young Talent Award

In 2014, Far Eastern Memorial Foundation began to cooperate with Norihiko Dan and Associates, a group of renowned Japanese architects, in addition to the Korean architecture scholar Youngil Lee, to prepare the Shinjinsen, or Asian Architecture Rookie Awards. The Far Eastern Architectural Young Talent Award serves as the preliminary selection contest for Shinjinsen and encourages young Taiwanese architects to incorporate local concepts into their design and showcase their talent throughout Asia.

In 2017, the foundation collaborated with Japan for the fourth time in a joint effort to organize the award, which received a total of 101 works submitted by freshmen, sophomores and juniors from the architecture departments of Taiwan's universities. 31 submissions entered the final round of evaluation. The architect of the best work won the Young Talent Award (First Prize). The second place to the fifth place received the Design Merit Award. The sixth place to the tenth place were given the Emerging Talent Award.

Shih Chien University boasts the award's biggest winners. The student architect Chih-Wei Chang won the Young Talent Award for her work, Architecture of □ and Chen Xuan-yu won the Design Merit Award for his work, The Nucleus - A Trip of Soul-searching. The two contestants from the Architecture Department of Shih Chien University were qualified to represent Taiwan to participate in contest of Shinjinsen in 2017. Their travel, food, and lodging were reimbursed by the foundation.

Under the tutelage of the architect Wang Ming-hsieng and professor Huang Wan-wen, Zhang made it to the final round of the 6th Shinjinsen held in Bangkok, Thailand in October, 2017. She competed against other outstanding student architects from 17 Asian countries and won the second place.

In 2018, the Far Eastern Architectural Young Talent Award will call for submissions in June and July. The winners will be qualified to participate in the 7th Shinjinsen held in Taiwan. The final selection of the contest will be organized by Far Eastern Memorial Foundation and the implementation committee of Shinjinsen and supported by Yuan Ze University.



Chih-Wei Chang, the Young Talent Award Winner The Young Talent Award jury and winners

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment
-  Creating Employee Passion
-  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
-  Starting Futuristic Parks
-  Appendix



Chih-Wei Chang won the second place in contest of Shinjinsen The contestants at the final selection of Shinjinsen



Exhibition of Far Eastern Architectural Young Talent (Held at Tpark) Exhibition of Far Eastern Architectural Young Talent (Held at Tpark)



Exhibition of Far Eastern Architectural Young Talent (Held at SOGO Taipei Fuxing Store) Exhibition of Far Eastern Architectural Young Talent (Held at SOGO Taipei Fuxing Store)






5.2.4 Technology

Founded to support technology and innovation, Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation is the first non-governmental science and technology organization in Taiwan to be approved by the Ministry of Science and Technology. FENC is in charge of the foundation's operations and event planning.

Y. Z. Hsu Scientific Award

Since 2002, the Y. Z. Hsu Science and Technology Memorial Foundation has organized the Y. Z. Hsu Scientific Award each year to encourage members of academia to engage in research and innovation. Since its inception, the foundation has presented a total of 309 awards to reward 248 top scholars in Taiwan and payed out more than NT\$127 million, making the award one of the most significant scientific awards in the country.

Y. Z. Hsu Science Award Categories

| | | | | |
|---|---|--|---|---|
|  | Scientific Chair Professor Award Scientific Paper Award Technology Invention Award | Nano Science & Technology Communication Technology Optoelectronics Technology Bio-medical Technology Green Technology | To commend those who have made extraordinary contribution in the area of emerging technologies To encourage academic research and raise technological standards in Taiwan To encourage exchange and cooperation between academia and industry and the expansion of technological applications | |
| |  | Outstanding Professor Award | Science, Technology and Humanities Medical Technology | To acknowledge endeavors of the professors or associate professors who teach at Yuan Ze University, Oriental Institute of Technology, Far Eastern Memorial Hospital, and National Taiwan University, in the hope of further disseminating information about technology and humanities and expanding the use of medical technology |
| |  | Yuan Ze Chair Professor | | To reward full-time professors for their outstanding teaching skills and academic performance, in the hope of enhancing the competitiveness of Yuan Ze University. |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  **Building Altruistic Society**
 - Social Engagement by All Operational Sites
 - Social Engagement by Corporate Foundations
 -  Starting Futuristic Parks
 -  Appendix



The 15th Y. Z. Hsu Scientific Award began to call for submissions in November and December, 2016 and invited 153 scholars and experts to conduct peer review from January to April, 2017. The award ceremony was held in August, celebrating 23 winners and awarded a total of NT10.6 million cash prize. The highest honor of the Y. Z. Hsu Scientific Award, Scientific Chair Professor Award, went to professor Huan-Cheng Chang from Academia Sinica (Nano Science & Technology), professor Li-Chen Fu from National Taiwan University (Information and Communication Science & Technology), professor Shooou-Jinn Chang from Cheng Kung University (Optoelectronics Science & Technology), professor Pai-Chi Li from National Taiwan University (Biomedical Science & Technology) and Kung-Hwa Wei from National Chiao Tung University (Green Science & Technology).

During the ceremony, the Chairman of the foundation invited the winners' family to go on the stage to share the glorious moment, helping them to understand the winners' contribution to society. The foundation also presented Y. Z. Hsu Special Contribution Award to the former president of National Taiwan University, Sun Zhen, for his significant contribution to the foundation. He served as the head of the committee for the 1st to 11th award and recommended judges impartially and scrupulously during the early years of the award, helping lay a solid foundation for this scientific award.



Winners and Chairman



Winners and their family



Y. Z. Hsu Scientific Award

Y. Z. Hsu Competition – Taiwan Young Student Physicists' Tournament

In 2009, the Y. Z. Hsu Competition – Taiwan Young Student Physicists' Tournament was held for the first time as a joint effort between the Y. Z. Memorial Foundation and the Physics Department of National Taiwan Normal University. This was the first English debate tournament on the topic of physics in Taiwan. The competition promotes science education to young students and encourages them to develop the skills to think logically about physics and to express their ideas in English. The award selects three teams for the gold medal and a cash prize of NT\$150,000, five teams for the silver medal and a cash prize of NT\$60,000, and five teams for the bronze medal and a cash prize of NT\$30,000. Each year, ten individual contestants are singled out for a cash prize of NT\$10,000. In total, the tournament award NT\$1 million each year, and is the largest cash prize among science contests for senior high school students in Taiwan.

In 2017, the four-day tournament began on March 17th. 29 teams from different parts of Taiwan signed up for the event. Last year's gold medalist teams were from Concordia Middle School, which was the champion team, Taipei American School and Tainan First Senior High School.

The student winners received training from more than 10 professors before heading to Singapore to represent Taiwan in the 30th International Young Physicists' Tournament in July. The team from Taiwan, which consisted of Lin Jun-ru and Wang Yu-xi from Concordia Middle School, Huang An-rong from National Experimental High School at Hsinchu Science Park, Xie Yu-wei from Taipei Municipal Jianguo High School and Shen Zi-geng from Kaohsiung Senior High School won out against the 29 other national teams to bring home the silver medal.



The 9th Y. Z. Hsu Competition – Taiwan Young Student Physicists' Tournament



Winners of the 9th Y. Z. Hsu Competition – Taiwan Young Student Physicists' Tournament



Y. Z. Hsu Competition – Taiwan Young Student Physicists' Tournament (Chinese Version)



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
- Establishing Strong Governance
- Creating Diversified Values
- Nourishing Sustainable Environment
- Creating Employee Passion
- Building Altruistic Society
- Starting Futuristic Parks**

About Far Eastern Resources Development Co., Ltd.

Ecological Conservation and Environmental Friendliness

Appendix

Starting Futuristic Parks

6.1 About Far Eastern Resources Development Co., Ltd. 97

6.2 Ecological Conservation and Environmental Friendliness 99

Target Readers:

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



Material Topics

- Response to climate change
- International standard certifications
- Sustainable and eco-friendly buildings
- Innovation in processes and products
- Use and management of energy and resources
- Environmental pollution management
- Ecological conservation
- Sustainable development of supply chain
- Safety and health management of contractors
- Client safety
- Crisis management and disaster prevention


Purpose of Management

As we love the nature and the surrounding communities, we take into account economic, social and environmental impact or land development and planning, in order to provide comfortable and safe space. Our goal is to build an eco-friendly, green, energy-saving, smart and sustainable park.

