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## Special Report ①

# Protect the Nation, Unite Against the Pandemic

In December 2019, COVID-19 quickly spread from outbreaks in Asia to a global pandemic. By the end of May 2021, over 170 million people were infected and over 3.5 million people have passed away. According to the World Bank and International Monetary Fund, global economy slipped by over 4% in 2020, resulting in changes in consumer behaviors and the work-from-home model that led to restructuring of global supply chain. The pandemic caused substantive impact on corporate operation. FENC supplies the most cutting-edge materials to the global healthcare industry. During the pandemic, the Company established various anti-pandemic measures to minimize its impact.

## Protecting Public Health by Applying Innovative Materials Towards Pandemic-Fighting Products

FENC is capable of producing medical-grade personal protective equipment. During the pandemic, the Company ramped up the material supply, production and application.

The global pandemic has caused shortages in medical masks and anti-pandemic supplies. FENC developed innovative materials and anti-pandemic products, taking pandemic fighting to a new level. By offering products with the highest quality for healthcare workers and the public, FENC helps stop the spread of COVID-19 and protects public health.

To combat COVID-19, FENC applies its core strengths in the development of various anti-pandemic products, giving medical professionals and the public the best protection to safeguard public health. Currently, FENC produces the raw materials for medical-grade face masks in Taiwan and Shanghai. The products are sold worldwide, providing the most advanced quality material to global medical and health industries.

In addition, FENC donated NT\$6 million to the Central Epidemic Command Center through non-profit foundation, fighting the pandemic alongside the members of the public.



### PE/PP and PE/PET Composite Fiber – The Skin-Friendly Inner Layer

In the past, most facemasks on the market were made of PP. FENC takes advantage of the suppleness of polyester-cotton, which is gentler on human skin, to produce hydrophilic, odorless, low pilling and hypoallergenic face masks that absorb droplets easily.



### Microfiber – The Melt-Blown Non-Woven Middle Layer

FENC pioneered the first “microfiber filter” in the world, which can be placed on top of the melt-blown non-woven fabric in the middle layer of face masks. Composed mainly of nanofiber, this product can be used repeatedly after rinsing, and blocks the larger particles such as PM2.5. It is also superior to regular medical masks when it comes to filtering bacteria, which is almost as effective as N95 masks while using 20% less melt-blown non-woven fiber in the middle layer. The microfiber is twice as effective in reducing breathing resistance. When used to produce N95 masks, it helps users breathe with ease and reduce discomfort.



### Polyester – Blood Collection Tube

Medical workers must test blood samples for COVID-19 infections and the number of suspected cases has driven up demand for testing as well as testing supplies and materials, including blood collection tubes. Extra precautions must be taken to prevent unnecessary exposure to the virus. Glass is the conventional material for blood collection tubes.

FENC developed an innovative PET material as replacement. It offers glass-like translucence with more durability. It is also easily transported and stored.



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### Anti-Fogging PET Film – Anti-Fogging Face Shield

COVID-19 can be transmitted through exposure from the eyes, nose and mouth. Face masks offer a degree of protection for the general public. The healthcare professionals, however, are at a higher risk of exposure from droplets. FENC manufactures face shields with polyester film. The hydrophilic technology gives the product anti-fogging property, offering better vision and safety for medical professionals.



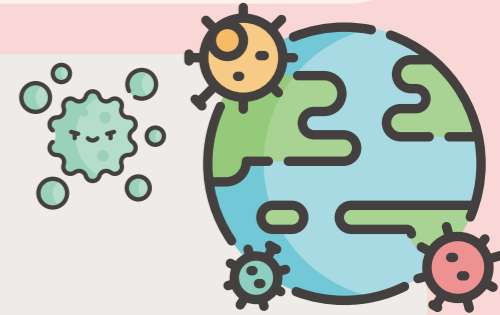
### Medical Gown

Regular medical gowns tend to be unbreathable and uncomfortable for healthcare professionals. Typically designed to be disposable, these gowns are not friendly to the environment. FENC pioneered protective gowns with odor managing fiber as well as breathable and waterproof coating. The gowns are also water-repellent and anti-bacterial. The odor control fiber is more durable, washable and environmental. The new gown reaches the highest standard, PB70 Level 4, which is impermeable by blood and the virus and greatly enhances strength and comfort.



