

Content

About This Report

Chairman’s Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 **Creating Inclusive Society**

4.1 Employment

4.2 Care for Employees

4.3 Labor Dialogue

4.4 Career Development

4.5 Occupational Safety and Health Management

4.6 Sustainable Development of Supply Chain

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

Creating Inclusive Society



4.1 Employment	70
4.2 Care for Employees	74
4.3 Labor Dialogue	77
4.4 Career Development	78
4.5 Occupational Safety and Health Management	81
4.6 Sustainable Development of Supply Chain	88

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"> Construct happy workplace Foster employee career planning 	To promote quality working environment, secure the rights and interests of employees, and effectively retain talents to increase human capital and competitiveness for the Company, creating win-win in the spirit of labor-management harmony.	<ul style="list-style-type: none"> Provide training and job rotation opportunities as well as devoting efforts to promoting internal talents with comprehensive internal promotion system and diverse opportunities. Keep up to date on the market rate for remuneration and make appropriate adjustments with regular reviews on salary benchmark to retain valuable employees. Establish Remuneration Committee responsible for reviewing the employee remuneration system. With performance review system in place, employees are evaluated yearly. Establish Employee Welfare Committee to give employees autonomy over employee welfare. 	<ul style="list-style-type: none"> Protect employees’ human rights and give employees respect at workplace. Establish labor union or hold regular labor relation meetings to ensure employees’ freedom of association and collective bargaining. Supervisors may communicate with workers through regular meetings. Administer employee satisfaction survey, which may serve as reference for improvements. Facilitate sound internal organizational structure and human resources management. In the occurrence of violations, conduct investigation and follow up with improvements.
<ul style="list-style-type: none"> Reinforce environmental safety and health management 	In order to ensure the safety and health of employees and contractors, the Company strives to reduce risks in the workplace to protect their lives and wellbeing.	<ul style="list-style-type: none"> Establish Occupational Safety and Health Committee Provide employees and contractors safety and health management and training. Set zero workplace accident as the goal. 	<ul style="list-style-type: none"> Manage chemicals systematically, and avoid accidents caused by improper use or damages to employee health due to improper exposure. Contractors are required to meet the safety and health standards of the Company.
<ul style="list-style-type: none"> Coordinate sustainable supply chain development 	To collaborate with partners in the supply chain and ensure its sustainable development.	<ul style="list-style-type: none"> Require suppliers to sign “Supplier Corporate Social Responsibility Commitment Statement.” Stay on top of and oversee supplier conducts and operational condition through good communication channels and regular meetings. 	<ul style="list-style-type: none"> Evaluate the impact of supply chain on the environment, labor, human rights and society. In the occurrence of major impacts, the Company may request contract termination or improvements depending on severity.



Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

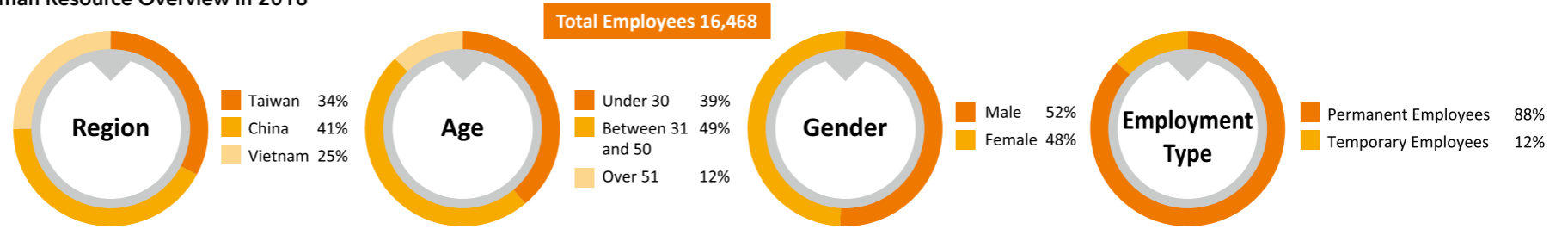
- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 **Employment**
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

4.1 Employment

4.1.1 Human Resources

When it comes to human resources, FENC has always believed in finding the right person for the right position and giving employees the opportunity to develop their full potential. The Company puts such conviction to practice with a comprehensive organizational structure and human resources system. There are 16,468 employees at FENC, and 88% of them are permanent employees. Key positions at the Company are held by permanent employees. The Company also offers internal training, job rotation and internal promotion track for top performers, which demonstrate the comprehensive and diverse opportunities for career advancement at FENC.

Human Resource Overview in 2018



Human Resource Profile in 2018

Type	Region	Taiwan			China			Vietnam			Total		
		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Permanent Employees	Male(%)	71%	72%	73%	53%	52%	52%	19%	19%	19%	47%	49%	49%
	Female(%)	29%	28%	27%	47%	48%	48%	81%	81%	81%	53%	51%	51%
	Number	4,571	4,446	4,393	6,176	6,252	5,935	5,000	4,190	4,108	15,747	14,888	14,436
Temporary Employees	Male(%)	83%	85%	86%	57%	59%	62%	8%	15%	19%	70%	68%	74%
	Female(%)	17%	15%	14%	43%	41%	38%	92%	85%	81%	30%	32%	26%
	Number	1,063	1,042	1,143	975	918	820	13	84	69	2,051	2,044	2,032
Total	Male(%)	73%	74%	75%	53%	53%	53%	19%	19%	19%	50%	51%	52%
	Female(%)	27%	26%	25%	47%	47%	47%	81%	81%	81%	50%	49%	48%
	Number	5,634	5,488	5,536	7,151	7,170	6,755	5,013	4,274	4,177	17,798	16,932	16,468

Note:


1. "Non-permanent employees" refer to foreign workers in Taiwan, contract workers or contractors in China, and employees under probation in Vietnam.
2. The age cohort does not include non-permanent employees.
3. No part-time workers are employed at any production and business sites.



- About This Report
- Chairman’s Message
- Performance Highlights in 2018
- Sustainability Strategy Blueprint
- Sustainable Development Goals
- 1** Fostering Robust Governance
- 2** Enabling Unlimited Innovation
- 3** Navigating a Green Future
- 4** **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5** Cultivating Compassionate Bonds
- 6** Advocating Balanced Coexistence
- 7** Appendix

4

4.1.2 Employment Policy



One of Forbes World’s Best Employers, and Ranking No.1 in Taiwan

Forbes published the list of World’s Best Employers in October 2018. The ranking is based on Forbes’ Global 2,000 public companies in 2018. The magazine collaborates with Statista, the data research company, and administered over 430,000 copies of questionnaires to ask employees to rate their employers. Questions include whether they are willing to recommend the company to friends and family, and the ideal company they would recommend. The highest ranking 500 were chosen. In 2018, FENC, which ranked 149th, was named one of the best employers for the second consecutive year. This is a dramatic leap of 296 places from 445th in 2017. The ranking also puts FENC in the first place in Taiwan, and 2nd among global corporations in the Diversified Chemicals category.

Employment at all levels at FENC, including recruitment, selection, assignment, arrangement, evaluation, promotion, compensation, retirement, layoff, resignation, dismissal, training and welfare, does not discriminate on the basis of race, class, language, ideology, religion, political affiliation, place of ancestry, place of birth, gender, sexual orientation, age, marital status, physical appearance, facial features, mental and physical disabilities or past union membership. There were no occurrences of discriminatory conducts during the reporting period.

Each quarter, the Human Resources Department, Legal Department and Auditing Department meet with all Businesses to ensure regulatory compliance in all systems. When the amended Labor Standards Act in Taiwan went into effect in 2017, FENC immediately implemented labor workhour optimization, complying with the amendment by giving workers one day off for every 7 workdays. The Company also hired additional shift workers and improved work flow to increase the efficiency of machinery and equipment. In terms of overtime, the Company modified the compensation for overtime pay when employees work on their off days to comply with the regulatory requirement.

In 2018, Labor Standards Act was amended again. The amendment affects the following: 1. Calculation of working hours and wages is based on the actual hours worked; 2. Unused annual leave may be carried over to the following year upon consent from both the employer and the employee. After thorough discussions with the employees, the above two policies are now in effect as stipulated by law. In addition, to care for the employees and ensure that they receive proper rest after work, the Company didn’t apply for exceptions and continues the existing practice, which provides one day off for every 7 workdays with a mandatory 11-hour separation between shifts.

Employment Service Act was amended in 2018. The amendment requires that for positions with monthly salary under NT\$40,000, employers must disclose or notify job candidates the salary range and shall not list “negotiable” under salary in job postings. FENC is in full compliance by posting salary information on all job search websites.

There was 1 incidence of unaccounted overtime, and the hours were not compensated. The internal management system has been modified to avoid future occurrence. Please refer to “1.3 Risk Management” for details.

In 2018, China amended Regulation on the Implementation of the Individual Income Tax Law. FENC reviewed existing internal workflow and operational procedures, which are strictly adhering to governmental regulations. The Company immediately brought employees up to date, conducted training and provided operational instructions. Starting from December 2018, Law on Social Insurance in Vietnam stipulates that foreign corporate managers must enroll in Social Insurance. The Company has paid all premiums in accordance with the regulatory requirements.

As digital technology grows prevalent, FENC also utilizes social network and websites to post the latest corporate activities or job openings to attract talents. All business sites use QR Code to interact with domestic and international job candidates. Be it seasoned professional or new graduates, digital applications are bridging the distance between the Company and potential recruits.

Recruitment Platform for Production and Business Sites:



In Taiwan, FENC recruits talented graduates through online platform and campus recruitment programs. In 2018, the Company took part in 17 campus recruitment programs, including 9 recruitment meetings and 8 job fairs. In Shanghai and Suzhou, recruitment goes through online platform, private headhunters, internal referral, governmental employment services as well as the campus and on-site recruitment meetings.

FENC offers internship for top-performing college students. Students from Yuan Ze University and Oriental Institute of Technology may gain field experience through the industry-academia collaboration program. In 2018, 54 students interned at FENC, including 7 who graduated in 2018. One of them went on to become a permanent employee at the Company. The industry-academia collaboration in Shanghai started in September 2018 with 22 interns. and all became permanent employees.

Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

4



The Talent Pool Program with Oriental Institute of Technology



FENC is in need of more talents, and Oriental Institute of Technology is focusing on student employment. In 2018, the two teamed up and established the Talent Pool Program, which recruited 19 students from Department of Electrical Engineering, Department of Mechanical Engineering, as well as Department of Material and Fiber to undergo training at Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant. Students spent their entire senior years working full-time at the plants, while the plants provide apprenticeship and mentorship to guide students through comprehensive training. The internship includes NT\$26,000 for monthly pay with free room and board. The goal of the program is to become the incubator of future managers. Their duties include installation, testing, inspection, maintenance and calibration of the machineries, which match these students' academic training. The students exemplify good work ethics and respect the attendance requirements. When they graduate in June 2019, job placement will be made for them based on their training and job requirements.