Management Approaches and Effectiveness
Evaluating Mechanisms

- Land development projects focuses on minimizing carbon emissions and introduces the advanced technologies from abroad to build an ecological city.
- The design of the park meets to the criteria for Taiwan's EEW and Intelligent Building as well as the United States' LEED.
- We have refined the response measures against various incidents and disasters and introduced technical applications to ensure the safety of the contractors and tenants.
- The development and design of Tpark factor in the landscape, ecology, culture and environment and ensure biodiversity.
- The construction management of the ongoing development projects abides by related laws and regulations and seeks to minimize pollution of all sorts during construction.
- We aim to build an exemplary green and smart park in Taiwan.



- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 - About Far Eastern Resources Development Co., Ltd.
 - Ecological Conservation and Environmental Friendliness
-  Appendix



6.1 About Far Eastern Resources Development Co., Ltd.

Established in 2003, Far Eastern Resources Development (hereinafter referred to as FERD) is a subsidiary wholly owned by FENC. Its business includes real estate development, leasing and sales, as well as property management. During the reporting period, there was no significant change to the subsidiary's organization, structure, ownership or supply chain. In 2017, the employees of the company numbered 32, of which 19 are male and 13 are female. 4 people are contract employees. The company paid NT\$30.63 million for house tax in 2017 and NT\$378 million for land tax, a decrease of 30% from the year before because of no large land sales.

The company adheres to FENC's guidelines with regard to administrative management, internal control, and risk response. In 2017, there was no particular change in land development risk and response compared with the previous year. The company focused on gaining approval from the government for land development, strengthening communication with people living in the neighborhood, responding actively to the policy change when the construction is underway, minimizing environmental and ecological impact, addressing climate change issues through infrastructure, continuing to promote arboreal protection and introducing technological applications to support safety management. In order to improve its employees' knowledge about risk management, the company held seminars on commercial fire insurance and public liability insurance.

6.1.1 Progress of Major Development Projects

FERD continues to develop Tpark (Taipei Far Eastern Telecom Park) in Taipei and Spa Resort in Jiaoxi Township, Yilan County.

• Tpark



Located in Banqiao District, New Taipei City, Tpark is a communications and digital industrial park that occupies an area of 24 hectares and encompasses research and development office buildings, residential buildings and malls.

The TPKA building continues to solicit tenants. Its total floor area is 62,000 square meters and its leasable area is 50,000 square meters. The building's occupancy rate was 57% by the end of 2017 and is expected to reach 80% in 2018.

The progress of the construction in 2017 is described below:

The construction of the North Park, occupying an area of 20,000 square meters, was completed in February, 2017. The ongoing projects include TPKC Internet Data Center, TPKD R&D Center (hereinafter referred to as TPKC/D) and Tpark's residential building Zone B (hereinafter referred to as Zone B), in addition to Tpark's residential building Zone C, for which we will submit our application for urban design review in 2018.

| Project Name | Base Area (m ²) | Total Floor Area (m ²) | Estimated Date of Completion | Height | Progress in 2017 | |
|---|-----------------------------|------------------------------------|------------------------------|----------------|---|---|
| TPKC Internet Data Center and TPKD R&D Center | TPKC | 5,660 | 33,699 | October, 2019 | 11 floors above ground 3 floors underground | Construction commenced in June. The slurry wall was completed in September. Excavation began in December. |
| | TPKD | 9,725 | 57,900 | October, 2019 | 16 floors above ground 3 floors underground | |
| Tpark's Residential Building Zone B | Zone B | 5,130 | 28,707 | December, 2019 | Three buildings 3 floors underground 27 floors above ground | The grating work began in September. |


Note:

1. TPKC Internet Data Center belongs to FarEasTone Telecommunications, while TPKD R&D Center is FERD's property.
2. Zone B is a joint venture between Far Eastern Construction Company and FERD.

• Spa Resort

Located in Jiaoxi Township, Yilan Country, the Spa Resort occupies an area of 10 hectares and encompasses a hotel, shopping mall and scenic restaurant.

| Project Name | Base Area (m ²) | Total Floor Area (m ²) | Estimated Date of Completion | Height | Progress in 2017 |
|--------------|-----------------------------|------------------------------------|------------------------------|---|--|
| Spa Resort | 35,076 | 68,327 | December, 2021 | 8 floors above ground 2 floors underground | We have submitted the documents on building volume, overall landscape and transportation, pending review in March, 2018. |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 - About Far Eastern Resources Development Co., Ltd.
 - Ecological Conservation and Environmental Friendliness
 -  Appendix



Meticulous Construction Management

Procedures before, during and after construction have been established in accordance with the law. Communication with the local community have also been established, so that people living in the neighborhood can share their views with us. We care about public health and environmental protection, so in addition to monitoring environmental quality periodically as clean, we transport and dispose of construction waste in accordance with Waste Disposal Act and Construction Waste Treatment Plan. There is strict supervision over the transportation route and the construction time every day to minimize the impact on the surrounding neighborhood and the environment. Moreover, rules regarding violations and disciplinary actions have been established for the contractors to follow. In case of a major violation, the people involved will be suspended from work. No punishment will be deferred to avoid causing a delay in construction.

Waste Statistics in 2017



Note:
1. The construction waste for TPKC/D was the slurry from the slurry wall that is not toxic and no construction waste was produced from the grating work for Zone B.
2. General waste refers to daily waste and food waste produced by employees during construction. It was handled by a local disposal firm that has level-B waste disposal qualification. The amount of general waste for TPKC/D is 13,680kg and Zone B is 400kg.

6.1.2 Construction Contractor Management

FERD's contractors were selected by its parent company in accordance with procurement-related regulations. Their contracts require them not to accept bribery, employ child laborers or illegal foreign laborers, consider local laborers first for employment and abide by the Labor Standards Act. The contractors can strictly monitor the people who enter or exit the construction site by utilizing fingerprint and facial recognition systems, which can effectively help prevent the man-made errors. Besides, workers can create their fingerprint or face data in the systems only after completing training regarding occupational safety, safety and health as well as construction site management. This requirement can help the company ensure that all workers have received complete training and that the contractors do not hire child laborers or illegal foreign laborers.

Before construction, contractors are required to submit safety, health and environmental protection plans and enroll in a contractors' all risks insurance (CAR) which include construction financial loss insurance, employer's liability insurance and third-party liability insurance. Safety, health and hygiene are paramount to us, in addition to the quality of construction. Therefore, we have built the safety and health management system and used the PDCA approach to improve management. For new construction projects, we hired third-party labor safety and health consultants and established an SHE committee, the members of which are the safety and health personnel from the contractors. The consultant works with the safety and health personnel to ensure the workers' safety and health procedures are in place and that their practices are compliant with the procedures, coordinate efforts during construction and remind workers of construction safety. If there are risks from falling, electrical shocks, falling objects, collision, or the operation of mobile cranes, the consultants that have level-B labor safety and health qualifications will assess such risks beforehand and introduce safety measures. Safety and health inspections are required each day, while review, improvement status, construction safety, risk control and reporting of false alarms are all required items for each week.



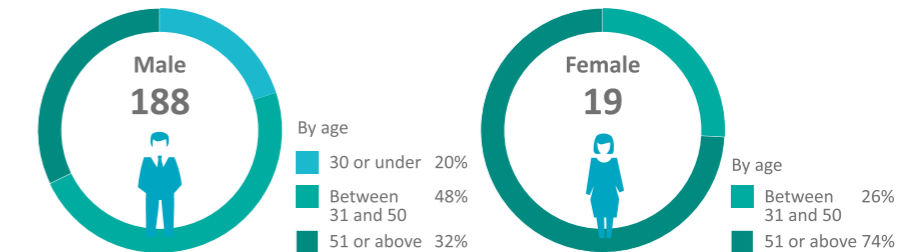
Using Smart Technology for Construction Site Management

Construction Safety Records in 2017


In 2017, 4,228 people worked at construction sites for a total of 37,432 hours. All construction projects proceeded on schedule; no false alarms, construction site accidents, occupational diseases or lost labor hours were reported.

Note: Contractors made personnel arrangements on site based on the progress and type of construction and set rules to determine absence and process leave applications.

