



Editing Principles

We welcome you to read the first published corporate social responsibility report of Far Eastern New Century Corporation (Abbreviated Far Eastern New Century, FENC). The content of this report enables the public and stakeholders concerned with Far Eastern New Century to understand our promises and actions toward sustained management and social responsibility issues, and our effort and persistence with respect to all kinds of CSR topics.

- Publication rate: Twice a year.
Publication date: July, 2013.

The Scope and Boundaries of This Report

This report discloses the economic, social, and environmental achievements and performances of Far Eastern New Century in the 2012 fiscal year (2012/01/01~2012/12/31). This report's scope includes the following operations bases

| Location | Address |
|------------------------------------|---|
| Headquarters | 36F, Taipei Metro Tower, No. 207, Sec.2, Tun Hwa S. Rd., Da'an Dist., Taipei City 106, Taiwan |
| Far Eastern Group R&D Center | No.2, Yuandong Rd., Zhongli City, Taoyuan County, Taiwan |
| Hsinpu Chemical Fiber Plant | No.369, Yadong Sec., Wunshan Rd., Xinpu Township, Hsinchu County, Taiwan |
| Kuanyin Chemical Fiber Plant | No.3, Jingjian 6th Rd., Kuanyin Township, Taoyuan County (Kuanyin Industrial Zone), Taiwan |
| Kuanyin Dyeing and Finishing Plant | No.1, Kuojiang 2nd Rd., Kuanyin Township, Shuilin Village, Taoyuan County, Taiwan |
| Neili Texturizing Plant | No.2, Yuandong Rd., Zhongli City, Taoyuan County, Taiwan |
| HuKou Mill | No.30, Hexing Rd., Hukou Township, Hsinchu County, Taiwan |

This contents and statistics of this report include the Taiwan Headquarters, Far Eastern Group R&D Center, Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Kuanyin Dyeing and Finishing Plant, Neili Texturizing Plant, and Hukou Mill. This does not include the Yilan Garment Factory and domestic and overseas investment and manufacturing businesses. However, part of the human resources information disclosed includes the Yilan Garment Factory If it is not specially remarked, all the financial numbers are calculated in NT\$.

Basis of Writing

This report is compiled based on the Global Reporting Initiative (GRI) G3.1 framework and AA1000 standard. In order to exhibit the achievements of relative projects and related index trends, part of the achievement statistics date back to 2009~2011. We hope to exhibit the overall action and development of Far Eastern New Century with respect to CSR in great detail.

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30% biomass raw material

30% of the raw material comes from cellulose (BIO-MEG)



NT\$ **240.4** billion

consolidated revenue in 2012 continued to grow steadily



86%

employee satisfaction



2012 CSR Performance Summary



-2.4%

reduction of greenhouse gas emission, in comparison to 2011



23.7%

average salary of employees is significantly higher than standard

5

Discloses five types of Environmental protection, art and culture, technology, education, and sports. social participation activities

7

Discloses the operational achievements of seven operational sites

Message from the Chairman

We are happy to introduce the first Corporate Social Responsibility Report of Far Eastern New Century (FENC) for everyone. In 2012 the consumption abilities of Taiwan and China reawakened, the prices of raw materials have risen, the Asian currency has appreciated. The effect on supply chain management of natural disaster, environmental protection considerations, quick displacement of global industries, demographic change, and consumption habit changes caused by technological innovation have caused corporate operation to face more complicated factors and challenges.

The potential impacts on Far Eastern New Century of the above trends include: quick transformation of economic abilities for the elderly and female, the upgrade of consumption abilities of emerging markets, greater global competition, shortened life span of products, lack of resources/ increase in prices, and unstable corporate governance and regional politics... etc. Facing these uncertain and high risk topics, we never tried to dodge or avoid them. We even think that, through the fulfillment of social responsibility, and by integrating core competency and advantages, we gradually build the foundation for sustainable development, and this is the correct thing to do.