Participation in Fengxian Spring Breeze Action to Eradicate Poverty



Fenggang County of Zunyi Prefecture, Guizhou Province is an area in poverty. FEIS took part in the job fair held by Fengxian Employment Promotion Center for Fenggang County in hope of providing relief to the long unemployment issue for the poor. In 2018, FEIS recruited 175 employees through this program. Corporations may recruit qualified local employees with this platform, and local governments may effectively solve unemployment for those in poverty, which is consistent with "No Poverty" of Sustainable Development Goals of the United Nations.



Number and Percentage of New Employees in 2018

Type	Region Number and Ratio	Taiwan		China		Vietnam	
		Number	Ratio	Number	Ratio	Number	Ratio
Age 30 or Under	Male	184	35%	1,518	132%	291	59%
	Female	66	44%	767	87%	1,499	71%
	Subtotal	250	37%	2,285	113%	1,790	69%
Age 31-50	Male	104	6%	645	36%	118	40%
	Female	47	7%	557	29%	621	52%
	Subtotal	151	7%	1,202	32%	739	49%
Age 51 or Above	Male	4	0%	13	9%	2	67%
	Female	2	1%	1	8%	4	27%
	Subtotal	6	0%	14	9%	6	33%
Total		407	9%	3,501	59%	2,535	62%

Note:

- The number of new employees indicates the number of new permanent employees in an area.
- 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.
- 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 2018

Type	Region Number and Ratio	Taiwan		China		Vietnam	
		Number	Ratio	Number	Ratio	Number	Ratio
Age 30 or Under	Male	75	14%	1,485	129%	268	55%
	Female	29	19%	835	95%	1,480	71%
	Subtotal	104	15%	2,320	115%	1,748	68%
Age 31-50	Male	99	6%	667	37%	125	42%
	Female	70	10%	640	33%	621	52%
	Subtotal	169	7%	1,307	35%	746	50%
Age 51 or Above	Male	88	9%	11	8%	2	67%
	Female	54	14%	19	146%	4	27%
	Subtotal	142	10%	30	19%	6	33%
Total		415	9%	3,657	62%	2,500	61%

Note:

- The number indicates the total number of employees who left the Company in an area in a specific year.
- 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.
- 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

FAR EASTERN NEW CENTURY CORPORATION 2018 CSR Report

Creating Inclusive Society

FENC hired 407 permanent employees in Taiwan in 2018. The majority, 250 employees, which account for 61%, are under the age of 30. The Vietnam locations were gearing up for operation and in need of construction and management staff during the beginning phase. After review, the recruitment focuses on those over 30 years of age with field experience. In 2018, 415 permanent employees in Taiwan left the company. Among them, 183 retired, which account for 40%. The turnover rate is approximately 9%, which is lower than 13%, the national average for the manufacturing sector in Taiwan. The percentage of local employees hired from the cities and counties where the business sites are located in Taiwan is 69%.

In 2018, locations in China hired 3,501 new employees. Each plant has internal referral mechanism in place and encourages local employment. A total of 3,657 employees in China left the company in 2018. Although the turnover rate for operators remains high, the turnover rate for the Company's China locations declined from approximately 90% in 2014 to approximately 60% in the past 3 years, which is the result of continuous optimization of employee management, compensation and welfare. The percentage of local employees hired from the cities and provinces where the business sites are located in China is 47%.

In recent years, plants in Vietnam have been enhancing employee dialogue, providing recreational activities and improving workplace environment. The turnover rate declined sharply from the peak of 135% in 2014. The addition of 6 production lines in 2018 also increased the need for new recruits tremendously. The plant will control and reduce the turnover rate in order to meet the rising labor needs derived from increased production. The percentage of local employees hired from southeastern and southwestern provinces of Vietnam is 43%.

4.1.3 Compensation

FENC established a variable payroll system that rewards individual and team performance. The Articles of Incorporations stipulates that a percentage of the Company's net profit shall be dedicated toward employee compensation. We do not issue stock options, nor do we have company policy for deferred or vested share options. The Company does not offer signing bonus or recruitment incentives for recruiting high-level executives. The same retirement, benefit and severance plans apply universally toward all employees within the same organization in accordance with local regulations.

The payroll is reviewed regularly in order to retain talents. Business sites in Taiwan participate in the salary survey conducted by Towers Watson on a regular basis to stay up to date on the market rate and make proper adjustment. Business sites in China make payroll adjustments based on the salary adjustment and percentage released by local governments. Business sites in Vietnam consider the government issued standards for payroll adjustment while consulting salary survey released by major industrial areas.

Within FENC's industry chain, there is a gender gap. Business sites in Taiwan and China are mostly concentrated on the midstream and upstream with a technical focus on chemistry. As a result, male employees are largely better paid than female employees. In 2018, female and male employees in Taiwan received generally equal pay, which is a reflection of the fairness of internal training and performance review within the Company. In comparison, business sites in Vietnam have a higher

concentration on the downstream garment industry, in which female employees tend to excel. Hence, female managers and staff here receive higher salary than their male counterparts. This phenomenon also reflects that when it comes to considerations for promotion and salary adjustment within FENC, gender is not a deciding factor.

Salary Comparison by Gender

Item	Region			Taiwan			China			Vietnam		
	Year	2016	2017	2018	2016	2017	2018	2016	2017	2018		
Director/Section Chief and Above		89%	90%	90%	95%	96%	94%	150%	127%	172%		
Office Clerk		94%	96%	101%	85%	78%	82%	107%	107%	107%		
Factory Worker		100%	121%	120%	94%	92%	95%	93%	92%	98%		

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

Salary Comparison to Market Rate

Item	Region			Taiwan			China			Vietnam		
	Year	2016	2017	2018	2016	2017	2018	2016	2017	2018		
Average Annual Regular Salary Over Market Rate		41%	43%	47%	14%	15%	8%	47%	69%	62%		
Entry Level Salary Over Minimum Wage		37%	31%	25%	108%	91%	102%	12%	12%	12%		

Note: Market pay rates in Taiwan are based on the average salary in the manufacturing sector and minimum wage released by Directorate-General of Budget, Accounting and Statistics. Market pay rate in China is based on the average salary and minimum wage released by Shanghai and Suzhou Municipal Government. Market pay rate in Vietnam is based on the average salary and minimum wage of District 1 released by the General Statistics Office of Vietnam.

Ratio of Salary Increase Between the Highest Salary and Median Salary in 2018

Item	Region	Taiwan	China	Vietnam
Ratio Between the Highest Individual Salary and Median Salary of Other Employees		7.55 : 1	3.92 : 1	12.5 : 1
Ratio of Salary Increase Between the Highest Individual Salary and Median Salary of Other Employees		1.32 : 1	1.15 : 1	8.6 : 1

Note:

1. Data released in China is the average from all production sites.

2. In Vietnam, the ratio of percentage salary increase between the highest individual salary and the median salary of other employees is 8.6:1. The main contributing factors are duty adjustment for the highest paid supervisor and the supervisor's high-achieving performance review.



◆ Average and Median Annual Salary for Non-managerial Positions Unit: NT\$

		2016	2017	2018
Average Annual Salary	A	779,700	817,063	916,594
	B	876,479	917,182	1,049,689
Median Annual Salary	A	688,994	720,980	803,835
	B	778,437	811,503	911,907
Number of Employees in Non-managerial Positions	A	4,919	4,670	4,649
	B	3,947	3,755	3,678



Note:
1. Statistics in row A exclude senior vice president and positions that are higher; statistics in row B excludes senior vice present, positions that are higher, and positions held by foreign employees.
2. FENC is considered a stand-alone entity for the statistics in the above table.

FENC has an established performance review system, which evaluates employees' individual performance based on their goals and personal performance. The review also serves as the basis for salary adjustment. (Please refer to "4.4.1 Performance Review" for details.) High achieving employees will receive a special raise and job promotion. The Remuneration Committee is convened by independent board members. Please refer to "1.2.2 Board Structure and Remuneration" for details.

4.2 Care for Employees

4.2.1 Human Rights Protection

FENC is dedicated to protecting employees' basic human rights and building a work environment that ensures human rights. Hence, the Company acknowledges the principles and spirit set forth in International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, OECD Guidelines for Multinational Enterprises, UN Universal Declaration of Human Rights and The UN Global Compact. Human rights protection and labor policy at FENC are established in accordance with the local labor and gender equality acts. In 2018, the Company conducted training for managers responsible for human rights issues at all production and business sites. The human rights policy is signed into effect by managers as a pledge to our determination for human rights protection.

To fully protect employees' human rights, the Company provides 2 to 4 hours of training on human rights and labor regulations during orientation for new recruits. Employees also undergo repeated training regularly with a focus on employee conduct and corporate values. Monthly inspection and report on overtime and work hours are carried out at all sites. Investigations of irregularities are conducted by the headquarters. In addition, regulatory compliance is conducted quarterly at all sites to ensure that human rights regulations are followed. Violations are investigated, tracked and improved upon.

◆ FENC Human Rights Policy and Implementation

FENC Human Rights Policy

- No Forced Labor**
FENC eradicates all forms of forced labor.
Implementation: FENC abides by international and governmental labor regulations and does not force or coerce any individual into labor obligations without consent.
- Bans Child Labor**
FENC bans child labor.
Implementation: FENC clearly declares against any child labor.
- Meeting Minimum Wage**
Employees are entitled to just and proper compensation for the work performed. The compensation shall secure a life of dignity for the employee and his/her family, and supplemented with social security in other forms when necessary.
Implementation: FENC ensures that employee salary is higher than the local minimum wage and provides employee benefits.
- Work and Break Hours**
Employees are entitled to rest and leisure, including reasonable cap on work hours and regular paid vacation.
Implementation: FENC provides annual leave and does not force employees to work over the maximum work hours stipulated by the local regulations.
- Freedom of Association**
Employees are entitled to form association and join labor union in order to protect their rights.
Implementation: FENC respects the employees' rights to choose, form, join or refuse to join labor union or any other forms of employee organization.
- Equality and Respect**
Employees are entitled to equal pay for equal work without any discrimination.
Implementation: FENC is against all forms of discrimination, treating all employees with respect and valuing diversity as well as equality.
- Anti-discrimination and Harassment**
Employers should eradicate any hiring or occupational discrimination and fight against all forms of harassment.
Implementation: FENC ensures a workplace that is free of sexual, mental, physical and verbal harassment, abuse and threat while being dedicated to building a workplace with respect, safety and equality.
- Maternity Protection**
FENC protects female employees.
Implementation: FENC is devoted to protecting the rights of mothers and constructing a gender-friendly workplace and system.

Gender Equality

FENC is devoted to the protection of maternity rights and creating work policies and environment that are gender neutral. In Taiwan, we are consistent with the spirit of Act of Gender Equality in Employment by designating breastfeeding room and providing parental leave. In 2018, the return rate of employees taking parental leave is 74%.