Contractor Employee Information in 2017



Note:
1. This refers to the people who participate in the new construction projects including TPKC/D and Zone B.
2. The employees are R.O.C. nationals and full-time workers hired by the contractors.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 - About Far Eastern Resources Development Co., Ltd.
 - Ecological Conservation and Environmental Friendliness
-  Appendix



6.2 Ecological Conservation and Environmental Friendliness

We considered our land use plan, the design for biotic and plant communities, space for humanities and cultures, storm management and scenic landscape. From these concepts, we created and built our urban green space, ecological water treatment system, green streets and the pedestrian and bicycle traffic flow. Therefore, the value of Tpark is to be an ecological community that is characterized by unique cultural values, environment arts, humanity-oriented transportation as well as energy conservation and carbon reduction.

6.2.1 Biodiversity

In 2017, the construction of the North Park was completed, costing a total of NT\$130 million. We have built an environment that is beneficial for tree roots to spread and provide habitat diversity, using trees, bushes, bird-luring and butterfly-luring plants, porous waterway banks and artificial wetlands. To increase greenery, trees, bushes and groundcover plants have been grown for the ongoing TPKC/D project. A distance of 4 to 8 meters is required between trees, depending on the size of tree crown. Variable soil depths are used for the benefit of growing different trees, bushes and flowers. In order to avoid affecting birds' sleep or their migration in the evening, the projection area of the street lamps is limited to car lanes and sidewalks. Moreover, street lamps are covered with hoods to prevent glare and ensure the park is an ideal place for people to walk and living things to grow.

TPKC/D Birds-luring and Butterflies-luring Plants



153 trees, 138 of them are indigenous trees that attract birds and butterflies.



2,204 bushes, 1,978 of them are indigenous bushes that attract birds and butterflies.



North Park



Tpark

6.2.2 Saving Energy and Cutting Carbon Emissions

Energy Management

The Tpark management team aims to reduce 1% of electricity use every year, while maintaining operations of TPKA building and the comfort of the people working in it. In October 2017, LED sensor lighting was adopted everywhere in the underground parking lot, saving around 5,000 kw/h every month. In 2018, we will carry out an electricity-conservation feasibility assessment for temporary parking space. In 2017, the leased area of TPKA building increased 6.38% from 2016. The use of electricity is growth 3%, because the new tenants operate 24 hours. In addition, we have obtained the EEWH Candidate Certificate for the ongoing construction of TPKC/D and will apply for the EEWH gold level upon completion of the buildings. By Taiwan's green building standard, there will be a fixed amount of 4,106 metric tons of carbon dioxide. We plan to apply for the gold-level certificate for Intelligent Building Label and the U.S. LEED certification within 6 months after the construction is completed and we obtained the building use permit.

Energy Consumption

Unit: GJ

| | 2015 | 2016 | 2017 |
|------------------|---------------|---------------|---------------|
| TPKA Building(A) | 22,880 | 23,046 | 23,781 |
| Outdoor Space(B) | 416 | 74,830 | 652 |
| Tpark(A+B) | 23,296 | 97,876 | 24,433 |
| Spa Resort | 32 | 200 | (Note1) |
| Total | 23,328 | 98,076 | 24,433 |

Note:

- In 2017, there was no construction at Spa Resort, so no electricity use is reflected in the statistics.
- In 2017, the amount of electricity used in outer space at Tpark is lower than 2016 as a result of decreased number of construction days.


GHG Emission

Unit: t-CO₂e

| | 2015 | 2016 | 2017 |
|------------------|--------------|---------------|--------------|
| TPKA Building(A) | 3,362 | 3,387 | 3,494 |
| Outdoor Space(B) | 61 | 10,996 | 96 |
| Tpark(A+B) | 3,423 | 14,383 | 3,590 |
| Spa Resort | 5 | 29 | (Note2) |
| Total | 3,428 | 14,412 | 3,590 |

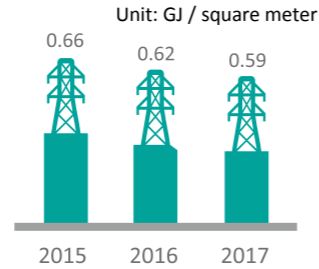
Note:

- All GHG emission figures are indirect emission (Scope 2). Electricity emission factor refers to the "electricity emission factor in 2016" provided by Bureau of Energy, Ministry of Economic Affairs.
- In 2017, there was no construction at Spa Resort. No power usage was calculated, hence no GHG emissions

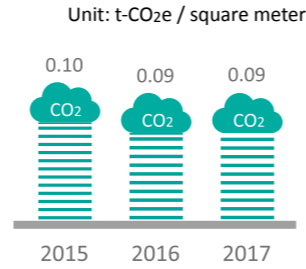
- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 - About Far Eastern Resources Development Co., Ltd.
 - Ecological Conservation and Environmental Friendliness
-  Appendix



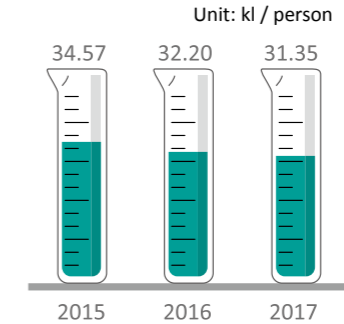
❖ Energy Intensity at TPKA Building



❖ GHG Emission Intensity at TPKA Building



❖ Water Intensity at TPKA Building



Water Resources Management

We collect and reuse rainwater through the storm management system. According to the data of rainfall in Banqiao District published by the Central Weather Bureau in 2017 and an estimate of the total capacity of infiltration trenches and the two ecological ponds at the North Park and South Park, a total of 50,000 kiloliters of rainwater was collected to water the street trees, be the source of migrant birds' drinking water and dissipate heat through evaporation. According to the readings of the water meter, the TPKA building collected a total of 716 kiloliters of rainwater, which was used to water the plants at the base. As for the amount of water used at the building, we monitor our monthly use of water and promote water conservation to tenants. In 2017, the total use of tap water decreased 2.64% per capita, compared with 2016.

❖ Water Withdrawal

Unit: kl

| | 2015 | 2016 | 2017 |
|------------------|---------------|---------------|---------------|
| TPKA Building(A) | 38,025 | 35,559 | 35,052 |
| Outdoor Space(B) | 173 | 788 | 1,066 |
| Tpark(A+B) | 38,198 | 36,347 | 36,118 |
| Spa Resort | 43 | 3,415 | (Note2) |
| Total | 38,241 | 39,762 | 36,118 |

Note:
1. All water used was tap water. No negative impact on water sources was made.
2. In 2017, there was no construction at Spa Resort.



Experts' Recognition



Dieter Grau / Partner of Ramboll Studio Dreiseitl

Ten Years ago, we created and developed very progressive and very innovative design concept for the Tpark. This design is now state of arts and cutting-edge quality. The park is in its expression more than just a design, it is more than infrastructure, it plays the role of ecology of a city district and lasts over a long period. That is what we are proud of.



Pan I-Ju / Member of the standing committee in Association of Culture Environment Reform Taiwan, Master of Urban Design of Environmental Arts Design Co. Ltd.

The nurturing water is the central theme of the North Park. The rainwater from the sky, the water that drains away on the ground, the water collected for the purpose of reuse, the source of water that nourishes all living things and the beautiful water landscape are all used creatively to integrate people into the environment harmoniously and enable a mutually beneficial relationship between people and other living things.