If we can find the right direction, the risks today can become opportunities tomorrow, and the potential business opportunities are tremendous. In order to grasp the business opportunities brought by the changing times, the goals of Far Eastern New Century are to create a smart enterprise, and create smart lifestyle. Through the establishment of a smart team, we create smart tools and procedures, in order to upgrade operating efficiency, and speed up corporate growth. We also hope, through interaction and cooperation, we can use smarter and quicker methods to respond to the challenges of sustainable development with our employees, shareholders, clients, and partners in the environment of rapid change.

In addition, in recent years, Far Eastern New Century has deviated from the thinking of traditional industries. We have promoted all kinds of sustainability projects that focus on products and production processes.

In addition to reducing the influences of products' life cycles on the environment and society, and reducing the use of energy and resources, through the active innovation of technology and expansion of the application range of products we have created greater social value, and raised the people's quality of life.

I think the only and sustainable competitiveness of an enterprise is the possession of the learning ability to allow it to quickly overcome the competition and challenges it faces.

I think the only and sustainable competitiveness of an enterprise is the possession of the learning ability to allow it to quickly overcome the competition and challenges it faces. Therefore, we use the 3 Rs: Rethink, Reinvent, and Rebuild as the foundations. With the 3Rs in combination with the 3 Es: Excellent, Ethical, and Engaged as our mission principles, we pursue the achievements and quality of all kinds of sustainability projects. In the future, we also promise to continue to fulfill a three-pronged strategy, continuing to strengthen the energy behind the enterprise's sustainable development.



Continue to reinforce corporate governance and human resources training

We strive to establish a more complete corporate governance structure, continue to reinforce organizational structure, and constantly review and evaluate to check they are appropriate. In addition, in order to continue to develop human resources our efforts include trainings of basic employees, managerial staff, and future leaders. This will allow us to accumulate the human resources foundation for the sustainable operation of the enterprise.

Establish a culture of accountability and fulfil social responsibility

In order for enterprises to develop continuously, they must establish a culture of accountability. Therefore, we must exhibit a positive and reasonable attitude and persistently hold the correct beliefs as we make strict demands of ourselves. At the same time, we must continuously bear our social responsibilities, be active in the protection of the environment, care for communities, and strengthen promotions of charity and educational work.

Speed up informationization transformation, and establish a low carbon environment

We continue to use informationization technology, in order to optimize operational procedures. For example, through the internet of things, warehouse management is carried out and distribution improved; the managerial efficiency of energy is upgraded. In addition, through cloud computing services, we can save the costs of establishing information facilities. This not only is beneficial for employee training, it also increases the communication within the organization, and upgrades the cohesiveness of employees. We can also reduce the energy use for transportation, helping create a low carbon environment.

We are proud of Far Eastern New Century's corporate spirit of "Sincerity, Diligence, Thrift, Prudence, and Innovation" There are approximately 5,000 employees in our enterprise. Internally, we continue to coagulate employees' perspectives and consensus through education and communication in order to reinforce execution. Externally, with a transparent and sincerity attitude, we communicate with stakeholders, boldly accepting challenges and marching toward our goals. We actively strive to create a team that is cohesive, efficient, and able to compete with global corporations. The advantages of human resources are helpful for creating sustainable solution plan.

With respect to social participation, Far Eastern New Century is socially obligated. We engage deeply with industry, and spread the seeds of charity. We have established the Far Eastern Medical Foundation, Far Eastern Memorial Foundation, Far Eastern Memorial Hospital, Oriental Institute of Technology, Yuan Ze University, and Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation; the Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation has held the Y. Z. Hsu Scientific Award for 10 straight years, in order to make a contribution to upgrading the innovative standards of emerging technology in Taiwan.