Application of Parental Leave and Returning Statistics in Taiwan

Type	Year	2016	2017	2018
Entitled to Parental Leave	Male	212	289	265
	Female	124	141	117
	Total	336	430	382
Number Applied	Male	4	9	3
	Female	26	18	22
	Total	30	27	25
Number Should Returned	Male	3	3	3
	Female	23	14	24
	Total	26	17	27
Number Returned	Male	2	3	3
	Female	21	10	17
	Total	23	13	20
Return Rate	Male	67%	100%	100%
	Female	91%	71%	71%
	Total	88%	76%	74%
Returned over One Year	Male	1	2	3
	Female	12	21	10
	Total	13	23	13
Retention Rate	Male	0%	50%	0%
	Female	100%	67%	90%
	Total	92%	65%	69%

Note:

1. Return Rate = Number Returned ÷ Number Should Return x 100%

2. Retention Rate = Returned over One Year ÷ Number Returned Last Year x 100%

We enacted Regulations Concerning the Labor Protection of Female Staff and Workers to protect the rights of female employees in business sites in China. The regulations limit overtime and prohibit tasks that may potentially harm mothers and the babies in their wombs. The regulations also stipulate that employees returning after maternity leave shall receive equal pay for equal work.

In Vietnam, we provide workplace environment ideal for pregnant employees, such as avoiding tasks that might affect health and using specially designed chairs to reduce discomfort at work. Female employees who are 7-month pregnant may reduce working time by 1 hour per day while receiving full pay. They are also entitled to 5 days off for prenatal checkups and 6-month maternity leave. The factories also designate lactation rooms as well as areas for storing breastmilk.

FENC has established measures to prevent, control and reprimand sexual harassment as well as providing channels for filing grievances. Comprehensive procedures have been established and applicable for all production sites. The employee filing for grievances may go through the departmental supervisor or Human Resources Department. The unit receiving the grievance claim shall establish a team with over 50% female members within 5 days to investigate such claim. The investigation shall conclude within 2 months and all information shall be kept confidential. The individual against which the claim is filed shall have the opportunity for rebuttal. In addition, we conduct training for supervisors and employees based on Sexual Harassment Prevention Act to prevent the occurrence of sexual harassment.

In 2018, there were no human rights violations, nor grievance claims in all production sites. The production sites also passed customers' review over human rights protection, and labor conditions.

4.2.2 Employee Welfare

FENC regards the welfare of its employees worldwide with importance. In Taiwan, the Company established Employee Welfare Committee, which consists of employee members and has autonomy over fund allocation and disbursement method. Contribution and disbursement of funds at all business sites in Taiwan are in accordance with regulatory requirements. The labor union and Employee Welfare Committee have the discretion in fund allocation, which covers regular outings for native and foreign employees, movie screenings, hiking trips, club activities, health checkup, scholarships, various cash subsidies and insurance. We also have employee indemnity measure in place. All native and foreign employees are enrolled in life insurance and disability insurance, which covers levels 2 to 11. The Company also negotiated favorable rates on health and cancer insurance policies, which employees may opt-in.

Welfare fund at production sites in China is disbursed by the labor union and available for all permanent employees. Benefits include cash subsidies (for birthday, wedding, childbirth, hospitalization and funerals), holiday gifts (red envelopes and gift certificates), medical benefits (health checkup, gynecology checkup, and medical service for single child), and discounts on transportation, food, accommodation and travel expenses.

In Vietnam, the labor union, factory office and human resources office co-organize the annual events, including fun games, food festival, and cheerleading competition. Participation is factory wide and the events are quite well received.

Some production sites are located in remote industrial areas and employees work in shifts, meaning that the Company needs to pay particular attention to the wellbeing and daily needs of employees. Each year, FENC works on upgrading both the hardware and software to increase comfort at the work environment and dormitory. The dormitory and employee cafeteria also undergo annual review to assess the needs of employees and for continuous improvements.

Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 **Care for Employees**
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

4

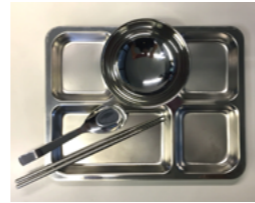


Stainless Dinnerware at Staff Cafeteria and Optimized Meal Delivery Process



At the Taiwan headquarters, approximately 12,000 people dine at the staff cafeteria each month. Among them, 9,000 (75%) employees order lunch box and 3,000 (25%) choose to dine in. Employees may select where and when they want their meals. To protect employee health, respond to government policy and enhance company reputation on environmental protection, FENC started replacing melamine dinnerware with stainless ones, including 250 stainless plates, 300 stainless lunchboxes and stainless utensils. Meanwhile, to provide better food quality, the Company provides 80 customized thermal bags for lunchbox delivery to maintain the food temperature. The bags can also be stacked together, which keeps the food warm longer.

During the satisfaction survey this year, over 80% of employees favor the dinnerware replacement and the use of thermal bags, which protect employee health and improve dining quality. The Company received the certificate of appreciation from Taipei City Government, acknowledging its contribution for building a culinary culture that is environmental friendly and healthy for the employees.



Earth Day Art Competition



To enhance environmental awareness among employees, FEDZ holds Earth Day Art Competition, and encourages participation with posters at staff cafeteria and emails to all employees. Immediately after the emails were sent, dozens of employees registered for the event. Their eagerness to participate shows care for the environment. The competition includes the employee and child divisions with 1 first place, 2 second place, and 3 third place awards chosen from each division. The winning entry from the employee division is "Protecting Environment; Cherishing Life"; the winning entry from the child division is "Environmental Protection; Responsibility for All". Prizes include bikes, appliances, and reusable shopping bags. The winners' works were posted in employee cafeteria. When the event came to a close, their works were hung on the Employee Wall of Fame.



Moving into Far Eastern Home



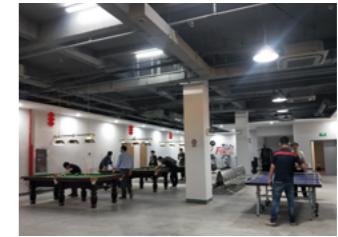
Far Eastern Home, the dormitory facility at OTIZ has the capacity to house 1,464 residents. The facility was inaugurated on June 3rd, 2018. As of the end of 2018, 1,020 residents have moved in. The occupancy rate is 70%. The dormitory comes with a rich selection of public facilities, including reading room, theater, KTV, basketball court, badminton court and fitness center, which cater to employees' physical and mental health. The rooms can be divided to 2-person and 4-person layouts. All rooms are furnished with environmentally friendly wood furniture with independent bath facilities, energy saving lighting, and solar-powered water heating system. The dormitory facility balances comfort and environmental protection. The 2018 survey assesses 7 categories on employee satisfaction towards the facility, 6 categories saw improvement from the previous year. They are management service, cleanliness, bath facility, bedroom facility, recreational programs, and security equipment.



Far Eastern Home – My Home
(Chinese)
OTIZ / Zhen-Zhen He



Theater



Sport center

Care for Foreign Employees

FENC recruited 1,143 foreign employees in Taiwan. Their salary is determined in accordance with regulatory requirements. In order to give them a pleasant and comfortable work environment away from home, the Company provides many programs and events. In 2018, the Company held 34 basketball tournaments, arranged a company outing to Lihpao Resort in Taichung, and hosted monthly birthday celebration. In addition, the Company held 20 meetings with foreign employees for discussions on care for new recruits, anti-drug issues, meal arrangement and fire prevention, etc.

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



Providing Chinese Courses to Enhance Communication and Performance



Foreign employees are mainly in charge of operating machineries. Safety and familiarity with the equipment are beneficial for better performance, and therefore, language training is extremely important. Hsinpu Chemical Fiber Plant holds 2 sessions of Chinese courses each year for daily and work settings. At the end of each session, employees are graded based on oral exam and attendance. The top 3 performers would receive cash reward.

The foreign employees have greatly improved their language proficiency through the courses. Now, they can use basic Chinese to communicate with native employees, and improve faster when performing duties when they can ask questions at work. Language improvement helps advance labor safety and work performance while avoiding misunderstanding due to language barriers.

4.2.3 Retirement Planning

Employee retirement policy at FENC is in accordance with all local regulations. In Taiwan, FENC initiated the pension system in 1980 and established the Employee Retirement Fund Committee, which meets regularly to monitor fund allocation. Over 50% of the committee members are labor representatives. The Company commissions Towers Watson to provide actuarial services, and each company’s contribution to employees’ pension fund falls between 4% and 10% of their full salaries. In July 2005, the Ministry of Labor initiated a new labor pension system. Employees enrolled in the new system and new recruits make 6% deduction from payroll for their pension contribution. The years of service employees have accumulated under the previous pension system remain, and pension withdrawal may be made upon retirement. All FENC employees are covered by the retirement pension system. In China, all production and business sites are enrolled in social insurance in accordance with Social Insurance Law of the People’s Republic of China. The source of employee pension is from the endowment insurance under this system. Each company contributes approximately 19% to 20% to the pension fund. All employees are enrolled in the pension system. In Vietnam, employees are entitled to their pension as stipulated in Law on Social Insurance. In 2018, FEAV calculated the insurance premium based on labor wages and stipends, and contributed 17.5% for the social insurance. Please refer to 27. Retirement Benefit Plans in “Financial Report” for annual funds appropriated for retirement pension.



Financial Report

4.3 Labor Dialogue

4.3.1 Labor Union

FENC abides by all international conventions concerning labor organizations and local regulations governing the business sites. All employees have the freedom of association and to join labor union, as well as the right to collective bargaining applicable by law. Currently, most of FENC’s production sites have labor union in place to ensure employees’ freedom of association and rights to collective bargaining. We have signed collective bargaining agreement with the unions or conduct regular labor relation meetings. All minutes are published. We value the rights of employees and their opinions. All key decisions are communicated with the union in full. Adjustments concerning labor rights are also discussed with employees during labor and collective bargaining meetings. Managers shall attend union meetings on a regular basis, and relay, address, negotiate or reply to issues reflected by employees. We don’t intervene in any way into the establishment, operation and management of the labor union or collective bargaining. There were no violations against the freedom of association and collective bargaining during the report period. FENC has established 13 labor unions at various production and business sites, each with a minimum of 60% employee participation rate. There are a total of 13,252 union members with 91% employee participation rate. Please refer to the Company website for details on labor unions for each production site.



FENC’s Labor Union

4.3.2 Communication Channel

We value employee participation and promote labor-management dialogue through various mechanisms. Once discussions and resolutions concerning major decisions are made, the Company will discuss the issues with employees or employee representatives during the plant meetings. Prior to implementing major changes that may affect the rights of employees, public notices are made in accordance with the collective bargaining agreement and applicable laws and regulations. If the major changes affect employees’ work, it shall be discussed in the form of collective bargaining agreement or in the labor union. All records shall be documented in the meeting minutes and made public within the notice period. Employees may reflect their opinions through various channels to the management. The purpose is to help employees understand the Company’s position and approach to maintain a good relationship between the employer and employees, and to avoid labor disputes.