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

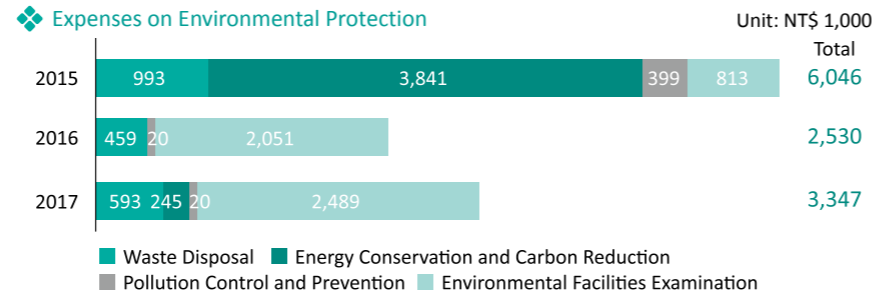
-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment
-  Creating Employee Passion
-  Building Altruistic Society
-  Starting Futuristic Parks
- About Far Eastern Resources Development Co., Ltd.
- Ecological Conservation and Environmental Friendliness

 Appendix



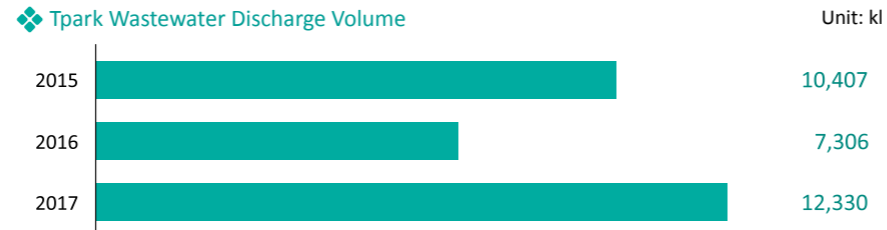
6.2.3 Pollution Prevention

Every year, more than 50,000 cars park at TPKA building. In order to reduce the exhaust emitted by the cars slowing down at the parking lot, electronic tickets were adopted in place of parking tickets in all parking lots in 2017. At the park, pollution is primarily generated by the Research and Development Office. However, there are no emissions of air pollutants, discharge of manufacturing wastewater or solid waste from manufacturing processes. The daily wastewater and solid waste produced by the employees are managed by a designated unit. With respect to construction projects, we monitor air quality at the park every quarter in accordance with the law. In 2017, the values we obtained were far below the legal limits.



Wastewater Management

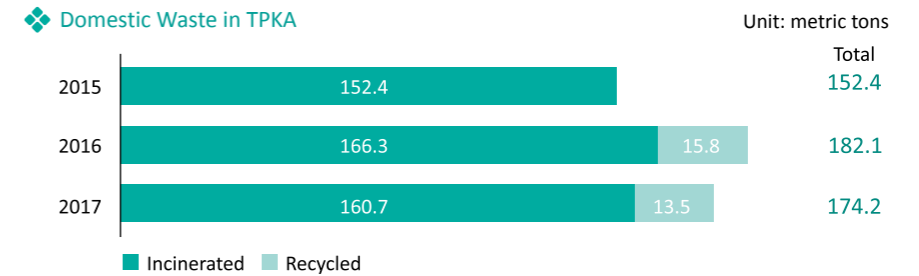
All the wastewater produced at Tpark was domestic wastewater, not wastewater from heavy industry or factories. On a weekly basis, wastewater treatment facilities were maintained and the quality of wastewater was examined. When the quality of treated wastewater reached the national standard, the wastewater was then legally discharged to the Danshui River. Annual reports on discharge volume and wastewater quality were made to governing authorities. No environmental impact was created as a result of the wastewater discharge.



Note:
1. The total wastewater discharge is less than to total water usage because the water in the cooling tower evaporates, the water used to wash the external walls quarterly and conduct fire drills are discharged directly to the gutters and the in-pipe water from the fire prevention and sprinkler construction is directly discharged in the rainwater tank.
2. In 2017, the wastewater discharged is greater than 2016 because the efficiency of grease separation device at the restaurant on the first floor was improved. The wastewater met the building's discharge standard, so it could go straight to the building's wastewater treatment system. There was no need to outsource such work as removing the sludge and processing the wastewater.

Waste Reduction

TPKA Building produces only domestic waste, instead of general or hazardous industrial waste. Also, for waste reduction and recycling, recycling bins are available at each floor in TPKA building. Although the number of people working in the building increased by 11.9% in 2017, the domestic waste was decreased by 4.3%, compared with 2016; the waste that requires incineration was down by 3.3%.





Note: In 2015, there was no waste reduction and recycling statistics data and domestic waste was addressed by qualified manufacturers.

6.2.4 Smart Management

Tpark is an open park, the security of which is maintained by a designated unit. The unit participate in the security meeting held by the local police station every month and collaborate with the police closely to ensure the environment is safe and secure. In 2017, upon the completion of the North Park, we increased the devices and equipment in the control room, shifted from a passive monitoring screen to an active-reporting screen and used a cloud storage system to manage alarm events to improve the quality and efficiency of the park's security management and effectively prevent man-made errors and hardware backup issues. With the advancement in smart image identification technology, the use of optical fibers and digitization is planned to improve the speed and quality of image transmission. The old transmission method will be phased out in 2018. To strengthen security management, save energy and cut carbon emissions, we have introduced smart application technologies to make the park a smart and ecological park.








Tpark Disaster Prevention Center

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 - About Far Eastern Resources Development Co., Ltd.
 - Ecological Conservation and Environmental Friendliness
-  Appendix

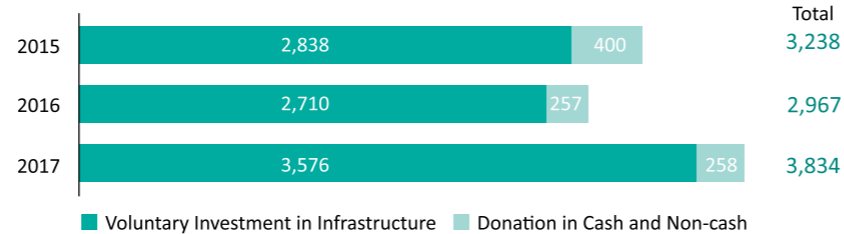


◆ Amount Invested in the Smart Park Unit: NT\$ 1,000

| Description | | Amount |
|--|--|---------------|
|  Disaster Prevention and Monitoring | Water levels in the ponds are monitored at all times to prevent and detain floods and preserve water. | 1,133 |
|  Energy Consumption Management | Smart meters and water meters are used to monitor irregular use of electricity or investigate and fix leakage in real time. | 2,885 |
|  Smart Spraying | Rain sensors and rain gauges are used to assess the soil environment and to determine whether to activate the auto spraying system rather than using the timed and rationed spraying method. | 1,650 |
|  Smart Lighting | Lighting is controlled based on the actual illumination and malfunction is reported automatically, reducing 14% of time when the lights are on, compared with the traditional method that turns on the lights at fixed points in time. | 1,324 |
|  Security Surveillance | Monitors are coupled with the SOS real-time communication system and alarming light emitting system to strengthen support for people in need and prevent danger. | 15,673 |
| Total | | 22,665 |

6.2.5 A Mutually Beneficial Relationship

◆ Amount Invested in Social Engagement Unit: NT\$ 1,000



Note:
 1. The voluntary infrastructure investment includes landscape plants maintenance works, ecological ponds operation, maintenance of roads (walks, lanes) and traffic signs, etc.
 2. Cash and non-cash donations include social care and industrial development activities.
 3. In 2016, Northern Park was constructed using the advanced ecological concept construction technology and NT\$130 million was not included in the calculation.

The installation art at TPKA building is known as Ascending Community. The vertical and interlocked structure depicts the close-knit relationship among the community members, their continuous pursuit of self-improvement and their efforts to seek higher-quality living environment. Built upon the mutually-beneficial relationship, the park and its natural surroundings are open to people living in the neighborhood. Notices are put up to raise public awareness of the various plants in the park and also the importance of rainwater recycling. We will continue to exchange views and share our experience in building a smart, green park with the government, industry and academia overseas. In addition, we want to create a prosperous future with our tenants and enthruse them through our PR team with various opportunities for further development.



Installation Art:
Ascending Community



Promoting International Green and Smart Parks

- New Taipei City government made an arrangement with the Hong Kong General Chamber of Commerce for the exchanges between Taiwan and Hong Kong on the trends regarding smart city industry.
- ICF Canada visited Tpark to exchange views on the international development of smart cities and Taiwan's smart technologies



Hong Kong General Chamber of Commerce



ICF Canada

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
 - About Far Eastern Resources Development Co., Ltd.
 - Ecological Conservation and Environmental Friendliness
 -  Appendix



Education

- Tpark collaborated with Banqiao Senior High School to design a course on the studies of Banqiao. Originally only once a year, the course was provided twice a year from 2017 and utilized VR technology to inspire interest in green technology among students.
- The Exhibition of Far Eastern Architectural Young Talent was held as a joint effort between Tpark and Far Eastern Memorial Foundation to encourage students create architectural design.
- In 2017, a total of 327 students and teachers from senior high schools and universities visited Tpark in 7 tours to understand the workings of smart and green ecology.