## Protecting Employee Health with Robust Anti-Pandemic Measures

Since COVID-19 outbreaks erupted, global economic growth rate delivered negative numbers for the first time in 10 years. Early on, all FENC units responded by activating emergency response measures. Beginning in February 2020, all FENC sites followed the Company's anti-pandemic policies to protect the health of all employees.



### Establishing Effective Anti-Pandemic Measures for Critical Moments



High-level executives formed emergency response teams to present regular status updates from all locations.



External personnel are not allowed to enter Company premises unless necessary.



Facemasks must be worn at all times upon entering Company premises.



Staff are divided to work on different days at separate locations.



Domestic and international business trips must be monitored.



The Company complies with governmental measures to ensure employee health and compliance.



All internal and external personnel entering Company premises must have the temperature taken and spray rubbing alcohol or sanitizer.



Staff must report to Employee Health and Care System daily to track health conditions.



The Company complies and coordinates the collection of anti-pandemic supplies to ensure adequate protection for staff during business hours



Production sites in China must set quarantine zones at staff dormitory for those returning from remote locations.

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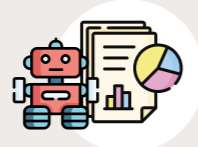
### Optimizing Workflow to Ensure Steady Capital



The Company accelerates digital transformation, including upgrading cloud system, video conferencing software and e-business system.



The short-term plan is to reduce unnecessary cash and capital expenditures; the mid and long-term plan is to improve loan structure to reduce liquidity and financing risks



The Company introduced RPA to execute projects that required repetitive and systematic manual operation, minimizing restrictions on physical operations imposed by the pandemic.



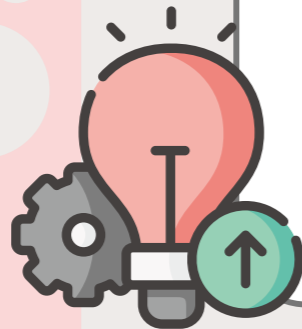
The Company strengthens the tracking of account receivables and overdue to achieve zero bad debt during the pandemic. (Please refer to the section on "Perfecting Risk Management" 📄)



The Company constructed customer and product profitability analysis system to optimize the ordering system. (Please refer to the section on "Building Customer Rapport" 📄)

### Adjust Product Sales and Service to Maintain Corporate Profit

1. The Company utilizes core strengths to promote its anti-pandemic products, mitigating impacts from sales decline in other areas.
2. Lockdowns around the world pose export barriers. The Company expands the domestic market and diversifies customer base to minimize risks.
3. The Company closely monitors cargo carriers, shipping companies and banks to ensure on time delivery. (Please refer to the section on "Coordinating Sustainable Supply Chain Development" 📄)



### Exemplary Initiative That Led WHEF Out of the Pandemic



WHEF is a FENC production site located in Wuhan, Hubei Province in China, the epic center of the COVID-19 pandemic.

On January 23<sup>rd</sup>, 2020, the City of Wuhan declared a total lockdown. As the highest-ranking executive, Plant Manager Shang-Han Lu insisted on stationing at the plant with the security guards to protect Company property and collect anti-pandemic supplies. When the lockdown was finally lifted, Lu acted quickly to apply for plant reopening, making WHEF one of the first in Wuhan Economic and Technological Development Zone to reopen. The plant quickly returned to the pre-pandemic level of production.

Lu's devotion and perseverance boosted the morale and solidarity, which was recognized in 2020 Far Eastern Spirit Award with Excellence in Exemplary Initiative.

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### ◆ FENV Recognized with Outstanding Anti COVID-19 Award

On April 6<sup>th</sup>, 2020, FENV received Outstanding Anti COVID-19 Award presented by Vietnam General Confederation of Labour in Binh Phước Province. The award recognizes FENV for implementing effective anti-pandemic measures among industry peers in Binh Phước Province. The plant is one of the two enterprises winning this honor in Binh Phước Province.



### ◆ Enhance Anti-Pandemic Training with Incentives for Online Learning

During the COVID-19 pandemic, the Suzhou City Government provided RMB\$300 to \$500 as incentives for those who completed online training. Production sites in Suzhou established training programs for the entire staff to fight the pandemic. Training includes pandemic prevention and control, safe production and regulatory requirements. Staff are encouraged to practice self-learning to enhance pandemic fighting skills. A total of 3,957 employees completed 73,088 hours of training.