In 2018, FEIZ closed down due to eminent domain as a result of the City’s urban development plan. The Company made referrals and placements for the employees after thorough discussions with them. Among whom, 14 individuals transferred to Suzhou administrative headquarters and OTIZ. The remaining employees received severance pay that is 1.3 times higher than the market average. There were no labor disputes.

We establish multiple communication channels that enable employees to reflect human rights and labor issues immediately. The Company also promotes these channels through multiple means, including new employee orientation and the establishment and publication of internal regulations and procedures. (Please refer to “1.4.4 Grievance Procedure” for details on channels available and the outcome of grievance claims in 2018.)

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 **Career Development**
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

4

Regulations for Layoff Notice Period

Taiwan

Based on Labor Standards Act and the Act for Worker Protection of Mass Redundancy, employees shall be notified prior to the termination of employment contracts. Applicable regulations are covered in the internal management documents within the Company.

China

Labor Law of the People's Republic of China stipulates that employees shall be notified in writing 30 days prior to the termination of employment. Applicable regulations have been included in the internal management document.

Vietnam

According to the Labor Code of Vietnam, employees under labor contract without time limitations shall be notified 45 days in advance prior to termination of such contract. Employees under labor contract with a time limitation shall be notified 30 days in advance. Applicable regulations have been included in the internal management documents.



Adding Innovative Communication Channels for Better Labor Relation



FEAV values dialogues with employees and hopes to establish harmonious labor relation. Survey indicates that 21% of the employees lack trust in the existing communication channels, which is why FEAV adopts an innovative approach to solicit staff comments on a timely basis and simplify communication process with added confidentiality. In 2019, the goal is to improve employee satisfaction toward the Company's communication channel by 10% and reduce turnover rate due to insufficient communication with direct supervisors by 12%. Conventional communication channels include comment box, official meetings and labor union. Newly added channels include:

Tea Talk
Luncheon for employees and the management without the involvement of direct supervisors.

Social Media
Relay information on labor relation through social media such as Facebook.

Hotline/E-mail
Increase convenience for employees to feedback by providing the hotline for the labor relation team.

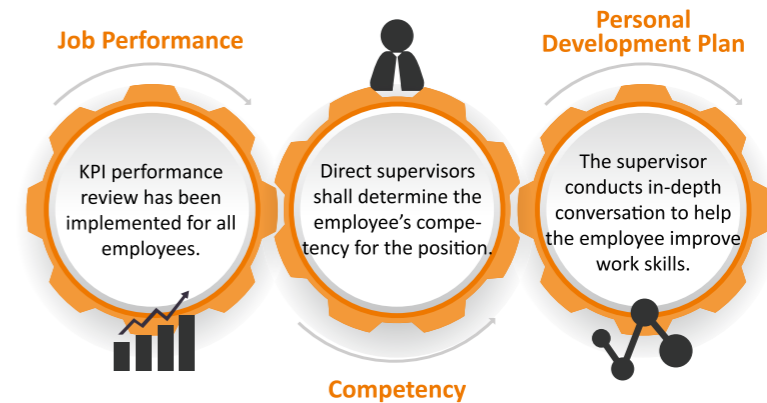
In 2018, 58 employees went through the above referenced channels and provided suggestions on food quality, employee cafeteria, parking lot, and employees' spiritual health. After discussing with employees and evaluating alternatives, the Company decided to expand the cafeteria, monitor food quality, remodel the restroom, and increase parking areas. The Company also co-hosted social activities with the union committee, including family day, flower arrangement competition and fun games.

4.4 Career Development

4.4.1 Performance Review

Performance review at FENC includes probation review, regular review, project review and annual review. Regulations for each are clearly defined and strictly followed. A minimum of one round of employee performance review is conducted each year to examine employees' annual contribution to the Company, achievement rates and progress in order to help employees improve work performance and competency while discovering opportunities for career advancement. The measures help employees develop their full potential and maximize their contribution to the Company. The annual review serves as a reference for salary adjustment, bonus and career advancement. It is also an important reference for promotion and dismissal.

Annual Performance Review System



With the exception of interns and foreign employees, all employees who have been with the Company for more than 1 year at business sites in Taiwan and Vietnam must undergo annual performance review. For business sites in China, all permanent employees must go through annual performance review. Performance review for foreign employees in Taiwan shall be determined by their supervisors based on their monthly attendance and production of Grade A products. Bonus is awarded based on the result of the review. In 2018, with the exception of employees who have resigned or those under leave without pay for over a year, all employees who should undergo performance review have completed the process.

Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

4.1 Employment

4.2 Care for Employees

4.3 Labor Dialogue

4.4 Career Development

4.5 Occupational Safety and Health Management

4.6 Sustainable Development of Supply Chain

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

4.4.2 Training

We firmly believe that “employees” are the most valuable assets for the Company, and talents are the key to the Company’s leading edge. In order to foster talents, the Company is devoted to building a comprehensive training system with enhanced quality and optimized approach, which provides diversified learning opportunities and nurtures talents that will lead to sustainable development. While facing the difficulties in improving human capital, FENC is eagerly promoting an organization that encourages learning to bring mutual growth and win-win for employees and the Company.

The planning of training programs is conducted based on company strategies and organizational development. In addition, the Company conducts surveys to collect employee feedback as references for annual training. The courses provided foster professional and management skills. From time to time, the program also offers courses on industry and other trends. Employees are encouraged to take courses outside the Company as well to improve agility in adapting to the ever-changing environment.

To help the Company and employees advance swiftly in adapting to an environment that is changing at an accelerating rate, the Company is avidly promoting digital learning. FENC has launched online book management system, e-book platform, online learning platform and online English learning platform, creating an innovative and diverse environment for learning. Employees may acquire knowledge without the constraint of time and space, and apply what they have acquired toward the workplace to continue polishing their performance.

FENC Academy, an online educational platform exclusively for FENC employees, integrates multiple issues and subjects into materials that can be easily digested through digital and systematic approaches. As of December 2018, FENC Academy has offered 103 courses with 1,469 employees enrolled. Additionally, the program offers 21 different tests, and a total of 1,879 employees have taken those tests.

In 2018, the Shipping Department provided course materials and worked with Oriental Institute of Technology in developing the curriculum for “Import/Export Trade Operation”. Currently, 10 course units are completed. Six courses are online during the first quarter of 2019, ready for new employees in international trade.

In response to rapid corporate growth, the Company must enhance its core abilities, including innovative capability, decision-making and knowledge of market trends. Leader Campus of Commonwealth Magazine, which started in September 2018, encourages employees to utilize spare time to strengthen competitiveness for the future. Within the last 4 months of 2018, the courses had been viewed 6,759 times. On average, each person read 31 articles.

Through multiple training options, FENC provides a wide array of programs for employees to choose from, including courses on professional skills such as computer and language. Employees may select the courses that will improve their professional capabilities. Meanwhile, the Company also offers lectures that address topics such as finance and health management to help employees drive professional growth and potential, maintain physical and mental health, enrich career planning as well as promote self-fulfillment.



2018 Taiwan Corporate Sustainability Awards - People Development Award

FENC provides training on management skills such as corporate and plant management. The Company also provides training on professional skills tailored to each Business as an incubator for professional staff that suits the Company’s need. In 2017, the Company utilized cutting edge technology and initiated 3D virtual smart training, online legal training, cloud library system and online education course. By providing new learning options that are convenient, employees may choose to undergo training anywhere, anytime, thus increasing their willingness to learn with better outcome. The remarkable results on fostering talents have won the Company 2018 TCSA – People Development Award. While confronting difficult challenges from the overall environment, the Company will continue to create win-win by building a learning organization that nurtures the growth of the Company as well as the employees.

Number of Classes Held for Each Training and Participants

Number of Classes and Participants by Category	Region	Taiwan		China		Vietnam		Total	
		2017	2018	2017	2018	2017	2018	2017	2018
Orientation Training	No. of Classes	59	65	73	459	748	1,137	880	1,661
	No. of Participants	434	595	3,743	4,370	19,657	34,745	23,834	39,710
Specialized Training	No. of Classes	1,222	674	195	1,547	173	275	1,590	2,496
	No. of Participants	16,901	20,280	24,373	26,396	20,016	11,512	61,290	58,188
Legal Training	No. of Classes	383	499	52	428	18	21	453	948
	No. of Participants	11,029	9,419	5,759	6,106	423	736	17,211	16,261
Project Training	No. of Classes	14	91	29	111	4	58	47	260
	No. of Participants	190	2,459	258	2,181	68	215	516	4,855

Note: In China, the number of classes for the 2017 orientation training, specialized training and legal training does not include Suzhou; the number of participants for legal training does not include Suzhou; project training includes OPSC only.



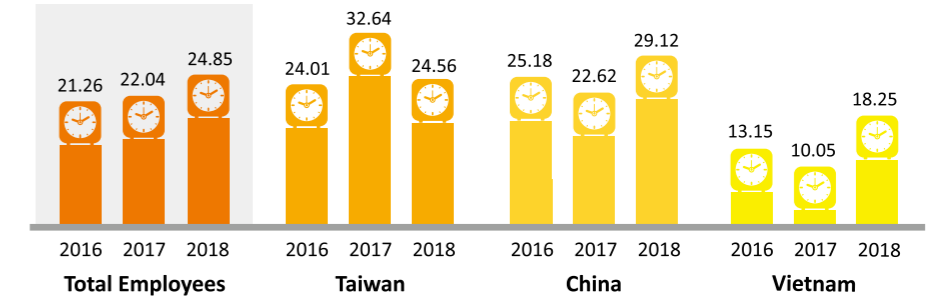


◆ Type of In-class Training and Detail

Type of Training	Detail
Orientation Training	Orientation training assists the new recruits to understand and adapt to the corporate culture, value and overall goal, have an overview of the organization, human resources policy and products from all Businesses. The training will enable them to quickly fit in and adapt to the work environment, which will ultimately increase staff retention.
Specialized Training	Specialized training is tailored to provide the knowledge, skill and approach necessary for each Business to develop the capabilities necessary for required duties. The training covers both theory and field practice, which is taught by instructors with select credentials, or the training may also take place at an external professional institute.
Legal Training	In order for workers to be knowledgeable about the safety and health precautions and proper conduct, to reduce occupational hazards and to comply with the requirements on occupational safety and health training, arrangements are made for workers who operate machineries to obtain required licenses to fulfill their duties. They also undergo training and retraining within the required time frame to ensure that staff is equipped with the proper knowledge and skills.
Project Training	Project training provides special training that is tailored to the requests from each department, such as courses on physical and mental health as well as industry and other trends. The training is conducted as special projects, and courses are offered after qualified instructors are carefully selected.
Competency Program	FENC provides trainings for employees at all levels to develop the skills they need to perform their duties. The Company also clearly defines the competency required and corresponding conducts to identify the training focus for each level. The Human Resources Development Center collaborated with Yuan Ze University and developed the Competency Program, providing 23 courses that target 13 capabilities to build a structural system that fosters competency. The curriculum allows employees to communicate in a consistent language and manner of logical thinking. The courses aim at teaching the knowledge and skills in diverse approaches. Participants discuss case studies and scenarios as well as integrate theory and practical experience to improve results. The 2018 curriculum focuses on "innovation". After discussing with all Businesses and develop shared needs, the courses target different levels to provide opportunities for cross communication and enhance inter-departmental integration and execution. In 2018, 440 participants enrolled in the 19 sessions offered.
New Century Executive Training	New Century Executive Training is designed to develop the ability and experience needed for the senior vice president position. Using case method, faculty members from prestigious universities in Taiwan are invited to teach the basic theories and applications supplemented with practical knowledge from field experts. The training covers both theory and practical knowledge and develops decision-making, problem-solving and logical thinking skills necessary for a manager. The training develops the Talent Pool that addresses the futures needs of organizational development. The program offers 16 courses. Two sessions have been conducted since 2014. As of 2018, 86 supervisors have completed the training and over 50% have been promoted.