I believe good business awareness can lead to sustained growth. This is also the operational method and principle of Far Eastern New Century. The effort we spend in the area of corporate social responsibility is not only is beneficial for corporate growth, it can also increase the happiness of employees and the public. In the future, we hope to work hard together with those who care about us, striving for a great future vision. We hope to contribute more to the Earth, Taiwan, and the people. We hope that everyone can provide us with more advice and encouragement.

Far Eastern New Century Corporation, Chairman

徐旭東





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About Far Eastern New Century



Far Eastern New Century strictly adheres to its corporate spirit of "Sincerity, Diligence, Thrift, Prudence, and Innovation." We focus on our core businesses, and continue to create new value for customers and shareholders. From petrochemical raw material in the upstream, polyester material in the mid-stream, to spinning, weaving, dyeing, and apparel manufacturing, from production to sales, we have established a comprehensive operation and marketing system.



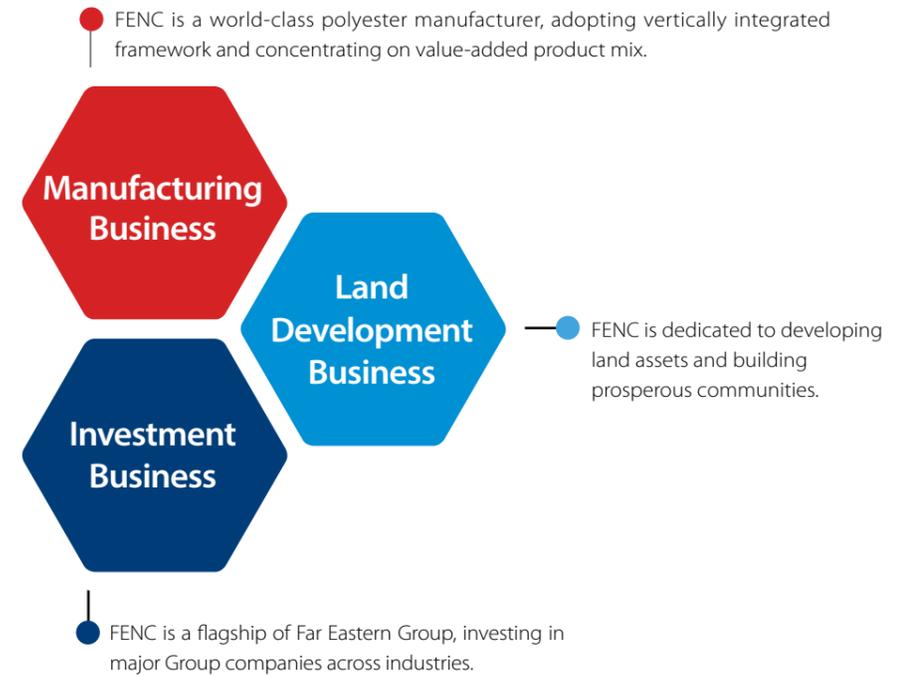


Far Eastern New Century Corporation (Formerly known as Far Eastern Textile Limited, abbreviated as Far Eastern New Century below) established in 1954, we are the biggest manufacturer of diverse polyester, textile, and related products in Taiwan.

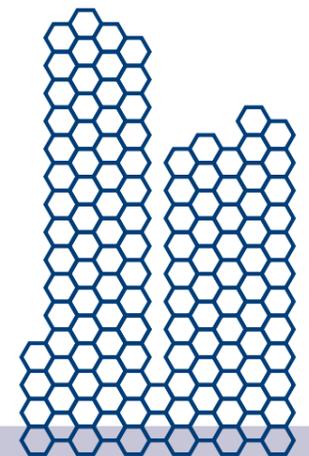
Far Eastern New Century is guided by a corporate spirit of "Sincerity, Diligence, Thrift, Prudence, and Innovation." We focus on our core businesses, and continue to create new value for customers and shareholders. From petrochemical raw material in the upstream, polyester material in the mid-stream, to spinning, weaving, dyeing, and apparel manufacturing, from production to sales, we have established a comprehensive operation and marketing system.