Tenants' Business Development

- We allow the tenants to play their corporate videos on the elevator TVs in TPKA building.
- We invited Teradata Corporation and inwinSTACK to participate in Yuan Ze University's internship program.
- We helped inwinSTACK to collaborate with Japanese businesses to expand into the Japanese market.
- We worked with YAMAHA, Yuan Hsin Digital Payment and Sugar to conduct online livestreaming at the Christmasland in New Taipei City.



Video streaming at the Christmasland (Chinese Version)

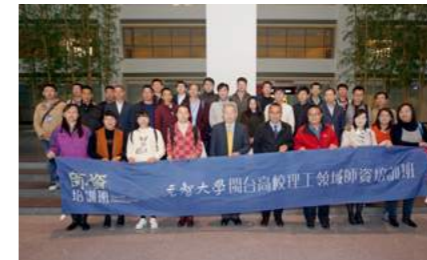


Recognition and Praise

- Construction and Planning Agency Ministry of the Interior has promoted integrated urban flood management and listed Tpark as an example to learn from.



Representatives from the Construction and Planning Agency, Ministry of the Interior and the Ministry of Internal Affairs visited Tpark to inspect and learn Low Impact Development



A Training Program held by Yuan Ze University for science and engineering teachers from Taiwan and Fujien Province

Banqiao Senior High School




Department of International Business Administration, Chinese Culture University and East China University of Science and Technology

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 - Establishing Strong Governance
 - Creating Diversified Values
 - Nourishing Sustainable Environment
 - Creating Employee Passion
 - Building Altruistic Society
 - Starting Futuristic Parks
- Appendix
 - Assurance Statement
 - Corresponding to Sustainable Guidance
 - GRI Standards Index
 - Response to Sustainable Development Goals, Guidance and Principles

Appendix

7.1 Assurance Statement



SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTERN NEW CENTURY CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2017

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION
SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Far Eastern New Century Corporation (hereinafter referred to as FENC) to conduct an independent assurance of the Corporate Social Responsibility Report for 2017 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in this report.

The information in the FENC's CSR Report of 2017 and its presentation are the responsibility of the management of FENC. SGS has not been involved in the preparation of any of the material included in FENC's CSR Report of 2017.

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

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

This report has been assured using our protocols for:

- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Standards (2016)

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

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

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS.

GP5008 Issue 5

EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION
On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within FENC's CSR Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of FENC sustainability activities in 01/01/2017 to 12/31/2017.

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

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

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

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

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


GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FENC's CSR Report of 2017, is adequately in line with the GRI Standards in accordance with Comprehensive Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. The management approach for each material topic (103-1) is described in a satisfactory manner in report. It is expected to see the results of performance for each material topic in future reporting.

Signed:
For and on behalf of SGS Taiwan Ltd.










David Huang, Director
Taipei, Taiwan
17 April, 2018
WWW.SGS.COM

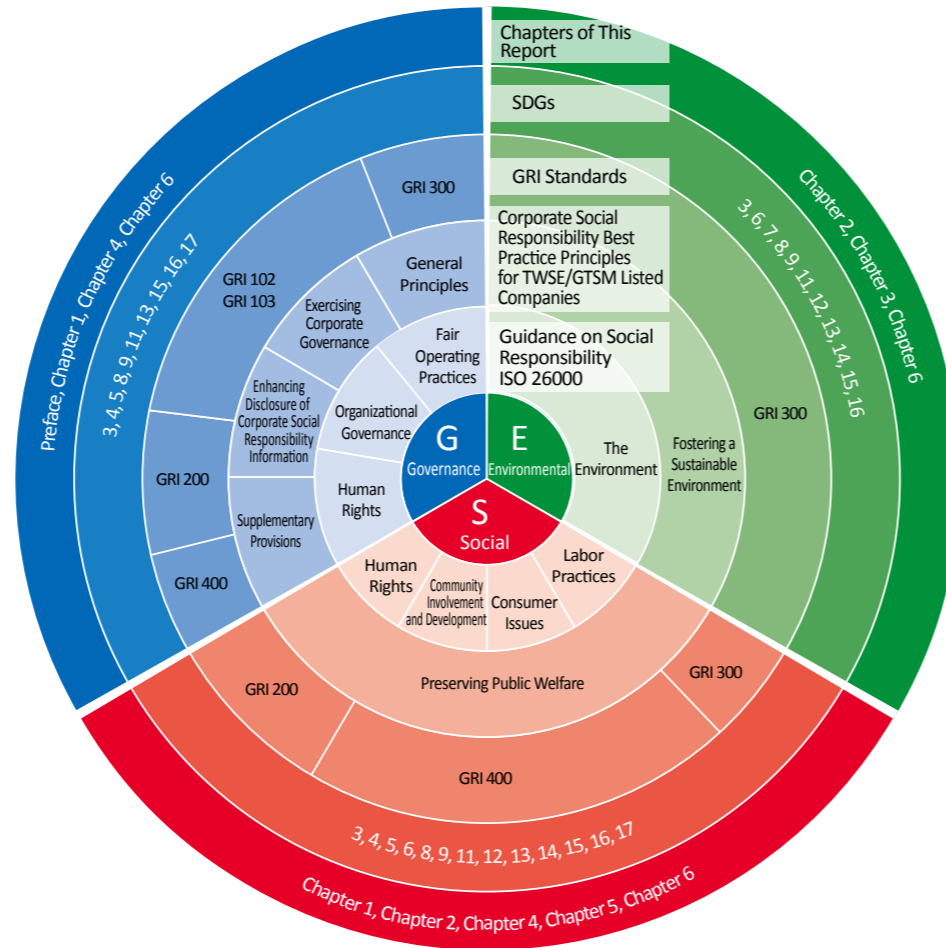


AA1000
Licensed Assurance Provider
000-8

GP5008 Issue 5

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment
-  Creating Employee Passion
-  Building Altruistic Society
-  Starting Futuristic Parks
-  **Appendix**
 - Assurance Statement
 - Corresponding to Sustainable Guidance
 - GRI Standards Index
 - Response to Sustainable Development Goals, Guidance and Principles

7.2 Corresponding to Sustainable Guidance



7.3 GRI Standards Index

GRI 100 Universal Standards

| Disclosure Title | | Chapter and Note | Pages |
|------------------------------|--|-------------------------------|----------------|
| GRI 102: General Disclosures | | | |
| 1. Organizational Profile | | | |
| 102-1 | Name of the organization | About This Report, 1.1, 6.1 | 2, 14, 97 |
| 102-2 | Activities, brands, products, and services | 1.1, 6.1 | 14, 97 |
| 102-3 | Location of headquarters | About This Report, 1.1.2, 6.1 | 2, 16, 97 |
| 102-4 | Location of operations | 1.1.2, 6.1 | 16, 97 |
| 102-5 | Ownership and legal form | 1.1, 6.1 | 14, 97 |
| 102-6 | Markets served | 1.1.2, 6.1 | 16, 97 |
| 102-7 | Scale of the organization | 1.1, 6.1 | 14, 97 |
| 102-8 | Information on employees and other workers | 4.1.1, 4.1.2, 6.1, 6.1.2 | 71, 72, 97, 98 |
| 102-9 | Supply chain | 1.1.2, 2.4, 6.1 | 16, 50, 97 |
| 102-10 | Significant changes to the organization and its supply chain | 1.1, 6.1 | 14, 97 |
| 102-11 | Precautionary Principle or approach | 1.3, 6.2.4 | 24, 101 |
| 102-12 | External initiatives | 1.4.2, 2.2.3, 6.2.2 | 32, 44, 99 |
| 102-13 | Membership of associations | 1.4.3 | 35 |
| 2. Strategy | | | |
| 102-14 | Statement from senior decision-maker | Chairman's Message | 4 |
| 102-15 | Key impacts, risks, and opportunities | Chairman's Message, 1.3, 6.1 | 4, 24, 97 |
| 3. Ethics and integrity | | | |
| 102-16 | Values, principles, standards, and norms of behavior | 1.1, 1.2.4 | 14, 20 |
| 102-17 | Mechanisms for advice and concerns about ethics | 1.2.4, 1.3, 1.4.4 | 20, 24, 39 |



Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

 Establishing Strong Governance

 Creating Diversified Values

 Nourishing Sustainable Environment

 Creating Employee Passion

 Building Altruistic Society

 Starting Futuristic Parks

 Appendix

Assurance Statement

Corresponding to Sustainable Guidance








GRI Standards Index

Response to Sustainable Development Goals, Guidance and Principles



| | Disclosure Title | Chapter and Note | Pages |
|----------------------|---|------------------|--------|
| 4. Governance | | | |
| 102-18 | Governance structure | 1.2.2, 1.2.4 | 18, 20 |
| 102-19 | Delegating authority | 1.2.2, 1.2.4 | 18, 20 |
| 102-20 | Executive-level responsibility for economic, environmental, and social topics | 1.2.2, 1.2.4 | 18, 20 |
| 102-21 | Consulting stakeholders on economic, environmental, and social topics | 1.2.4, 1.4.2 | 20, 32 |
| 102-22 | Composition of the highest governance body and its committees | 1.2.2 | 18 |
| 102-23 | Chair of the highest governance body | 1.2.2 | 18 |
| 102-24 | Nominating and selecting the highest governance body | 1.2.2 | 18 |
| 102-25 | Conflicts of interest | 1.2.2 | 18 |
| 102-26 | Role of highest governance body in setting purpose, values, and strategy | 1.2.4 | 20 |
| 102-27 | Collective knowledge of highest governance body | 1.2.2 | 18 |
| 102-28 | Evaluating the highest governance body's performance | 1.2.2 | 18 |
| 102-29 | Identifying and managing economic, environmental, and social impacts | 1.2.4, 1.3 | 20, 24 |
| 102-30 | Effectiveness of risk management processes | 1.2.4, 1.3 | 20, 24 |
| 102-31 | Review of economic, environmental, and social topics | 1.2.4, 1.3 | 20, 24 |
| 102-32 | Highest governance body's role in sustainability reporting | 1.2.4, 1.4.2 | 20, 32 |
| 102-33 | Communicating critical concerns | 1.2.4 | 20 |
| 102-34 | Nature and total number of critical concerns | 1.2.4 | 20 |
| 102-35 | Remuneration policies | 1.2.2, 4.1.3 | 18, 73 |
| 102-36 | Process for determining remuneration | 1.2.2, 4.1.3 | 18, 73 |
| 102-37 | Stakeholders' involvement in remuneration | 1.2.2, 4.1.3 | 18, 73 |
| 102-38 | Annual total compensation ratio | 4.1.3 | 73 |
| 102-39 | Percentage increase in annual total compensation ratio | 4.1.3 | 73 |

| | Disclosure Title | Chapter and Note | Pages |
|-------------------------------------|--|--------------------------|-------------|
| 5. Stakeholder engagement | | | |
| 102-40 | List of stakeholder groups | 1.4.1, 1.4.3, 6.2.5 | 31, 35, 102 |
| 102-41 | Collective bargaining agreements | 4.3.1 | 77 |
| 102-42 | Identifying and selecting stakeholders | 1.4.1 | 31 |
| 102-43 | Approach to stakeholder engagement | 1.4.3 | 35 |
| 102-44 | Key topics and concerns raised | 1.4.2, 1.4.3 | 32, 35 |
| 6. Reporting practice | | | |
| 102-45 | Entities included in the consolidated financial statements | About This Report, 1.1 | 2, 14 |
| 102-46 | Defining report content and topic Boundaries | 1.4.1, 1.4.2 | 31, 32 |
| 102-47 | List of material topics | 1.4.2 | 32 |
| 102-48 | Restatements of information | About This Report | 2 |
| 102-49 | Changes in reporting | About This Report, 1.4.2 | 2, 32 |
| 102-50 | Reporting period | About This Report | 2 |
| 102-51 | Date of most recent report | About This Report | 2 |
| 102-52 | Reporting cycle | About This Report | 2 |
| 102-53 | Contact point for questions regarding the report | About This Report | 2 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | About This Report | 2 |
| 102-55 | GRI content index | 7.3 | 105 |
| 102-56 | External assurance | About This Report, 7.1 | 2, 104 |
| GRI 103: Management Approach | | | |
| 103-1 | Explanation of the material topic and its Boundary | 1.4.2 | 32 |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals
 -  Establishing Strong Governance
 -  Creating Diversified Values
 -  Nourishing Sustainable Environment
 -  Creating Employee Passion
 -  Building Altruistic Society
 -  Starting Futuristic Parks
-  **Appendix**
 - Assurance Statement
 - Corresponding to Sustainable Guidance
 - GRI Standards Index
 - Response to Sustainable Development Goals, Guidance and Principles



GRI 200 Topic-specific Standards

| Disclosure Title | | Chapter and Note | Pages |
|---|---|---|-------------|
| GRI 201: Economic Performance | | | |
| 103-2 | The management approach and its components | 1.1.1, 1.3.1, 1.4.4, | 16, 28, 39, |
| 103-3 | Evaluation of the management approach | 4.2.3, 6.1 | 77, 97 |
| 201-1 | Direct economic value generated and distributed | 1.1.1, 6.1 | 16, 97 |
| 201-2 | Financial implications and other risks and opportunities due to climate change | 1.3.1 | 28 |
| 201-3 | Defined benefit plan obligations and other retirement plans | 4.2.3 | 77 |
| 201-4 | Financial assistance received from government | NT\$ 74,770 thousand (including subsidies for technical development NT\$ 59,965 thousand, subsidies for energy conservation NT\$ 3,194 thousand, and other item of NT\$ 11,611 thousand.) | |
| GRI 204: Procurement Practices | | | |
| 103-2 | The management approach and its components | 1.4.4, 2.4 | 39, 50 |
| 103-3 | Evaluation of the management approach | | |
| 204-1 | Proportion of spending on local suppliers | 2.4 | 50 |
| GRI 205: Anti-corruption | | | |
| 103-2 | The management approach and its components | 1.2.4, 1.4.4 | 20, 39 |
| 103-3 | Evaluation of the management approach | | |
| 205-1 | Operations assessed for risks related to corruption | 1.2.4 | 20 |
| 205-2 | Communication and training about anti-corruption policies and procedures | 1.2.4 | 20 |
| 205-3 | Confirmed incidents of corruption and actions taken | No relevant issue (1.2.4, 1.4.4) | 20, 39 |
| GRI 206: Anti-competitive Behavior | | | |
| 103-2 | The management approach and its components | 1.2.4, 1.4.4 | 20, 39 |
| 103-3 | Evaluation of the management approach | | |
| 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | No relevant issue (1.3) | 24 |

GRI 300 Topic-specific Standards

| Disclosure Title | | Chapter and Note | Pages |
|---------------------------|---|---------------------|------------|
| GRI 301: Materials | | | |
| 103-2 | The management approach and its components | 1.4.4, 3.2.2 | 39, 59 |
| 103-3 | Evaluation of the management approach | | |
| 301-1 | Materials used by weight or volume | 3.2.2 | 59 |
| 301-2 | Recycled input materials used | 3.2.2 | 59 |
| 301-3 | Reclaimed products and their packaging materials | 3.2.2 | 59 |
| GRI 302: Energy | | | |
| 103-2 | The management approach and its components | 1.4.4, 3.2.1, 6.2.2 | 39, 53, 99 |
| 103-3 | Evaluation of the management approach | | |
| 302-1 | Energy consumption within the organization | 3.2.1, 6.2.2 | 53, 99 |
| 302-2 | Energy consumption outside of the organization | 3.2.1, 6.2.2 | 53, 99 |
| 302-3 | Energy intensity | 3.2.1, 6.2.2 | 53, 99 |
| 302-4 | Reduction of energy consumption | 3.2.1, 6.2.2 | 53, 99 |
| 302-5 | Reductions in energy requirements of products and services | 2.2.3, 6.2.2 | 44, 99 |
| GRI 303: Water | | | |
| 103-2 | The management approach and its components | 1.4.4, 3.2.3, 6.2.2 | 39, 59, 99 |
| 103-3 | Evaluation of the management approach | | |
| 303-1 | Water withdrawal by source | 3.2.3, 6.2.2 | 59, 99 |
| 303-2 | Water sources significantly affected by withdrawal of water | 3.2.3, 6.2.2 | 59, 99 |
| 303-3 | Water recycled and reused | 3.2.3, 6.2.2 | 59, 99 |

Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

 Establishing Strong Governance

 Creating Diversified Values

 Nourishing Sustainable Environment

 Creating Employee Passion

 Building Altruistic Society

 Starting Futuristic Parks

 Appendix

Assurance Statement

Corresponding to Sustainable Guidance

GRI Standards Index

Response to Sustainable Development Goals, Guidance and Principles



| Disclosure Title | | Chapter and Note | Pages |
|------------------------------|---|-----------------------------------|----------------|
| GRI 304: Biodiversity | | | |
| 103-2 | The management approach and its components | 1.4.4, 6.2.1 | 39, 99 |
| 103-3 | Evaluation of the management approach | | |
| 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 6.2.1 | 99 |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | 6.2.1 | 99 |
| 304-3 | Habitats protected or restored | 6.2.1 | 99 |
| 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | This indicator is not applicable. | |
| GRI 305: Emissions | | | |
| 103-2 | The management approach and its components | 1.4.4, 3.3, 3.4.1, 6.2.2 | 39, 63, 65, 99 |
| 103-3 | Evaluation of the management approach | | |
| 305-1 | Direct (Scope 1) GHG emissions | 3.3.1, 6.2.2 | 63, 99 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 3.3.1, 6.2.2 | 63, 99 |
| 305-3 | Other indirect (Scope 3) GHG emissions | 3.3.1, 6.2.2 | 63, 99 |
| 305-4 | GHG emissions intensity | 3.3.1, 6.2.2 | 63, 99 |
| 305-5 | Reduction of GHG emissions | 3.2.1, 3.3.2, 6.2.2 | 53, 64, 99 |
| 305-6 | Emissions of ozone-depleting substances (ODS) | Related substances are not used. | |
| 305-7 | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | 3.4.1, 6.2.3 | 65, 101 |

| Disclosure Title | | Chapter and Note | Pages |
|---|--|--|---------------------|
| GRI 306: Effluents and Waste | | | |
| 103-2 | The management approach and its components | 1.4.4, 3.4.2, 3.4.3, 6.2.3 | 39, 66, 67, 101 |
| 103-3 | Evaluation of the management approach | | |
| 306-1 | Water discharge by quality and destination | 3.4.2, 6.2.3 | 66, 101 |
| 306-2 | Waste by type and disposal method | 3.4.3, 6.1.1, 6.2.3 | 67, 97, 101 |
| 306-3 | Significant spills | No relevant issue (3.2.2, 3.4.2, 3.4.3) | 59, 66, 67 |
| 306-4 | Transport of hazardous waste | No import or export related hazardous waste, this indicator is not applicable. | |
| 306-5 | Water bodies affected by water discharges and/or runoff | No relevant issue (3.4.2) | 66 |
| GRI 307: Environmental Compliance | | | |
| 103-2 | The management approach and its components | 1.3, 1.4.4, 3.4, 6.1.1, 6.2.3 | 24, 39, 65, 97, 101 |
| 103-3 | Evaluation of the management approach | | |
| 307-1 | Non-compliance with environmental laws and regulations | 1.3 | 24 |
| GRI 308: Supplier Environmental Assessment | | | |
| 103-2 | The management approach and its components | 1.4.4, 2.4, 6.1.2 | 39, 50, 98 |
| 103-3 | Evaluation of the management approach | | |
| 308-1 | New suppliers that were screened using environmental criteria | 2.4 | 50 |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | 2.4 | 50 |

Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

 Establishing Strong Governance

 Creating Diversified Values

 Nourishing Sustainable Environment

 Creating Employee Passion

 Building Altruistic Society

 Starting Futuristic Parks

 Appendix

Assurance Statement

Corresponding to Sustainable Guidance

GRI Standards Index

Response to Sustainable Development Goals, Guidance and Principles









GRI 400 Topic-specific Standards

| Disclosure Title | | Chapter and Note | Pages |
|--|---|--------------------------|----------------|
| GRI 401: Employment | | | |
| 103-2 | The management approach and its components | 1.4.4, 4.1, 4.2 | 39, 71, 74 |
| 103-3 | Evaluation of the management approach | | |
| 401-1 | New employee hires and employee turnover | 4.1.2 | 72 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 4.2.2 | 75 |
| 401-3 | Parental leave | 4.2.1 | 74 |
| GRI 402: Labor/Management Relations | | | |
| 103-2 | The management approach and its components | 1.4.4, 4.3 | 39, 77 |
| 103-3 | Evaluation of the management approach | | |
| 402-1 | Minimum notice periods regarding operational changes | 4.3.2 | 78 |
| GRI 403: Occupational Health and Safety | | | |
| 103-2 | The management approach and its components | 1.4.4, 4.5 | 39, 82 |
| 103-3 | Evaluation of the management approach | | |
| 403-1 | Workers representation in formal joint management-worker health and safety committees | 4.5.1 | 82 |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 4.5.3, 6.1.2 | 87, 98 |
| 403-3 | Workers with high incidence or high risk of diseases related to their occupation | 4.5.1 | 82 |
| 403-4 | Health and safety topics covered in formal agreements with trade unions | 4.5.1 | 82 |
| GRI 404: Training and Education | | | |
| 103-2 | The management approach and its components | 1.4.4, 4.4, 4.5.1, 4.5.2 | 39, 78, 82, 86 |
| 103-3 | Evaluation of the management approach | | |
| 404-1 | Average hours of training per year per employee | 4.4.2, 4.5.1, 4.5.2 | 79, 82, 86 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | 4.4.2, 4.5.1, 4.5.2, 6.1 | 79, 82, 86, 97 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 4.4.1 | 78 |

| Disclosure Title | | Chapter and Note | Pages |
|--|---|--------------------------|----------------|
| GRI 413: Local Communities | | | |
| 103-2 | The management approach and its components | 1.4.4, 3.6, 6.2.5 | 39, 69, 102 |
| 103-3 | Evaluation of the management approach | | |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | 3.6, 6.2.5 | 69, 102 |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | 3.6, 6.2.5 | 69, 102 |
| GRI 414: Supplier Social Assessment | | | |
| 103-2 | The management approach and its components | 1.4.4, 2.4, 4.5.2, 6.1.2 | 39, 50, 86, 98 |
| 103-3 | Evaluation of the management approach | | |
| 414-1 | New suppliers that were screened using social criteria | 2.4 | 50 |
| 414-2 | Negative social impacts in the supply chain and actions taken | 2.4 | 50 |
| GRI 416: Customer Health and Safety | | | |
| 103-2 | The management approach and its components | 1.4.4, 6.2.4 | 39, 101 |
| 103-3 | Evaluation of the management approach | | |
| 416-1 | Assessment of the health and safety impacts of product and service categories | 6.2.4 | 101 |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | No relevant issue (1.3) | 24 |
| GRI 419: Socioeconomic Compliance | | | |
| 103-2 | The management approach and its components | 1.3, 1.4.4 | 24, 39 |
| 103-3 | Evaluation of the management approach | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | No relevant issue (1.3) | 24 |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment
-  Creating Employee Passion
-  Building Altruistic Society
-  Starting Futuristic Parks
-  **Appendix**

- Assurance Statement
- Corresponding to Sustainable Guidance
- GRI Standards Index
- Response to Sustainable Development Goals, Guidance and Principles