◆ Average Number of Training Hours

Unit: hour / person



Unit: hour / person

Ranking and Gender	Year	2016	2017	2018
	Director / Section Chief and above	Male	48.58	38.01
	Female	70.05	40.13	35.15
	Subtotal	54.33	38.64	35.25
Office Clerk	Male	19.40	36.24	31.13
	Female	22.21	18.70	26.50
	Subtotal	20.38	30.04	29.50
Factory Workers	Male	25.08	17.83	27.04
	Female	13.45	10.68	16.72
	Subtotal	17.63	13.34	20.57
Total Employees	Male	25.46	29.47	29.85
	Female	17.43	14.91	19.93
	Subtotal	21.26	22.04	24.85

Note:

- The average training hours for 2017 are higher because all employees at Hsinpu Chemical Fiber Plant in Taiwan must undergo quality management training as required for ISO 9001:2008.
- In 2018, FEIS included training that took place in a non-classroom setting in the calculation.
- In 2018, production sites in Vietnam added skill training, Chinese training, internal instructor training, and specialized training for managers.

- About This Report
- Chairman's Message
- Performance Highlights in 2018
- Sustainability Strategy Blueprint
- Sustainable Development Goals
- 1** Fostering Robust Governance
- 2** Enabling Unlimited Innovation
- 3** Navigating a Green Future
- 4** **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5** Cultivating Compassionate Bonds
- 6** Advocating Balanced Coexistence
- 7** Appendix

4



Conduct Institutional Knowledge Course Series



In a capricious world that is increasingly competitive, passing down institutional knowledge is the cornerstone for improvement and innovation. It is also an important lesson for the continuation of corporate growth and sustainable development.

FENC arranged for the junior management staff to pass down work-related knowledge and skills to their subordinates. They serve as mentors guiding the way and pass down their institutional knowledge.

In 2018, FENC scheduled 5 sessions on "Job Instruction" and "Internal Instructor Training" and trained 130 seed instructors. The Polyester Business offered the "Job Instruction" course to teach participants ways of breaking down work structure. The course teaches uniform lesson plan, format and documentation. Within 10 months after the training concluded, 1,411 work breakdown structure tables were completed. In addition, the Business offered almost 500 courses on professional knowledge for newcomers. The Textile Business programed special courses to train internal instructors to elevate course quality and presentation skills, and to pass down the knowledge and experience they have accumulated.



Team-building Camp



Effective teamwork may improve team performance exponentially. In order to build cohesive teams and improve organizational performance, the Polyester Business held a 2-day training camp in 2018. A total of 268 employees participated in the 4 sessions with over 95% satisfaction. High-level managers from the production and business sites led the team members during the activities. Team members work together on formulating annual strategies, directions and goals. The course and activities help them bond with each other, building consensus, friendship and trust, which will enable them to work more effectively as a team in the future.



Aligning with Smart Manufacturing Trend with Training on Industry 4.0 and Corporate Visits



Industry 4.0 and smart manufacturing create new opportunities for the future of manufacturing. In order for the management to understand corporate development strategy and applications of industry 4.0, FENC worked with Yuan Ze University and developed 4 courses on "Industry 4.0". In the third quarter of 2018, a total of 19 sessions were conducted in Taiwan and China with 702 participants.

In addition, the Polyester Business arranged for 42 participants, including members of "Smart Manufacturing Promotion Team" and management staff from the business units to join the 2-day training camp. During which, IBM experts in AI and smart manufacturing shared the success stories from the international community. They also had hands-on experience during their visit to Advantech. The course concluded with a team competition and each team presented the direction for their specific practice.



4.5 Occupational Safety and Health Management

4.5.1 Implement Occupational Safety and Health Management

Occupational Safety and Health Policies and Objective

In order to establish a safe and healthy workplace that also provides comfort, while continuing to reduce the rate of workplace accidents and disasters, FENC established Occupational Safety and Health Policies as the highest guiding principle governing the management of safety and health of the Company. With "risk control" and "continuous improvement" as the management principle, operational safety is our utmost concern. The Company takes an active stand toward improving the work environment, manufacturing equipment and operational methods to ensure the safety and health of the workers and stakeholders.



Occupational Safety and Health Policies (Chinese)

Content

- About This Report
- Chairman's Message
- Performance Highlights in 2018
- Sustainability Strategy Blueprint
- Sustainable Development Goals
 - 1 Fostering Robust Governance
 - 2 Enabling Unlimited Innovation
 - 3 Navigating a Green Future
 - 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 **Occupational Safety and Health Management**
 - 4.6 Sustainable Development of Supply Chain
 - 5 Cultivating Compassionate Bonds
 - 6 Advocating Balanced Coexistence
 - 7 Appendix



Establishing Safety, Health, Environmental Protection and Fire Fighting Task Force

On March 13th, 2018, FENC established the Safety, Health, Environmental Protection and Fire Fighting Task Force (SHEF) in China, which oversees 7 production sites.

1. Establish Rules of Procedure for Meeting and Supervise the Implementation

The Promotion Team Meeting is held monthly and the SHEF managers of each production site shall attend. The meeting covers work report, policy promotion, experience sharing, exchange and coordination. The SHEF Leadership Team Meeting is held quarterly. During which, the SHEF Implementation Office presents the project plan to the SHEF Leadership Team, and the highest ranking managers from production sites take the opportunity to communicate with the SHEF teams. During 2018, 10 task force meetings and 3 SHEF Leadership Team Meetings were held.

2. Update Regulatory Changes and Promote Safety and Health Knowledge

SHEF Regulatory Promotion Center is in charge of collecting and analyzing regulatory changes and relay the information to each production site. In 2018, the center promoted information on 26 SHEF related laws and regulations. To engrain the culture of safety, health and environmental protection, the center started the quarterly SHEF magazine, which covers regulatory updates, managers' perspective, latest news, Company updates, article sharing and common sense. The center published 2 issues of SHEF magazine in 2018.

3. Establish Cross Visit, Mutual Assistance and Experience Sharing Mechanism

Observation meetings are held quarterly where SHEF personnel from each production site get the chance to visit other plants. The host factory introduces the highlights and reflections from SHEF management, which may serve as references for the visitors. Four observation meetings were held in 2018. In addition, SHEF Implementation Office convened the task force for 12 site visits at various production sites. They checked on the work conditions at each site and provided suggestions for improvements, such as adding on-site signage about occupational health and enhancing health checkup.



4. Reinforce Employee Training and Improve Professionalism

In 2018, a total of 108 participants attended the course on "Safety Leadership" that SHEF Implementation Office offered for the mid and high-level managers. For junior managers, the office offered courses such as "Job Safety Analysis" and "Accident Management". The courses attracted 128 participants. In addition, each production site shares training information and professional resources with other plants through SHEF Task Force. For instance, FEIW held the training on "Double Prevention Mechanism for Organizations". The course participants came from all plants. Fourteen junior managers from OTIZ visited the upstream petrochemical plant to learn about "work permit system".

5. Construct Management System and Smart Management Platform

In 2018, the statistical standards for accidents were established to analyze the data identify ways of improving management. The analysis is reported to the SHEF Leadership Team on a regular basis. In addition, the online work permit system was introduced and fully installed at Far Eastern Union Petrochemical (Yangzhou) Ltd. in 2018. In 2019, the online work permit system is expected to be installed at OPSC. SHEF teams planned to develop the potential risk control and tracking system in 2018, and in 2019, the teams plan to install SHEF smart training platform and smart logistics control system.

SHEF Task Force establishes short, mid and long-term goals. Through management and system, it is the hope that FENC will become the trend setter in the industry, encoding the safety culture and environmental protection in the DNA of each FENC employee.

Short, Mid and Long-term Goals of SHEF Task Force in China

1-3 years	3-5 years	5 years and over
<p>SHORT- TERM GOALS</p> <ul style="list-style-type: none"> Confirm organizational framework Establish contact and support mechanism Establish regulation update center Establish meeting mechanism Establish training mechanism Establish advisory mechanism Publish periodicals 	<p>MID- TERM GOALS</p> <ul style="list-style-type: none"> Construct smart factory Complete integrated management system Become SHEF model enterprise 	<p>LONG- TERM GOALS</p> <ul style="list-style-type: none"> Achieve ultimate SHEF philosophy: governing with non-intervention Become industry benchmark



Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

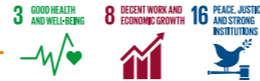
Sustainable Development Goals

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

4



Professional Safety and Health Skills Listed as Mandatory for Managerial Promotion



The operation of polyester plants involves complex production process and equipment, which is why at Polyester Business in Taiwan, licensing in safety and health as well as experience in occupational safety, such as the experience as safety and health coordinator, are mandatory criteria as candidates for a managerial position. Managers overseeing explosion-proof area and dangerous tasks must pass the training for "process safety evaluation personnel". Additionally, Hsinpu Chemical Fiber Plant added 16 designated personnel in charge of safety and health management. All of whom are experienced in on-site production management, and will be able to connect safety and health to the needs of the employees.

Building Workplace Safety and Health with Labor-management Participation

FENC establishes Occupational Safety and Health Committee at all business sites, which is the highest authority on the review and discussion of safety and health management. Over 1/3 of the members are labor representatives. The Committee convenes quarterly and is responsible for the formulation, coordination and supervision of safety and health related issues at each plant to fully implement it management. Please refer to the Company website for details on the Occupational Safety and Health Committee for each business site.



The Occupational Safety and Health Committee of FENC

Occupational safety and health management is one of the key issues for labor relation at FENC. The collective bargaining agreement between FENC and employees as well as discussions during labor relation meetings and Occupational Health and Safety Committee meetings cover the following:

- Provide personal protective equipment.
- Establish labor relation management and occupational safety and health committee.
- Labor representatives participate in the examination and review of safety and health issues as well as accident investigation.
- Provide work related training for workers.
- Provide mechanism for workers to file for grievances.
- Workers have the right to refuse unsafe work.
- Schedule regular health checkup for workers.
- Comply with regulations from International Labor Organizations.
- Clearly define the procedure or system that workers shall follow when encountering safety or health related problems.
- Clearly establish safety and health goals and ways to achieve such goals.