On the basis of our 60 years of accumulated experience in the textile industry through diverse operational strategies, we have successfully transformed to become a corporation which includes different business units, such as, petrochemical, polyester, textile, land development and investment. Through active operational strategies, diverse and highly efficient asset activation, we continue to pursue growth in operating profit.

In response to the constantly changing investment environment Far Eastern New Century has accelerated its transformation. In order to reach the goals of dividing labor professionally and creating synergy, the Board of Directors resolved to re-organize the Company in July 2011. Four Business Industries – Petrochemical, Polyester, Textile, and Administrative, were established. Led by professional managers, we constructed complete organizational structure, which is leading Far Eastern New Century to another 60 years with steady steps and excellent growth.



| | |
|---------------------------|---|
| Founded in: | 1954 |
| Location of headquarters: | 36F, Taipei Metro Tower, No. 207, Sec.2, Tun Hwa S. Rd., Da'an Dist., Taipei City 106, Taiwan |
| Capital: | NT\$50.44 billion |
| Main products: | Product of petrochemical, polyester and textile. |
| Number of employees: | 4,906 people |



Quick Review of Far Eastern New Century

Founding Spirit

The Far Eastern Group's Founder –Mr. Yu-Ziang Hsu– has always taken "trustworthiness" as the guiding principle of his business management. Beyond Group Founder's commitment to constancy, honesty, and openness, he has enshrined "誠 樸 勤 慎 創 新" as Far Eastern's founding motto.

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

Mission Statement

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

Products and Services

The main products of Far Eastern New Century include petrochemical, polyester, and textile products. We mainly export our products.

| Category of Products | Explanation |
|---|---|
|  Petrochemical Industry | Oriental Petrochemical (Taiwan) Corporation and Oriental Petrochemical (Shanghai) Corporation are two subsidiaries command supply of PTA, a crucial raw material for polyester products. In order to meet the increasing demands in China market, FENC also formed a joint-venture with Sinopec Group to build the third production base in Yangzhou, Jiangsu Province. After the completion of new lines in both Taiwan and China, FENC will become one of the top producers in the world. |
|  Polyester Industry | FENC, as a world-class polyester supplier, is retaining its leadership position in areas including Solid State PET Resins, Amorphous PET Sheets, Staple Fibers used for non-apparel purposes, and Filaments used for industrial fabrics. The polyester products can be divided into two main categories: Polyethylene Terephthalate (PET) Resin and Polyester Fiber, which are applied to various applications, including food-grade and non-food packaging, industrial use, home décor, apparel and so on. |
|  Textile Industry | The Textile Industry cooperates with top-notch international brands to capture market trend. FENC's apparel textiles integrate technical and manufacturing know-how from upstream polyester fiber, nylon fiber, and cotton yarn to deliver performance fabrics and apparels. The Company's industrial textiles focus on tire cords and conveyor belts; PET tire cord has been certified by global tire makers, while polyester base and dipping fabrics for conveyor belts continue to lead industry. |



Locations

- Petrochemical Industry
- Polyester Industry
- Textile Industry
- Land Development Business

- Oriental Industries (Suzhou) Ltd.
- Far Eastern Industries (Suzhou) Ltd.
- Far Eastern Industries (Wuxi) Ltd.
- Far Eastern Dyeing & Finishing (Suzhou) Ltd.
- Far Eastern Apparel (Suzhou) Co. Ltd.
- Suqian Far Eastern Apparel Ltd.
- Sino-Belgium Beer (Suzhou) Ltd.

Wuhan Far Eastern New Material Ltd.

- Oriental Petrochemical (Shanghai) Corp.
- Far Eastern Industries (Shanghai) Ltd.
- Martens Beers (Shanghai) Ltd.

Far Eastern Apparel (Vietnam) Ltd.