### ◆ Cohesion Program for the New Norm and New Strategy in the Post-Pandemic Era

The Far Eastern Convention gathers corporate executives at the year end to monitor international trends in the post-pandemic era. Field experts are invited to share their foresights in global trends amid the COVID-19 pandemic. Deloitte Taiwan was also invited to conduct a one-day workshop with experts leading the interactive discussions and sharing sessions to formulate corporate strategies in response to the pandemic.

The original workshop format was designed by Deloitte Global for its global clients. This workshop, which entails Recovery and Beyond to explore new methodology in response to COVID-19, is customized for FENC to examine the impact of COVID-19 on key corporate operations, including changes in customer demand, cash flow management, supply chain adjustment, human resources optimization and digital transformation. By providing comprehensive assessments on corporate operations, the workshop helps the executives understand the post-pandemic approach toward corporate operation and formulate corresponding strategies.

During the event, experts facilitated in-depth discussions regarding FENC's supply chain, digitization and customers, and explored ways of obtaining critical raw materials amid supply chain impact to avoid interruption in the production line. Also discussed are the establishment of smart factory and ways of reducing the impact from employees who are unable to return to work due to quarantine. Participants analyzed changes in customer demand during the pandemic and examined changing customer relations under the new norm. This workshop not only helps the executives stay informed on industry changes

in the post-pandemic era, but also builds cohesion and consensus, establishing critical strategies that foster corporate strengths in the post-pandemic era.



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## Special Report 2 Developing Circular Economy and Sustainable Value

FENC is the leader in global rPET industry, which has given new life to waste PET bottles. For years, the Company has been developing chemical recycling technology for waste PET and polyester to amplify the effects of circular economy. A breakthrough came in 2020, which makes recycling and remanufacturing waste apparel and textiles possible. In addition, FENC's unique ocean plastic recycling and remanufacturing technology helps protect marine habitat. The Company is reaching sustainable development in the polyester industry with circular economy, making the Company an essential link in the global green supply chain.

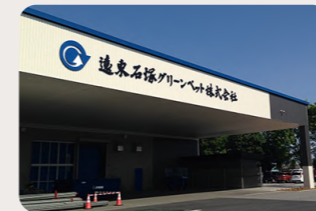
### Recycling for Advanced Deployment

**1988**  
FENC invested in building the first PET bottle remanufacturing plant in Taiwan – **Taiwan Resources Recycling Co.**, initiating circular economy production model with waste recycling and reuse.

**2006**  
FENC obtained 100% of the shares of Taiwan Resources Recycling Co., which is consolidated into the recycling business unit of **Oriental Resources Development Limited**.

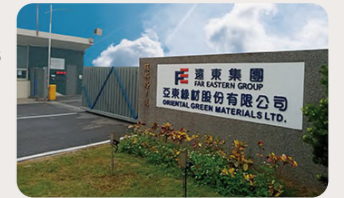
**2010**  
Functional fabrics made with waste PET bottles by FENC are the chosen materials for **soccer jerseys during the 2010, 2014 and 2018 FIFA World Cup**. FENC put the international spotlight on Taiwan during the sports events, and the press crowned FENC's innovation the pride of Taiwan.

**2012**  
FENC established **Far Eastern Ishizuka Green PET Corporation (FIGP)**, expanding its production territory to Japan.



**2020** Far Eastern Ishizuka Green PET Corporation (FIGP) built the second production line.

- FENC acquired the rPET manufacturer, **Phoenix Technologies International, LLC**.
- In light of growing demand for green products, the recycling business unit of Oriental Resources Development Limited is separated into **Oriental Green Materials Ltd. (OGM)**.
- FENC established the **pilot plant for chemical recycling**.



**2019**  
The recycling technology is refined, which boosted production capacity.

- 2016**
- FENC collaborates with adidas® and Parley for the Oceans on the development of **Ocean Plastic**.
  - Production began in Plant 2 in Taiwan. Manual bottle recycling is now replaced by machines, which expands the processing capacity to over **50% of waste PET bottles in Taiwan**.