Inviting Employees to Pledge for Safety



The most critical factor for occupational safety and health management is the participation of all workers. In order to fully implement the liability system for production safety, the plant set up stations at the factory gate on June 5th, 2018. When employees arrived at and left work, they were invited to leave their thumb prints to pledge for safety. Each division collected the thumb prints to paint the tree of safety. The drawings were framed and displayed on the bulletin to raise employees' safety awareness and to create the atmosphere of a safe workplace.



Develop Safety and Health Concepts Through Training

1. Safety and Health Personnel Training

FENC provides regular trainings to make sure that every employee is familiar with occupational safety and health regulations as well as the mechanism of safety and health management. In 2018, the total training hours provided by the Company reached 54,372.



Training Type	Number of Classes	Number of Trainees	Training Hours
On-the-job Training on Safety and Health	165	8,188	28,545
Health Management Training	32	3,853	14,005
Hazardous Chemical Training	60	1,297	2,552
Training for Radial Protection Personnel	5	42	351
Training on Emergency Response and Personal Protective Equipment	31	1,810	6,780
Internal Safety and Health Auditor Training	4	147	406
Risk Control Training	12	562	1,733

Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

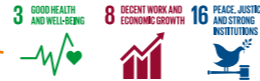
Sustainable Development Goals

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 **Occupational Safety and Health Management**
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

4



Protecting the Rights of Foreign Workers and Recruiting Foreign Employees for Safety and Health Management



FENC hires foreign workers at all production sites in Taiwan to assist with the assembly line. To fully implement training and management on safety and health for foreign workers, Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant recruited foreign management staff with expertise on safety and health in 2018. They are responsible for conducting safety and health training for foreign workers and communicating to help promote safety and health programs with enhanced management.



Safety and Health Observation and Exchange



Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant in Taiwan scheduled site visits in June 2018 with 92 staff in attendance. In addition to visits to FEFC and OPTC, a special visit is scheduled at Dragon Steel for staff to learn about the safety and health practices. During the visit, participants learned about "active safety and health performance" and "5 defenses in occupational safety and health management". After the visit, participants shared their thoughts during a large-scale meeting to spread the knowledge to a wider audience.



VR Training for Safety and Health



FENC offers regulatory trainings to make sure that all employees are familiar with safety and health regulations as well as the corporate safety and health mechanism. In addition, Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant scheduled 21 training sessions on "Safety and Health Regulation Series" for the staff with safety and health duties. The plants also scheduled 10 training sessions on "Zero Occupational Hazard with Advanced Warning" for shift managers. To make the courses more effective, participants are tested after class and rewarded for good performance.

In addition, after OPTC introduced the 3D VR training system in 2017, Kuanyin Chemical Fiber Plant also started planning at the end of 2018 to introduce training courses that incorporate VR. The courses, which were scheduled to start in the first quarter of 2019, simulate roof work and tasks involving openings. Comparing to trainings from the past, VR technology mimics the reality, allowing employees to go through training and be prepared without being exposed to actual danger and makes the training even more memorable.



Employee Health Management

1. Implementing Health Management System

Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant launched the health management system in 2017. The system identifies employees with high health risks, who will then receive medical advice from medical professionals with follow up. As of December 31st, 2018, the achievement rate is 83%. Taipei Headquarters also introduced the system in 2018. Employees may review their current and past health records from the system, and full-time medical staff may use the system to analyze the high-risk group, complete the overwork assessment and track staff with unusual health conditions to protect employee health.

Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

FAR EASTERN NEW CENTURY CORPORATION 2018 CSR Report

2. Prevention of Work-related Diseases

FENC is devoted to protecting the health of all employees and preventing occupational injuries. Hence, the Company is very proactive about risk monitoring and control to prevent possible harm.

(1) Health Checkup and On-site Health Consultation

FENC provides regular employee health checkup and management that exceed regulatory requirements. All business sites in Taiwan are staffed with full-time health professionals as well as medical doctors with credentials to provide health consultation based on the results of employees' health checkups. In China, health checkup at the production sites are conducted based on the regulatory requirements, and hospitals take over the post-checkup analysis. Employees with possible health conditions will be notified for a second checkup immediately with follow up. Operators with duties that pose high health risks at all business sites receive a special checkup. They also undergo analysis with suggestions provided from tiered post-checkup health management so their duties can be properly adjusted. Special health checkup in 2018 shows no health conditions associated with work-related diseases. Employees who suffered occupational injuries have all reported back to work after evaluation.

(2) Work Environment Monitoring

In order to stay on top of actual workplace conditions and evaluate workers' risk exposure, FENC commissioned certified work environment monitoring institutions to monitor all business sites in accordance with operational environment monitoring plans. Meanwhile, differences from each site are taken into consideration. The results from 2018 show that noise is still a major health threat. Hence, the Company established "hearing protection plan" and conducted training for staff that may be exposed, equipping them with noise buffering gear, installing warning signs and tracking them with hearing tests. All conditions are monitored effectively at the moment.

(3) Another Leap in Chemical Management

In recent years, the quantity and variety of chemicals used at the workplace are increasing at FENC. In order to precisely control safety information concerning these chemicals, the Company complies with Globally Harmonized System for Classification and Labeling of Chemicals (GHS) as well as applicable regulations on chemicals to monitor and control hazardous chemicals. Each production site adopts appropriate chemical control measures based on its production process to reduce employees' exposure to harm. In 2018, OPSC enhanced customized placement management approach for chemicals, rechecked the inventory of chemicals within the plant, and established the hazardous chemicals list and SDS. OPSC also enhanced the chemical labels, controlled the introduction, procurement, utilization and inventory of chemicals, and installed warning signs within the plant concerning the chemicals to inform employees of the potential hazards, emergency response and protective measures, including liability, safe operation, danger warning, emergency response and spatial layout. The signage is also posted at the tank area and production areas as a reminder for staff and to perfect the management of chemicals.

Creating Inclusive Society

3. Wellness Promotion Projects

(1) Weight Management

The health checkup at Hsinpu Chemical Fiber Plant indicates that the employees here have overly high BMI. Hence, the plant launched the "iWeight Loss" campaign in 2018, which includes healthy meal, nutritionist forum, exercise forum, aerobics class, weight training and 5 in 1 body fat testing. The campaign ran for 3 months, and the 46 participants in the program lost a total of 210.1 kg, which is an average of 4.57 kg per person. Six of the participants each lost over 10 kg. Two participants therefore won the 1st and 3rd place of the weight loss competition held by Public Health Bureau of Hsinchu County. Their stories were covered in the special issue of Excellence in Workplace Health. Hsinchu County Public Health Bureau also won the Local Public Health Bureau Occupational Health Promotion Award of Excellence.



Healthy Weight Loss,
Healthy Life (Chinese)
FENC / Zhi-Tang Feng

Kuanyin Chemical Fiber Plant collaborated with the Health Department of Taoyuan City Government and held a 3-month campaign for weight management,

where professional nutritionists and aerobics instructors helped employees lose weight and stay fit with health and nutrition courses. The campaign provided employees with information on proper diet that offers health and nutrition. Twenty-three employees participated in the campaign, and 10 of them successfully lost a total of 41.6 kg. Eleven of them successfully reduced body fat.



Hukou Mill started "Pressure Free Weight Loss Club" in 2018. In addition to the weight loss program, the plant also built a walking trail that opened on August 15th, 2018.

(2) Running for Health

Health is the source of happiness. WHFE organized a road running event on April 13th, 2018 to raise employees' health awareness and promote healthful living. Participation among employees reached 92.9%.



Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 **Creating Inclusive Society**

4.1 Employment

4.2 Care for Employees

4.3 Labor Dialogue

4.4 Career Development

4.5 **Occupational Safety and Health Management**

4.6 Sustainable Development of Supply Chain

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

FAR EASTERN NEW CENTURY CORPORATION 2018 CSR Report

Outstanding Achievements in Occupational Safety and Health in 2018

1. Continuing with Occupational Safety and Health Management System

As of the end of 2018, FENC's 11 business sites have obtained OHSAS 18001:2007 certification. The plants in Taiwan are also TOSHMS certified, and they pass the yearly third-party audit. All certifications are currently valid.

In 2018, International Organization for Standardization (ISO) announced the ISO 45001 Occupational Safety and Health Management System, which will replace OHSAS 18001:2007 with a 3-year grace period. The second plant of OPTC introduced the certification in February 2018. After two preliminary reviews, the plant was ISO 45001 certified on June 15th, 2018, becoming the Company's first production site to obtain the new certification.

2. Public Safety and Health

Since 2013, FENC has been serving as a core member at the northern office of Taiwan Occupational Safety and Health Management System (TOSHMS) for 3 consecutive terms. In 2019, the Company was selected again to serve as the committee member on Technical Promotion Team to assist the Occupational Safety and Health Administration to draft TOSHMS Technical Manual as a reference for industry peers.

Kuanyin Chemical Fiber Plant volunteered to serve as the leader of "Kuansin E Family" for the "SME Work Environment Assistance and Improvement Program – Labor Safety and Health Family Project" organized by the Office of Labor Inspection, Taoyuan City Government, where larger companies guide smaller companies to identify occupational safety and health issues and offer solutions. As of October 2018, the program provided 133 recommendations on improvements, and 128 of which have been made. The improvement rate reaches 96% and the plant was awarded Occupational Safety Achievement Award and the Occupational Health Contribution Award.

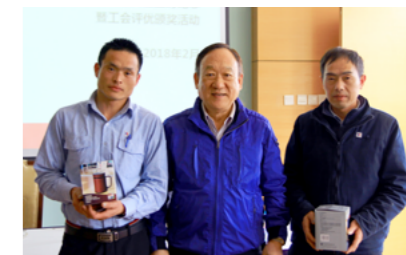


For this program, Kuanyin Chemical Fiber Plant was invited to the award ceremony for "Achievement of Governmental Entity Promoting Occupational Safety and Health and presentation of SME Work Environment Assistance and Improvement Program – Labor Safety and Health Family Project organized by the Office of Labor Inspection". During the event, the plant also shared the experience. Qian-Zhi Hong, deputy director of Labor Safety and Health Department at the plant, received the Award of Excellence for Promoting Occupational Safety and Health from the Ministry of Labor and Taoyuan City Government for his outstanding achievement in promoting occupational safety and health.

Creating Inclusive Society

3. Zero Lost Day from Occupational Hazards

All plants at FENC value the safety and health of each employee and aims for "zero occupational hazard". The Company raises the employees' awareness and increases knowledge on safety through risk assessment, awareness identification, safety and health education and publication, pre-work toolbox meeting, and promoting Safety and Health Month. In February 2018, OPSC marked 3 million work hours without losing any hours to occupational hazards.