7.4 Response to Sustainable Development Goals, Guidance and Principles








UN Sustainable Development Goals

| | Description | Chapter |
|---------|---|--|
| Goal 1 | End poverty in all its forms everywhere | 5.1 |
| Goal 3 | Ensure healthy lives and promote well-being for all at all ages | 3.3, 3.4, 5.1, 5.2.2, 5.2.4, 6.1.1, 6.2.2, 6.2.3 |
| Goal 4 | Ensure inclusive and quality education for all and promote lifelong learning | 1.2.2, 4.4.2, 4.5.1, 5.2 |
| Goal 5 | Achieve gender equality and empower all women and girls | 1.2.2, 4.1.2, 4.2.1, 4.4 |
| Goal 6 | Ensure access to water and sanitation for all | 3.2.2, 3.2.3, 3.4.2, 3.4.3, 6.1.1, 6.2.1, 6.2.2, 6.2.3 |
| Goal 7 | Ensure access to affordable, reliable, sustainable and modern energy for all | 3.2.1, 3.3.2, 6.2.2 |
| Goal 8 | Promote inclusive and sustainable economic growth, employment and decent work for all | 2.1, 2.2, 4 |
| Goal 9 | Build resilient infrastructure, promote sustainable industrialization and foster innovation | 2.1, 2.2, 6.2, 6.2.5 |
| Goal 11 | Make cities inclusive, safe, resilient and sustainable | 5.1, 5.2.3, 6 |
| Goal 12 | Ensure sustainable consumption and production patterns | 2.2.3, 2.4, 3.2, 3.3, 3.4, 3.5, 6.1.1, 6.2.2, 6.2.3 |
| Goal 13 | Take urgent action to combat climate change and its impacts | 1.3.1, 2.2.3, 3.2.1, 3.3, 3.5, 6.1.1, 6.2.2 |
| Goal 14 | Conserve and sustainably use the oceans, seas and marine resources | 2.2.3 |
| Goal 15 | Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss | 2.2.3, 3.4, 6.2.1, 6.2.3 |
| Goal 16 | Promote just, peaceful and inclusive societies | 1.2.2, 1.2.4, 1.3, 1.4.4, 2.4, 4.1.3, 4.2.1 |
| Goal 17 | Revitalize the global partnership for sustainable development | 1.2.4, 2.2.3, 2.4 |

Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

| Description | Chapter |
|---|---|
| Chapter I General Principles | Chairman's Message, Sustainable Development, Sustainable Goals, 1.2 |
| Chapter II Exercising Corporate Governance | 1.2, 1.4, 3.6, 4.1, 4.4.1, 6.2.5 |
| Chapter III Fostering a Sustainable Environment | 2.2, 3.2, 3.3, 3.4, 3.5, 6.2 |
| Chapter IV Preserving Public Welfare | 1.3, 2, 3.6, 4, 5, 6.1.1, 6.2.3, 6.2.5 |
| Chapter V Enhancing Disclosure of Corporate Social Responsibility Information | Sustainable Development, Sustainable Goals, 1.3, 1.4, 2.4, 7.1 |
| Chapter VI Supplementary Provisions | 1.4 |

- Content
- About This Report
- Chairman's Message
- Performance Highlights in 2017
- Sustainable Development
- Sustainable Goals

-  Establishing Strong Governance
-  Creating Diversified Values
-  Nourishing Sustainable Environment
-  Creating Employee Passion
-  Building Altruistic Society
-  Starting Futuristic Parks
-  **Appendix**

- Assurance Statement
- Corresponding to Sustainable Guidance
- GRI Standards Index
- Response to Sustainable Development Goals, Guidance and Principles



Guidance on Social Responsibility ISO 26000

| | Description | Chapter |
|---------------------------|--|--|
| Organizational Governance | The system by which an organization makes and implements decisions in pursuit of its objectives. | 1.2, 1.3 |
| Human Rights | Due diligence | 1.2.4, 1.4, 2.4, 4 |
| | Human rights risk situations | |
| | Avoidance of complicity | |
| | Resolving grievances | |
| | Discrimination and vulnerable groups | |
| | Civil and political rights | |
| | Economic, social and cultural rights | |
| Labor Practices | Employment and employment relationships | 4 |
| | Conditions of work and social protection | |
| | Social dialogue | |
| | Health and safety at work | |
| The Environment | Human development and training in the workplace | 1.3.1, 2.2, 3.1, 3.2, 3.3, 3.4, 3.5, 6.2 |
| | Prevention of pollution | |
| | Sustainable resource use | |
| | Climate change mitigation and adaptation | |
| | Protection of the environment, biodiversity and restoration of natural habitats | |

| | Description | Chapter |
|---------------------------------------|---|---|
| Fair Operating Practices | Anti-corruption | 1.2, 1.3, 2.4 |
| | Responsible political involvement | |
| | Fair competition | |
| | Promoting social responsibility in the value chain | |
| Consumer Issues | Respect for property rights | 2.2, 2.3, 6.2.4 |
| | Fair marketing, factual and unbiased information and fair contractual practices | |
| | Protecting consumers' health and safety | |
| | Sustainable consumption | |
| | Consumer service, support, and complaint and dispute resolution | |
| | Consumer data protection and privacy | |
| Community Involvement and Development | Access to essential services | 2.1, 2.4, 3.6, 4.1, 4.2, 4.4, 5, 6.1, 6.2.5 |
| | Education and awareness | |
| | Community involvement | |
| | Education and culture | |
| | Employment creation and skills development | |
| | Technology development and access | |
| | Wealth and income creation | |
| Health | | |
| Social investment | | |

Content

About This Report

Chairman's Message

Performance Highlights in 2017

Sustainable Development

Sustainable Goals

 Establishing Strong Governance

 Creating Diversified Values

 Nourishing Sustainable Environment

 Creating Employee Passion

 Building Altruistic Society

 Starting Futuristic Parks

 **Appendix**

Assurance Statement

Corresponding to Sustainable Guidance

GRI Standards Index

Response to Sustainable Development Goals, Guidance and Principles



Published by

Far Eastern New Century Corporation

Publisher

Douglas Tong Hsu

Directors

Johnny Hsi, Peter Hsu, Y.H. Tseng, Eric Hu, K.S. Wu, Humphrey Cheng

CSR Committee Convener

Humphrey Cheng

CSR Committee Members

JH Ding, Hangyuan Yu, Tzu-Chieh Fang, Jianling Wang, Mark Wang, Jerry Wang, Vincent Wang, Huan-Ta Tien, Cliff Chu, Julia Chu, Julie Zhu, Li-Hua Chu, Jeffery Chiang, Jack Wu, Kenven Wu, Benson Leu, Shenghan Lu, Cheng Hua Lee, Hejun Li, Lin Li, Tony Lee, Carol Wang, Allen Sha, Tracy Nguyen, Angus Chou, Amy Zhou, Chun Chieh Chou, Ying Zhou, Kenny Chou, Qiang Zhou, York Chou, Gilbert Yi, Daniel Lin, Wen-Hsiung Lin, Chih-ching Lin, Claire Lin, Chi-Feng Lin, Yushyuan Lin, James Lin, Willy Lin, Norman Lin, Peggie Lin, Anne Lin, Bi Hwang Lin, Isa Lin, Jon Chi Nina Chiu, Wei Jin, Fengqi Shi, Chin-Kuei Hung, Hannah Hang, Hsiao-Pin Hu, WeiMing Hu, Steven Fan, Yiqin Xia, Eric Sun, Amos King, Simon Wong, Rodge Ma, Andy Lou, Teddy Chang, Sam Chang, Steve Chang, Rex Chang, Tasha Chang, Hui-Long Chang, Kavin Chang, Jassie Zhang, Weihua Zhang, Shuangjun Cao, Alpha Hsu, Liangwei Hsu, Jiingchyi Hsu, Angel Kuo, Simon Chen, Yungchia Chen, Dennis Chen, Gin-Den Chen, Chun-Chin Chen, Chin-Sheng Chen, Andy Chen, Ching-Feng Chen, Zhensheng Chen, Diana Chen, Titan Chen, Tony Tao, Chen Lu, Nico Peng, Jason Peng, Chunsong Jing, Hwa-Horng Tseng, Tsengen Tseng, Li-Jen Feng, Yuaohuang, Bruce Huang, Channing Huang, Simon Huang, Duke Huang, ZhongPing Yang, Ming-Mou Yang, Terry Yang, Yu-Yuan Yang, Luke Yang, Michelle Yeh, Guangtao Dong, Chun-Hui Jan, Shaoping Shou, Teresa Liao, Arnold Liao, Allen Liu, Wilson Liu, CH Liu, Louie Liu, Andrew Tsai, Jung-Kwai Tsai, Martin Cheng, Yen Ping Cheng, I-Hsiung Li, Zhitong Qian, Ker-Bin Louy, James Chu, Yunfeng Xue, Tzu Wen Hsieh, Rock Chien, Charles Wei, Mark Wei, Eva Luo, Maggie Lo, FT Lo

Executive Unit

Corporate Staff Office

Allen Sha, Julia Chao, Ken Cheng, Joanne Lee



 遠東新世紀股份有限公司
FAR EASTERN NEW CENTURY CORPORATION