### Production Sites



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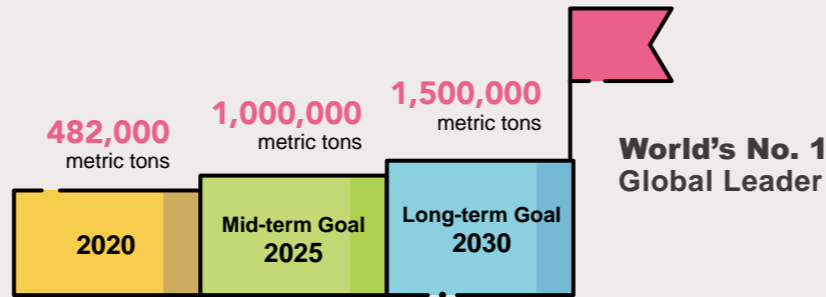
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## rPET Production Capacity



## rPET Industry Status

- World's NO. 2 rPET Supplier
- World's NO. 1 Food-Grade rPET Supplier
- World's NO. 1 Recycled Polyester Filament Supplier
- World's NO. 1 Recycled Ocean Polyester Supplier

The **Only Overseas Recycling and Remanufacturing Supplier** Acknowledged by the Japan Containers and Packaging Recycling Association

## Environmental Performance

### Waste Reduction

FENC's contribution to waste reduction

**21,000,000,000** PET bottles/year

The bottles may circle the earth **120.5** times

### GHG Reduction

FENC's contribution to carbon reduction

**900,000** tCO<sub>2</sub>e/year

The equivalent of carbon absorbed by **2,300** Daan Forest Parks

Compared to conventional PET resin production, using recycled PET bottles as the raw material reduces GHG emissions by **63%**

## 2020 Recognitions

- Environmental Protection Administration Executive Yuan **Winner of Outstanding Enterprise in Circular Economy – Two Star**
- Highest Honor
- TCSA **Circular Economy Leadership Award**
- 4 Consecutive Years
- Global Views Monthly **CSR Winner in Environmental Sustainability**
- Highest Honor
- Taoyuan City Government **Participating in World Oceans Day**
- Certificate of Appreciation

### Food-grade Approval



### Recycled Content Certification



### Green Mark



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## New Circular Economy Solution - Breakthrough in PET Recycling Technology



PET bottles account for 1/3 of the downstream applications for PET. The remaining 2/3 are used towards polyester fiber, which is a widely used material for apparel and textile. Most textile products blend at least two different fibers together, consist of multiple pigments and use accessories such as zippers and buttons, making recycling a difficult task.

FENC's latest TopGreen®ChemCycle technology adopts the chemical recycling approach. In addition to PET bottles, which is relatively simple in composition, the technology is capable of recycling other PET products such as apparel, textile and packaging materials, which consist of a mixture of materials. Through chemical approaches, these products are transformed into PTA, a main raw material for PET production. rPTA can be used to produce all PET products with quality that rivals those made of petrochemical materials.

FENC's TopGreen®ChemCycle technology leads industry peers and has been patented in Taiwan, U.S. and Australia. Production has begun at pilot plants in a minor scale. In July 2020, TopGreen®ChemCycle was adopted by CCBJI, the Coca-Cola bottler in Japan, and large-scale commercialization can be anticipated.

FENC has found a solution to the long-term environmental dilemma caused by waste apparel and textile products, leading the PET recycling industry into a new chapter.



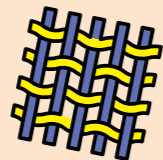
### Zero Waste Through Recycling and Remanufacturing

#### Plastic film and lid on PET bottle

Part of the plastic film on a PET bottle is made of PVC; the lid is made of PP and PE, which prevent them from being recycled and remanufactured with the PET bottles.

To reach zero solid waste during production, FENC invested in solid waste incinerators to turn plastic film into thermal energy to power the production, while the lids are recycled and remanufactured into plastic pallets.

#### Non-polyester content in blended fiber



Non-polyester content in blended fiber cannot be transformed into raw materials through chemical recycling. FENC collaborates with startups and turned non-polyester textile into fuel rods, replacing coal to generate power in the boilers.



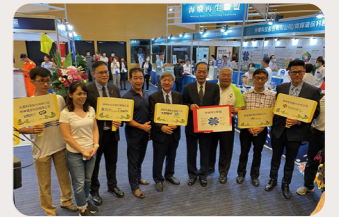
## Saving Oceans with Circular Economy - Ocean Recycling Project



Ocean plastic is a critical threat to marine habitat. Beginning in 2016, FENC collaborates with adidas® and Parley for the Oceans on the Ocean Plastic project, keeping waste plastics from threatening the ocean. In 2020, the scope of the project was expanded, capturing over 6,000 metric tons of ocean plastic, which were converted into new products.