FENC has maintained a 20-year record of no lost days due to disabilities caused by occupational hazard since the company was founded in April 1996. Industrial Safety and Health Association verified the record and issued a certification. As of November 2018, the plant accumulated 8 million work hours without losing any hours to occupational hazards.

4. Certified Enterprise with Double Prevention Mechanism

In China, work safety authorities require that corporations establish double prevention mechanism, conduct risk classification control as well as identify and control potential risks. Hence, FEIW started programming for the required measures in May 2018. The plant implemented training for establishing the mechanism, classifying on-site hazard source and establish control measures. In November, FEIW passed the on-site inspection conducted by State Administration of Work Safety and received approval for its double prevention mechanism.

5. Receiving the Honor of 2018 Advanced Production Safety Entity

OPSC fully assumes the responsibility for implementing production safety in 2018 and has developed comprehensive production safety regulation and policy. The plant has been implementing risk classification, potential risk identification, accident management, emergency drill, employee training, and the development of safety culture. OPSC was free of production safety accidents and received the award of 2018 Advanced Production Safety Entity from Fengxian District of Shanghai.

6. Consistent Civil Defense Training

Civil defense is an effective mechanism for citizens to exercise self-defense and protect lives, safety and properties. In 2018, Hsinpu Chemical Fiber Plant received First Award of Excellence from Hsinchu County Government in the (joint) Defense Division. Hukou Mill received the Second Award of Excellence.

Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 **Creating Inclusive Society**

4.1 Employment

4.2 Care for Employees

4.3 Labor Dialogue

4.4 Career Development

4.5 **Occupational Safety and Health Management**

4.6 Sustainable Development of Supply Chain

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix



FAR EASTERN NEW CENTURY CORPORATION
2018 CSR Report

7. Securing Fire Safety

Each year, all FENC business sites conduct emergency drills and simulate different disaster scenarios to ensure the effectiveness of employees' emergency response and response measures. This is also the opportunity to examine employees' familiarity with tools, equipment and techniques in order to minimize injury, environmental impact as well as the loss of lives and property.

Hsinpu Chemical Fiber Plant worked with the 5 firefighting brigades of the Fire Bureau of Hsinchu County. In January 2018, they held a fire drill with internal and external participants. Public officials from the county government, neighboring factories and a kindergarten nearby were on site to observe. On that day, the self-defense fire brigade at the plant also passed the Fire Bureau's test.

Eighteen employees from Kuanyin Chemical Fiber Plant joined the Firefighting Competition held by Taoyuan Fire Department and Kuanyin Industrial Park. The plant won the 3rd place in the CPR and AED Division.

OPSC collaborated with Security Production Superintendent Management Bureau, Environmental Protection Bureau and Fire Brigade in Fengxian District as well as Hangzhou Bay Development Zone and held an emergency drill in June 2018 to simulate a sudden production safety accident to enhance emergency response and rescue capabilities.



4.5.2 Contractor Safety and Health Management

To FENC, contractors are important business partners. To ensure contractors' work safety, each production site notifies contractors of potential hazards with monitoring measures in accordance with Occupational Safety and Health Act and applicable regulations. In addition, each site promotes various management approaches to reinforce contractors' work safety.

Creating Inclusive Society

1. Examination of Controlled Machinery Entry

To ensure safety when contractors bring machineries into the plant, all production sites have established "Examination Standards Governing the Entry of Controlled Machinery into Plants" and prepared a checklist. In 2018, Hukou Mill launched the inspection procedure on contractors' electrical equipment. All electrical equipment must be tested with earth leakage circuit breaker for power leakage prior to entering the plant. After completing the test successfully, a sticker will be affixed onto the equipment, signifying that the equipment can be operated within the plant.



2. Certification and Training for Construction Superintendent

In order for contractors to manage their own work safety and health, Kuanyin Chemical Fiber Plant held 2 sessions on "Safety Certification Training for Construction Supervisors" in 2018. Staff from the chemical fiber plant gave lectures on self-checklist, safety related regulations, common mistakes within the plant and case studies on past accidents. The training provides construction supervisors with opportunities to understand the risks during construction and preventive measures so that they can implement and monitor safety and health measures during construction. Certification exam was administered after training and a total of 48 construction supervisors passed the exam.

4.5.3 Statistics on Occupational Injuries

In 2018, FENC's plant sites actively engaged in the promotion of various safety and health management measures, aiming for zero occupational hazard. With dedicated efforts from the entire staff, there was no fatal occupational accident among employees and contractors during the year.

Contractors' Occupational Injury at Operational Sites

Item and Gender	Location Year	Taiwan			China			Vietnam		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
Number of Occupational Injury Cases	Male	1	0	0	0	0	0	0	0	0
	Female	0	0	0	0	0	0	0	0	0
	Total	1	0	0	0	0	0	0	0	0
Number of Deaths	Male	1	0	0	0	0	0	0	0	0
	Female	0	0	0	0	0	0	0	0	0
	Total	1	0	0	0	0	0	0	0	0



Statistics on Occupational Injury

Item and Gender	Location Year	Taiwan			China			Vietnam		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
Number of Occupational Injury Cases	Male	7	9	8	14	27	37	14	12	7
	Female	3	2	6	4	5	5	10	8	13
	Total	10	11	14	18	32	42	24	20	20
Injury Rate (IR)	Male	0.12	0.16	0.12	0.14	0.30	0.41	0.27	0.23	0.14
	Female	0.05	0.03	0.09	0.04	0.05	0.06	0.20	0.16	0.25
	Total	0.17	0.19	0.21	0.18	0.35	0.46	0.47	0.39	0.39
Absentee Rate (AR)	Male	0.08%	0.15%	0.21%	0.05%	0.13%	0.20%	0.10%	0.01%	0.00%
	Female	0.03%	0.04%	0.06%	0.31%	0.18%	0.19%	0.04%	0.00%	0.01%
	Total	0.11%	0.19%	0.27%	0.36%	0.31%	0.40%	0.14%	0.01%	0.01%
Lost Day Rate (LDR)	Male	13.27	7.54	4.46	2.60	11.90	12.40	0.99	0.61	0.00
	Female	1.61	1.12	1.42	0.46	2.06	0.92	0.25	0.00	0.00
	Total	14.88	8.66	5.88	3.06	13.96	13.32	1.24	0.61	0.00
Number of Deaths	Total	0	1	0	0	0	0	0	0	0

Note:
 1. IR = Number of Occupational Injury Cases ÷ Total Work Hours × 200,000
 2. AR = Days of Absence ÷ Total Work Days × 100%
 3. LDR = Lost Days ÷ Total Work Hours × 200,000. Lost days do not include the day of injury and the day of work resumption.
 4. IR and LDR indicate the percentage of every 100 workers with 40 work hours a week, 50 weeks a year.
 5. Occupational injuries include death, permanent total disability, permanent partial disability, temporary total disability, minor occupational injuries that result in no more than one lost day, and exclude traffic accidents that happen during employees' commute to and from work.
 6. The 2017 fatality in Taiwan involved a male employee.

4.6 Sustainable Development of Supply Chain

There are 5 major procurement units at FENC. They are Raw Material Team, FEG Purchasing Department, Purchasing Department of OPTC, Shanghai Purchasing Unit and Suzhou Purchasing Unit. Raw Material Team is in charge of market analysis, strategic planning and procurement of main raw materials such as PX, PTA, MEG and cotton. The remaining 4 units are responsible for the procurement of non-main raw materials, equipment and contracting. Minor procurement is processed by each production and business site. Content and statistics included in this section cover the 5 major procurement units.

Supplier Management Policy

To accomplish the goal of sustainable development of suppliers, FENC ensures that while providing goods and services, suppliers comply with social and ethical standards, understand and meet legal requirements, actively respond to issues concerning environmental protection and social issues, and take the initiative of assuming corporate social responsibility with ongoing improvements. Starting from November 2016, the Company started requesting that suppliers sign "Supplier Corporate Social Responsibility Commitment Statement". This is also one of the criteria for supplier selection.

To encourage more suppliers to sign the "Supplier Corporate Social Responsibility Commitment Statement", the CSR team reviewed suppliers' feedbacks with the procurement units and devised measures of improvements in 2018. The CSR team met with the procurement units 4 times. After the meetings, staff conducted in-depth discussion with the suppliers, trying to win their support toward the "Supplier Corporate Social Responsibility Commitment Statement". As of the end of 2018, 2,302 suppliers, which account for 50%, have signed the document. This is a 52% increase comparing to 2017, and these suppliers account for 68% of the total purchase. Suppliers responsible for major procurement projects have mostly finished signing. In 2019, we will continue to communicate with the suppliers. Together, we will work toward improving corporate sustainable development.



Supplier CSR Commitment Statement

The Number and Percentage of Suppliers Signing "Supplier Corporate Social Responsibility Commitment Statement", and Percentage of Purchase Amount

Year, Number of Supplier and Percentage	2016		2017		2018		
	Number of Supplier	Percentage of Total Suppliers	Number of Supplier	Percentage of Total Suppliers	Number of Supplier	Percentage of Total Suppliers	Percentage of Purchase Amount
Taiwan	186	28%	731	33%	1,220	52%	60%
China	116	15%	494	25%	1,082	47%	77%
Total	302	21%	1,225	29%	2,302	50%	68%

Note:
 1. The percentage of suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" = the number of suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" ÷ total number of suppliers × 100%.
 2. The percentage of purchase from suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" = the purchase amount from suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" ÷ total purchase amount × 100%.
 3. The total number of suppliers varies from year to year.
 4. 2018 is the first year in which the Company started calculating the percentage of purchase amount from suppliers signing "Supplier Corporate Social Responsibility Commitment Statement."



FAR EASTERN NEW CENTURY CORPORATION
2018 CSR Report

Creating Inclusive Society

FENC's production sites are located in Taiwan, China and Vietnam. Local regulations at each site vary and therefore, the procurement units set additional criteria to reflect differences in local regulations and project types. Applicable clauses are included in the contract to make sure that suppliers are in compliance.

