

# Corporate Governance



We actively implement disclosure of our finances and information transparency.  
We thoroughly implement correct and effective operational management.  
We actively create optimal value for shareholders, employees, clients, and society.





In order to implement Far Eastern New Century's mission of "bring happiness and prosperity to the community where we serve" we have earned the trust of wider society and truly practiced corporate social responsibility, moving towards sustainable operation. This has been done through strengthening internal governance mechanisms, improving operational efficiency, and maintaining good relationships with all stakeholders, including communities, employees, clients, and business partners.

We have also referred to the "Corporate Governance Assessment" standards and index to evaluate our own corporate governance mechanisms, improving corporate governance performance based on 80 self-evaluation indexes and through the following 6 main dimensions: protecting shareholders' rights and benefits; ensuring information transparency; strengthening the occupational skills of the board of directors; developing the functions of supervisors; ensuring the discipline of managerial levels; respecting the rights and benefits of stakeholders; and implementing social responsibility. From 2011 to 2012, Far Eastern New Century has promoted three corporate governance strengthening measures, namely:

1. Approval of the "Code of Ethics" and "Principles of Ethical Corporate Management"
2. Establishing the "Remuneration Committee" under the Board of Directors
3. Implementing electronic voting in General meeting of Shareholders and appointing three independent directors in 2012

### "Code of Ethics" and "Principles of Ethical Corporate Management" for Far Eastern New Century Corporation

The founder of Far Eastern New Century Mr. Yu-Ziang Hsu regards "sincerity" as the most important principle of operational development for business units. He also created the corporate spirit of "Sincerity, Diligence, Thrift, Prudence, and Innovation." The current chairman Douglas Tong Hsu hopes to unswervingly maintain this spirit of "sincerity", whether it is regarding internal procedures or external purchasing, or towards employees, clients, even investors.

When it comes to recruitment, performance evaluation, or promotion, whether it is for internal employees or the management of sales personnel, Far Eastern New Century always emphasizes "sincerity", which is also the most important item of evaluation and has strict references and principles of compliance management.

We have stipulated our "Code of Ethics" and "Principles of Ethical Corporate Management." Through standardization, we have included these principles in the company's relevant employee regulations, and instructed our subsidiary companies to comply with them.

In addition, we have also strengthened our guidance activities, and enhanced the ability of our directors, supervisors, managers, and all our employees to understand the meanings of our "Code of Ethics" and "Principles of Ethical Corporate Management." We have also fully executed all the stipulated content.

## Governance Structure

The board of directors at Far Eastern New Century possesses complete and independent supervisory ability. Other than the internal control mechanisms of professional operational teams and strict internal auditing, transparent and immediate communication mechanisms and channels allow us to strictly follow all relevant changes in policies and rules and strictly abide by them. We also make adjustments and accommodations according to the demand of policies, regulations, and competent authorities.

The Far Eastern New Century board of directors consists of 11 board members with rich operational or academic experiences, 1 of whom is female. There are 3 supervisors, including 1 woman. The directors execute all relevant functions according to company laws, the regulations of Far Eastern New Century, the board meeting regulations, and other related statutes.

In its 2012 shareholder meeting, Far Eastern New Century selected Bing Shen, Bao-Shuh Paul Lin, and Johnsee Lee as new independent directors. With their independence and professional credentials they are able to provide objective views on corporate matters, assist the board in improving the corporation's operational efficiency, put into practice supervisory functions, assist the operational teams in boosting their operational efficiency, and ensure the protection of shareholders' rights and benefits.

On August 9, 2011 the board adopted the "Code of Ethics" and "Principles of Ethical Corporate Management", which became the highest-level behavioral instruction principles for chairmen, supervisors, managers, and employees. We also demand that all board members, supervisors, managers, and employees understand their meaning and the scope of the regulations, as well as that they fully implement and execute the contents of the regulations, and establish a corporate culture based on sincerity operations.

### Information of Board Members and Supervisors

Title	Name	Curriculum Vitae	◆ Other positions in FENC and/or other companies
Chairman	Douglas Tong Hsu	National Chiao Tung University, Taiwan, Honor Ph.D in Management University of Columbia, USA, Master in Economics	◆ Chairman of Asia Cement Corp.(ACC), Oriental Union Chemical Corp.(OUCC), U-Ming Marine Transport Corp.(U-Ming), Far Eastern Department Stores Ltd.(FEDS), Far EastOne, and Vice Chairman of Far Eastern International Bank (FEIB)
Vice Chairman	Representative of Yue Ding Industry Co., Ltd. Johnny Shih	University of Columbia, USA, Master in Computer Science	◆ Chairman of Everest Textile, Vice Chairman of OUCC, Director of ACC & Far EastOne
	Representative of Asia Cement Corporation Peter Hsu	Stanford University, USA, Master in Operation Research	◆ Director of ACC & Far EastOne, Supervisor of U-Ming
Director	Representative of Asia Cement Corporation Raymond Hsu	Australian Mining and Metallurgy College, Australia	◆ Chief auditor of FENC, Chairman of Fu Kwok Knitting & Garment Co., Ltd.
	Representative of Asia Cement Corporation Shaw Y. Wang	National Chung Hsing University, Taiwan, Business Administration Department	◆ Chief Executive Officer of Non-profit Institutions, Supervisor of ACC, Director of FEIB
	Representative of Asia Cement Corporation Richard Yang	American Graduate School of International Management	◆ Managing Director of Surfview Capital Ltd.
	Representative of Far Eastern Department Stores Kuan-Tao Li	MBA, Kellogg-HKUST	◆ Chief Counselor, Lee and Li, Attorney-at-law, Director of Tai Yuen Textile Co., Ltd., and Supervisor of ACC & Yulon Nissan Motor Co., Ltd.
	Representative of Far Eastern Department Stores Tonia Katherine Hsu	Sarah Lawrence College, New York, USA, Literature Department	◆ Art Counselor, KooNewYork
Independent Director	Shen Bing	MBA, Business School, Harvard University, USA	◆ Independent Director of FEIB, Supervisor of CTCI Corporation
	Bao-Shuh Paul Lin	Ph.D. in Computer Science, University of Illinois at Chicago, USA	◆ Chief Director of Microelectronics and Information Systems Research Center, National Chiao Tung University, Taiwan
	Johnsee Lee	Ph.D., Illinois Institute of Technology, USA	◆ Director of Taiwan Semiconductor Manufacturing Corp. & Ti-Shiue Biotech, Inc. Independent Director of LCY Technology Corporation & Zhen Ding Technology Holding Limited
Supervisors	Representative of U-Ming Marine Transport Corp. T. H. Chang	President of ACC	◆ Director of ACC & U-Ming, Vice Chairman of Asia Cement (China) Holding Corp.
	Representative of U-Ming Marine Transport Corp. Alice Hsu	Sheridan College, Retail Management	◆ Nil
	Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation Champion Lee	Texas A&I University, USA, Master in Business Administration	◆ Supervisor of ACC, Director of Far EastOne & U-Ming