Taiwan is deeply concerned about ocean governance and blue economy. The Ocean Conservation Administration of Ocean Affairs Council established Marine Debris Recycling Coalition on the 2020 National Oceans Day. FENC was invited to join the coalition and is responsible for remanufacturing waste PET collected from the ocean.



Environmental Protection Administration implemented Marine Waste High Circular Utilization Promotion Program in 2020. Ocean plastics collected from the beach cleanups are turned into clothing made of materials that contain 96% of waste PET bottles. The innovation challenged the existing recycling and textile technology in Taiwan. This program also pioneered the world's first verification mechanism. OGM, a subsidiary of FENC, collaborated on the project with the government, suppliers and international verification agencies. The result sets a paradigm for the recycling and reuse of marine debris.



On June 4<sup>th</sup>, 2019, Mayor Wen-Tsan Cheng of Taoyuan City signed the MOU to recycle and reuse ocean PET bottles with FENC. Beginning in June 2019, 11 volunteer groups consisting of coastal guards as well as environmental fleets from Yongan, Zhuwei and CPC Corporation in Taoyuan City conducted beach and ocean cleanups. The waste PET bottles collected were sent to FENC to produce runner's jerseys and other green products, which were gifted to the residents and volunteers who participated in the cleanup campaigns through Taoyuan City Government as a token of appreciation. This completes the cycle of saving the ocean through recycling and reusing plastic waste.

In 2020, FENC produced 400 pieces of clothing using waste PET bottles as gifts to the volunteers who safeguard the coastal environment.

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## 2020 Engagement

FENC has set the paradigm for industry peers with its production technology as well as recycling and remanufacturing model. In addition to the industry peers in Taiwan, FENC has also established the best practice of circular economy for the international community. The Company frequently receives visitors from international governments or invitations to speak at international forums. In 2020, in-person events decreased drastically due to the COVID-19 pandemic. Regardless, FENC continues its commitment to external communication and engagement, strengthening multi-lateral cooperation and increasing public awareness by participating in sharing sessions, promotional campaigns and exhibition.



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## Special Report 3

### Promoting Sustainable Development with Sustainable Finance

As extreme weather patterns grow severe, corporations around the globe are growing more alert regarding climate-related risks. Sustainable finance provides consistent funding for corporations to continue sustainable development, making corporations more willing to devote resources into sustainability transition. FENC issued the first Convertible Bond (CB) in Taiwan in the 1990s. Since then, the Company continues to create benchmarks in innovative financing for the nation. Since 2018, FENC has issued 3 unprecedented sustainable financial products, 2 of which were issued in 2020.



### FENC Financial Sustainability Declaration

FENC is the leading manufacturer in global green PET industry. The Company strives to build sustainable business model to create harmonious coexistence with the environment. Through green investment, we fully develop the Company's sustainability development strategy and raise capital to connect with FENC's sustainability development goals, creating closed-loop circulation of funding source and capital. We have become an innovative benchmark enterprise for sustainability financing in Taiwan, continuing to create win-win for the government, corporations and investors.



### FENC's Key Financial Planning Goals

- 🎯 Forward-looking: Align with global financial trends
- 🎯 DNA for innovation: Set new benchmark for financial innovation in Taiwan
- 🎯 Connect the dots: Connect the founding spirits, sincerity, diligence, thrift, prudence, innovation, reaching the goal one step at a time

### FENC's Financial Products from Recent Years

Comparing to conventional financial products, which typically require a one-month pre-launch period, green and sustainable financial products require an additional 4 to 5 months. By issuing an array of sustainable financial products, it is FENC's hope to establish references through concrete actions to attract more manufacturers in the private sector to do the same.

Sustainable finance, an essential element in elevating global sustainability! (Chinese)

2018  
January 8<sup>th</sup> Green Bond  
First Among Private Sectors in Taiwan NT\$ **3 billion**

5-year green bond, principal paid back at maturity with 0.95% coupon rate.



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## 2020 September 21<sup>st</sup> Sustainability-Linked Loan and Commercial Paper Guarantee at Floating Rate

First in Asia

NT\$3 billion 3-year sustainability-linked loan and commercial paper guarantee at floating rate. Sustainability-linked loan and commercial paper guarantee is linked to FENC's sustainability performance to fulfill FENC's 2030 ESG vision.