Supplier Selection Criteria and Management Approach

Procurement Unit	Selection Criteria and Management Approach
FEG Purchasing Department and Raw Material Team	<ul style="list-style-type: none"> The goal is to have all suppliers sign "Supplier Corporate Social Responsibility Commitment Statement" to ensure all suppliers are governed by the statement. To meet customers' needs, Raw Material Team works with international suppliers, introduces organic cotton, BCI cotton and Bio-MEG and makes regular annual visits to suppliers.
Purchasing Department of OPTC	<ul style="list-style-type: none"> Conduct evaluation on all new suppliers and request the signing of "Supplier Corporate Social Responsibility Commitment Statement". Evaluation and request targeting specific suppliers include the following: Suppliers of microchemicals and industrial gases should submit environmental impact assessment, including quality certifications such as ISO 9000 and ISO 14001; establishment of environmental management system; environmental impact assessment of products or activities from suppliers; labor practice evaluation on suppliers of construction equipment.
Shanghai Purchasing Unit	<ul style="list-style-type: none"> Conduct document or on-site evaluation on new suppliers in accordance with Procurement Regulations and Regulations Governing Supplier Evaluation, and require that suppliers sign "Supplier Corporate Social Responsibility Commitment Statement" to select qualified suppliers. Promote Regulations Governing Supplier Evaluation. In the beginning of each year, conduct review on suppliers from the previous year and select qualified suppliers based on the ratings of A, B and C. Starting from 2019, additional reviews are conducted on key suppliers followed by on-site inspection.
Suzhou Purchasing Unit	<ul style="list-style-type: none"> Suppliers with long-term contract, which is 1-year and above, and suppliers of large-quantity procurement must undergo evaluation and sign "Supplier Corporate Social Responsibility Commitment Statement". The goal is to have 99% of the suppliers finish signing by the end of 2019. On January 1st, 2018, Suzhou Purchasing Unit established Supplier Management Task Force to conduct supplier review, on-site audit and contract management in order to regulate supplier management, reduce procurement costs and improve efficiency. Key material suppliers and contractors are evaluated on four aspects – quality, delivery, service and guarantee. Suppliers that obtained ISO 14001 and OHSAS 18001 receive priority consideration. In 2018, 98% of the suppliers are rated as quality suppliers. Orders for non-quality suppliers will be reduced or terminated. In 2018, on-site audit was conducted on 42 suppliers of key raw materials. All suppliers scored higher than 85.

There were 972 new contractors in 2018 and 791 were evaluated, which account for 81%.

The following table is a compilation of supplier evaluation by the procurement units. Evaluated categories include the environmental evaluation, labor practice evaluation, human rights evaluation and social evaluation. When the evaluation indicates major impacts were made, the Company may provide assistance for improvements or terminate the contract depending on the severity. In 2018, Suzhou Purchasing Unit identified negative impacts from one supplier, which did not proceed with construction work according to the Company's requirement. The contractor was requested to undergo occupational safety training and was suspended for 10 months.

Number of Suppliers and Assessment Aspect

Number of Suppliers	Assessment Aspect	Environment	Labor Practice	Human Rights	Society
Total Number of Selected Suppliers		2,084	2,160	2,187	2,187
Number of Suppliers That Have or May Have Negative Impact		0	1	0	0
Number of Suppliers That Have Made Improvement		0	1	0	0
Number of Suppliers That We Have Stopped Working with		0	0	0	0

Note:
 1. Environmental evaluation includes pollution prevention, waste treatment as well as energy and resource consumption; labor practice evaluation includes occupational safety, equality and training; human rights evaluation includes child labor, forced labor and rights of the indigenous people; social evaluation includes corruption, monopoly and fraud.
 2. FEG Purchasing Department and Raw Material Team conduct evaluation on local suppliers; Shanghai Purchasing Unit conducts evaluation on new suppliers from China and overseas; Purchasing Department of OPTC conducts environmental evaluation on suppliers of microchemicals and industrial gases, and labor practice evaluation on suppliers of construction equipment; Suzhou Purchasing Unit conducts evaluation on suppliers with long-term (over 1 year) contract and large-quantity procurement.



Selecting Suppliers of Toxin-free Dyeing Agent and Reaching ZDHC Prior to 2020



Zero Discharge of Hazardous Chemicals (ZDHC) established the year 2020 as the target year for companies to adopt toxin-free dyeing agent and avoid environmental pollution resulting from wastewater discharge. Since 2012, Kuanyin Dyeing and Finishing Plant started transitioning to toxin-free dyeing agent and asked suppliers to provide toxin-free dyeing agent with bluesign® standard certification. As of June 2018, all dyeing agents used in this plant are certified with bluesign®. Each year, the plant undergoes 2 third-party on-site audits, and has completed the ZDHC goal in advance.

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix




Receiving the Green Enterprise recognition

Since 2007, the Environmental Protection Administration of Executive Yuan started awarding recognition to private entities with outstanding practice in promoting green procurement. Between 2016 and 2018, the Executive Yuan presented FEG Purchasing Department with the third consecutive Certificate of Appreciation for Green Procurement to acknowledge the Company's achievements in green procurement. In 2017 and 2018, Department of Environmental Protection of Taipei City Government awarded the Company with the title, Benchmark Unit of Private Enterprise and Organization Green Procurement Plan.



Priority Consideration for Local Suppliers

Procurement from local suppliers does not only boost local economy, it is also a better option for obtaining after-sales service. Therefore, we give priority consideration to local suppliers. In 2018, 55% of the procurement was made with local suppliers. However, some major raw materials cannot be obtained locally. After deducting these materials, the percentage of local procurement rises to 81%.

Note:
 1. "Local" is defined as Taiwan for the business sites in Taiwan, and provinces where the Company is located in China.
 2. Procurement for production sites in Vietnam made by Suzhou Purchasing Unit is excluded.
 3. Percentage of purchase from local suppliers = Purchase amount from local suppliers ÷ total purchase amount x 100%.

Procurement and Management of Main Raw Materials

Main raw materials constitute the highest production costs for FENC. For procurement, the priority is to obtain a steady supply of high quality materials. Our standards are higher than the industry norm. We choose raw material suppliers that comply with governmental regulations and CSR requirements based on the internal procurement management procedure and regulations. However, PX cannot be supplied locally and must be imported. We requested that the shipping company comply with all applicable transportation regulations as well. The procurement of PTA and MEG must comply with EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and Halal Certification. The procurement of cotton must comply with the International Cotton Association (ICA) regulation and regular practice on international cotton trade.

To adapt to the rapidly changing raw material market and establish stable supply, we measure the suppliers against stringent standards. Priority consideration is given to suppliers with good reputation considerable business scale. We also spread the risks by choosing different types of suppliers. For instance, choosing suppliers from different countries may avoid tariffs; selecting suppliers with different production methods may avoid stockouts. Meanwhile, we visit the suppliers, collect market information, gain knowledge on suppliers' operation and adjust the procurement proportion dynamically to maintain stable material supply.

To minimize product impact on the environment, we advocate the use of recycled materials. We are also eager to develop and utilize bio-materials and eco-friendly plastic, such as Bio-MEG, Bio-PTA, 100% Bio-PET, and PLA, etc. In addition, we utilize raw materials that are friendly to the environment, such as organic cotton and BCI cotton to reduce negative environmental impact. (Please refer to "2.2 Green Products" for more details.)

Procurement of Major Raw Materials

Unit: 1,000 metric tons

Raw Materials	Sources	2016	2017	2018
PX	U.S., Japan, Korea, China, Singapore	990	1,035	1,520
PTA	Taiwan, China, Japan, Thailand	1,311	1,313	1,301
MEG and Bio-MEG	Saudi Arabia, Taiwan, India, China, Japan	520	521	512
Cotton (Including Organic Cotton and Recycled Cotton)	China, U.S., Australia, Brazil	78	70	65

Note: PTA procurement includes external procurement and internal transfer.

Supplier Engagement

FENC values communication with the suppliers. Through various channels, the Company monitors and gain details on the suppliers' operation. Each month, FEG Purchasing Department collects information on the suppliers and contractors for the production sites in Taiwan, and conducts supplier meeting when necessary. The company website also provides email accounts to suppliers to reflect their opinions. OPTC conducts monthly communication meetings with business partners, and quarterly work meetings with the carriers. Suzhou Purchasing Unit conducts supplier meetings every 6 months and invites suppliers to exchange technological insights from time to time. Please refer to "4.5.2 Contractor Safety and Health Management" for details on training available for suppliers and performance.

Content

About This Report

Chairman's Message

Performance Highlights in 2018

Sustainability Strategy Blueprint

Sustainable Development Goals

- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigating a Green Future
- 4 **Creating Inclusive Society**
 - 4.1 Employment
 - 4.2 Care for Employees
 - 4.3 Labor Dialogue
 - 4.4 Career Development
 - 4.5 Occupational Safety and Health Management
 - 4.6 Sustainable Development of Supply Chain
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix

4



Annual Supplier Meeting

Suzhou Purchasing Unit invited suppliers of packaging materials for OTIZ to attend the 2 supplier meetings on July 13th, 2018 and January 15th, 2019. A total of 55 suppliers were in attendance. OTIZ produces a wide variety of products, and product packaging is crucial to product quality. Hence, the 2 meetings target suppliers of packaging materials to explore alternatives for improving the quality of packaging materials. For instance, improving the quality of paper tubes may reduce shrinking or bursting when reusing them and increase the reuse of packaging materials.



On-site Supplier Audit

Suzhou Purchasing Unit conducts on-site audit of key raw materials suppliers each year. In April 2018, the unit conducted on-site audit on the supplier of a key material when the supplier relocated the production site. Prior to the site visit, a meeting was held to confirm the personnel and review process. On-site audit includes the review of warehousing procedure, visit to the warehouse, warehouse management, review of plant management and response to irregularities. The audit also covers the warehouse for finished products and the production line to ensure quality control.

Although the supplier relocated the production base, the person in charge has been refining management procedure and factory design. After receiving improvement suggestions from Suzhou Purchasing Unit, the supplier responded with improvement report in May 2018, which brought everything to compliance. The supplier also obtained ISO 9001 certification for quality assurance. On-site audit with suppliers may help detect quality issues in advance, identify environmental, social and labor risks and assist suppliers with improvements, which benefit toward maintaining harmonious and stable partnership with the supply chain.



Establishing Supplier Management Team to Enhance Supplier Management

In order to effectively evaluate product quality of the suppliers, the Company regularly conducts comprehensive evaluation over the suppliers' capability in order to encourage them to improve on quality, technology, delivery and service. The evaluation also ensures that quality issues or irregularities are addressed to prevent recurrence in the future. Hsinpu Chemical Fiber Plant modeled after the Fiber SBU and launched supplier audit in 2015. In 2017, the plant established Supplier Management Regulations and formed Supplier Management Task Force with the various SBUs under Hsinpu Chemical Fiber Plant. In addition to implementing supplier audit systematically, the plant also evaluates new suppliers, conducts regular supplier evaluation and manages irregularities in product quality to enhance supplier management.

Each year, the Supplier Management Task Force conducts document review over suppliers of key raw materials, and conducts on-site audit with FEG Purchasing Department and the Audit Department. The task force notifies the suppliers to make improvements and take preventive measures. The task force also prepares responses and follows up until the case is closed. In addition, each unit at Hsinpu Chemical Fiber Plant evaluates the product quality and delivery service of each supplier every December. The content includes pass rate for material feed, quality assurance, delivery schedule and willingness to cooperate. Results of the evaluation are forwarded to Supplier Management Task Force for compilation and to be served as a reference for the supplier audit plan in the following year. The outcome of supplier audit and evaluation for the current year are also reported to the management review meeting of each SBU and Division.

In 2018, Hsinpu Chemical Fiber Plant finished evaluating suppliers of 145 materials and audited 50 suppliers. In 2019, the plant plans to audit 67 suppliers, and make 16 on-site audits. The plant will also evaluate suppliers regularly and manage irregularities in product quality.