## Remuneration Committee

On August 19, 2011 we officially established the "Remuneration Committee" to assist the board in stipulating performance evaluation and reward policies, institutions, standards, and structures for directors, supervisors, and managers. Related performance evaluations, salaries, bonuses, profit sharing plan, and reward payment methods for board members and supervisors are regularly evaluated by the "Remuneration Committee" and recommended for discussion at the board meeting.

The reward payments of Far Eastern New Century board members and supervisors, and the bonuses of employees are paid according to the achievements in operations that year and the Articles of Incorporation, and are provided in accordance board regulations. The remaining reward payments are given out according to overall operational achievements, the salary reward standards of listed companies, market survey reports issued by professional consulting firms, and consideration of the corporate's overall financial status and risks in the business environment.

In the 2012 fiscal year the rewards paid to board members, supervisors, presidents, and vice presidents of Far Eastern New Century and all the companies listed in the consolidated statements (including Far Eastern New Century) respectively made up 4.54% and 3.44% of total post-tax net profit.

Item	2010	2011	2012
stand-alone	3.71%	4.01%	<b>4.54%</b>
consolidated	2.78%	3.12%	<b>3.44%</b>

## Anti-Corruption

Far Eastern New Century understands that if a corporation is operated corruptly and unethically it will harm the reputations of the corporation itself, society, and many other stakeholders.

In order to lower the risks of corporate corruption, Far Eastern New Century has not only included a rule on conflicts of interest in its board meeting regulations, but also implemented the idea of "Sincerity, Diligence, Thrift, Prudence, and Innovation", and coordinated behavioral norms such as the "Principles of Ethical Corporate Management" and "Code of Ethics" with appropriate reward systems and standards such as a variety of complete internal control system and operational methods (including managerial policies, authorization systems, and division of labor by function). This supplements the internal evaluation processes and allows for total control.

Far Eastern New Century has established multiple reporting channels (e.g. the supervisor and auditing department email addresses) through which stakeholders can report corrupt activities. The reporting channels are independent investigation mechanisms which conduct relevant investigation and inspection. In 2012 we undertook the "Board Meeting Management" and "Remuneration Committee" auditing tasks, checking that the management of the board's conflicts of interest and the running of the Remuneration Committee both met required standards. In addition, two cases of violations reported by retired employees and current employees were found not to have violated the legal policies of the corporation.

Supervisor e-mail address: [supervisor@fenc.com](mailto:supervisor@fenc.com)

Auditing Department e-mail address: [faudit@fenc.com](mailto:faudit@fenc.com)

## Information Disclosure

In order to provide diverse communication channels for internal and external stakeholders and to lower the misperceptions caused by asymmetrical information, other than announcing relevant information and updates through the official corporation website, we have also established investment seminars and shareholder meetings, and attend investment forums. In order to promote information transparency we engage in intimate communication with stakeholders such as the shareholders and investors.

Communication Channel	Explanation
Spokesperson and a deputy spokesperson	Far Eastern New Century has established the positions of spokesperson and deputy spokesperson to handle the recommendations and questions of all stakeholders. We have also set up the position of Investor Relations who are exclusively responsible for communicating with investors. Finally, we have the stock agency to assist in processing and responding to these issues.
Network platform	<ul style="list-style-type: none"> <li>We have established Chinese and English websites at <a href="http://www.fenc.com/">http://www.fenc.com/</a>, and have also designated professionals to be responsible for the collection of information on the corporation. We regularly or occasionally announce relevant information on M.O.P.S. website and our own website.</li> <li>We have disclosed the latest status of the corporation and promoted our corporate social responsibility-related work.</li> <li>Not only do supervisors have to directly contact employees and shareholders, employees and shareholders within the corporation can also send recommendations to supervisors using our website's supervisor email address, <a href="mailto:supervisor@fenc.com">supervisor@fenc.com</a>.</li> <li>We have reported information changes in accordance with regulations on the reporting of listed companies' corporate information.</li> </ul>
Investment seminar	We occasionally conduct investment seminars. Through holding investment seminars and shareholder meetings and participating in investment forums, we have engaged in communications with stakeholders, such as shareholders and investors.