NT\$ **3 billion**

### Feature ▶

1. FENC's first sustainability-linked loan commitment is linked to sustainability performance targets to guarantee and issue commercial papers. The margin under the relevant loan agreement may be reduced when the borrower satisfies a pre-determined sustainability performance target.
2. This unprecedented financing innovation in Asia was featured by multiple international media agencies, including ecosistent, Environmental Finance, The Asset and Bloomberg.
3. FENC's innovative sustainable financing won Best Sustainability Financing from Triple A Country Awards 2020 held by The Asset magazine.

### Schedule ▶

1. April to June, 2020

FENC invited banks with international leading status in green financing to provide medium-term loan proposals, which must be sustainability-linked with innovative structural design.

2. September 21<sup>st</sup>, 2020

FENC signed the first sustainability-linked loan commitment with commercial paper guarantee in Taiwan and Asia.

Triple A Country Awards 2020

GTR Best Deals 2021

### Fund Utilization ▶

All expenditures for achieving the short, mid and long-term goals in environmental performance targets.

## 2020 December 21<sup>st</sup> Sustainability Bond

First Among Taiwanese Corporations

Issuing NT\$3.8 billion 5-year sustainability bond, principal paid back at maturity with 0.54% coupon rate. By combining sustainable finance with FENC's Sustainability Strategy Blueprint, it is the hope to join hands with the government and stakeholders to create a virtuous cycle for a future that fosters quality environment for sustainable development in Taiwan and to make seamless connection with the international community.

NT\$ **3.8 billion**

### Feature ▶

1. Most international issuers of sustainability bonds are in the financial, service or governmental sectors. FENC is a private manufacturer.
2. The pre-launch period ended and issuance began within two months after the regulatory enactment.
3. The investment framework is based on the 17 UN SDGs and evaluate utilization of funds is evaluated based on Sustainability Bond Guidelines issued by International Capital Market Association.

### Schedule ▶

1. October 6<sup>th</sup>, 2020

Taipei Exchange (TPEX) issued Taipei Exchange Operational Directions for Sustainability Bonds.

2. November 20<sup>th</sup>, 2020

FENC obtains approval for issuing over-the-counter sustainability bond.

3. December 21<sup>st</sup>, 2020

FENC issued the first sustainability bond in Taiwan.

### Fund Utilization ▶

Green and social investments:

- Waste reduction performance from waste recycling and reuse
- GHG reduction performance
- Green building (Tpark): Develop smart green park as a demonstration site for sustainable development that is built upon the foundation of environmental sustainability.

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*“The ‘sustainable and innovative DNA’ runs deep in FENC. We are always prepared, leading the market with a pipeline of innovative sustainable financial products. This is the culmination of all our efforts. After we celebrated the first 70th anniversary, we get ready for the 140th anniversary, and we will never stop!”*

FENC Chief Financial Officer  
**David Wang**



## Feedback from partners

*“COVID-19 contributed to the rise of sustainable finance. Investors and financial institutions are concerned about resilience and green recovery. They also care about a corporation’s ESG performance, strategies and implementation towards visions. These concerns can be addressed by including green and sustainable factors as part of the financing tools.”*

Crédit Agricole CIB Executive Director  
**Xiao-Ming Hu**

*“This innovative design is a milestone that is critical for FENC and Crédit Agricole CIB in their implementation of green and sustainable finance in Asia. This financing approach is widely acclaimed among industry peers and the press. The Asset magazine named it ‘the best sustainability financing in Taiwan’ in 2020”*

Crédit Agricole CIB Director  
**Chien-Lin Lu**

*“Corporate DNA is extremely important! Compared to financial performance, non-financial performance often better demonstrates the strength of corporate DNA. International verifications may reflect environmental and social influence, and amplify the detailed attentions paid to ESG. EY is fortunate to collaborate with FENC, a corporation of exceptional character.”*

Ernst & Young Global Limited Accountant  
**Roger Tseng**

*“FENC supports the governmental policies on sustainable development. Its sustainability bond, which is a first in Taiwan, was highly sought-after among investors. This is a testament to FENC’s sustainable management. CTBC Bank is honored to serve as the bond underwriter, offering investors innovative and diversified products with FENC. This collaboration will continue into the future as a demonstration of our belief in corporate social responsibility as well as sustainable management. We will also continue to be the force that charts the path to sustainable development in Taiwan.”*

CTBC Bank Executive Vice President  
**Matthew Liaw**