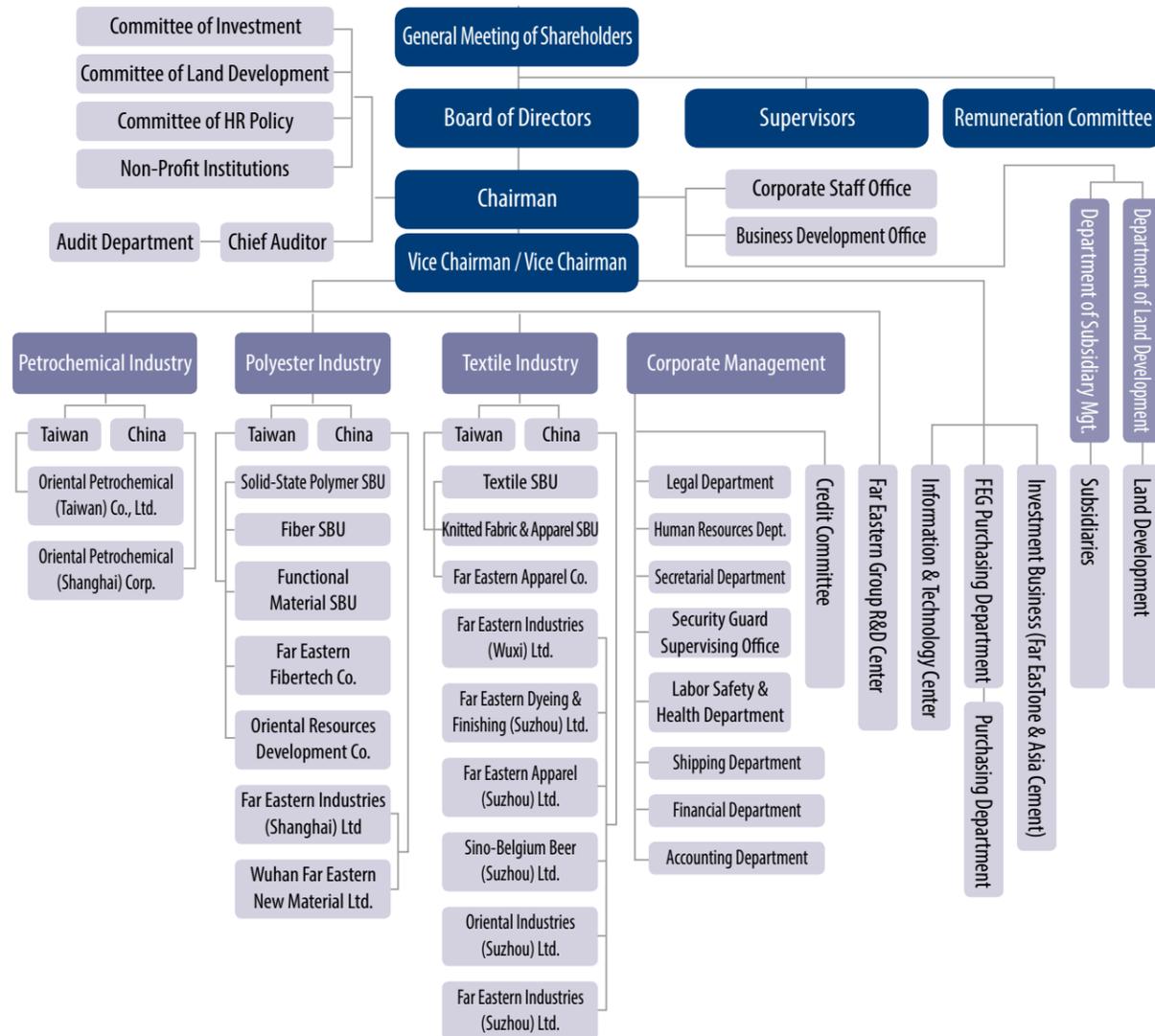
Pet Far Eastern (M) SDN. BHD.

- Oriental Petrochemical (Taiwan) Co., Ltd.
- Far Eastern New Century - Kuanyin Chemical Fiber Plant
- Far Eastern Fibertech Co., Ltd.
- Oriental Resources Development Co., Ltd.
- Far Eastern New Century - Neili Texturizing Plant
- Far Eastern New Century - Kuanyin Dyeing and Finishing Plant
- Far Eastern Group R&D Center
- Far Eastern New Century - Hsinpu Chemical Fiber Plant
- Far Eastern New Century - Hukou Mill

- Far Eastern New Century - Headquarters
- Far Eastern Apparel Co., Ltd.
- Far Eastern Resources Development Co., Ltd.
- Far Eastern Construction Co., Ltd.
- Far Eastern General Contractor Inc.
- Far Eastern New Century - Yilan Garment Factory



Organization Chart



Affairs in Charge for Each Major Department

| Department | Affairs in Charge |
|------------------------------|---|
| Petrochemical Industry | Production and sale of PTA |
| Polyester Industry | Production and sales of polyester chips, polyester staple fibers, polyester filament, polyester films and functional materials. |
| Textile Industry | Printing, dyeing and finishing of yarns, silks, fabrics and cloths; production and sales of miscellaneous natural, man-made, synthetic fiber yarns and fabrics, blended yarns and fabrics, and woven finished clothing and knitted finished clothing. |
| Corporate Management | Legal, human resources, general administration, shipping, security, labor safety and health, finance and accounting related matters. |
| Far Eastern Group R&D Center | Research and development. |

Investment Business



For detailed contents of investment business, please refer to the website of the Far Eastern Group.
 website: www.feg.com.tw

2012 Operational Achievements



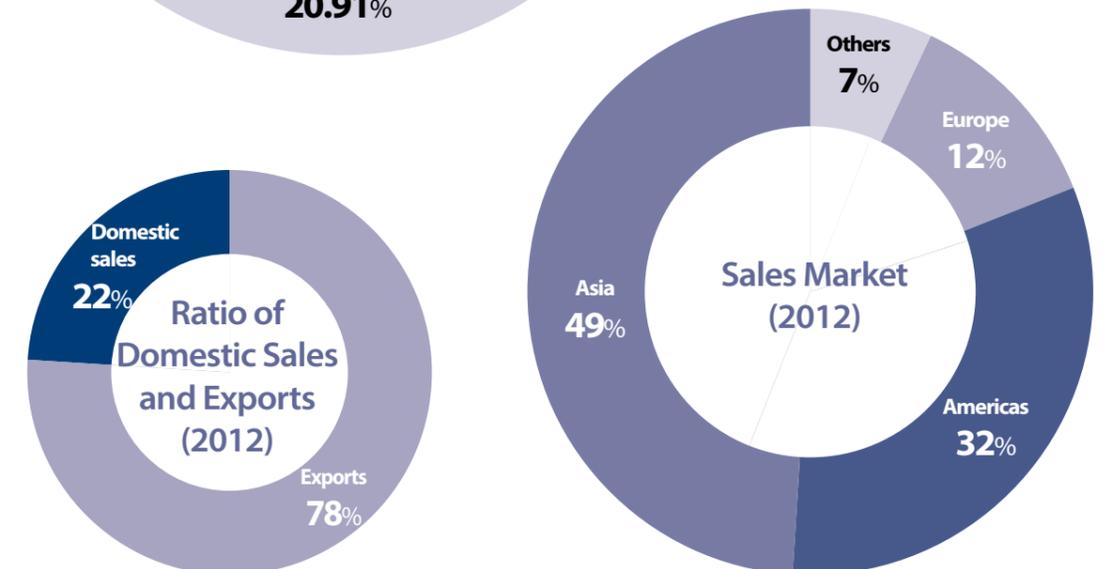
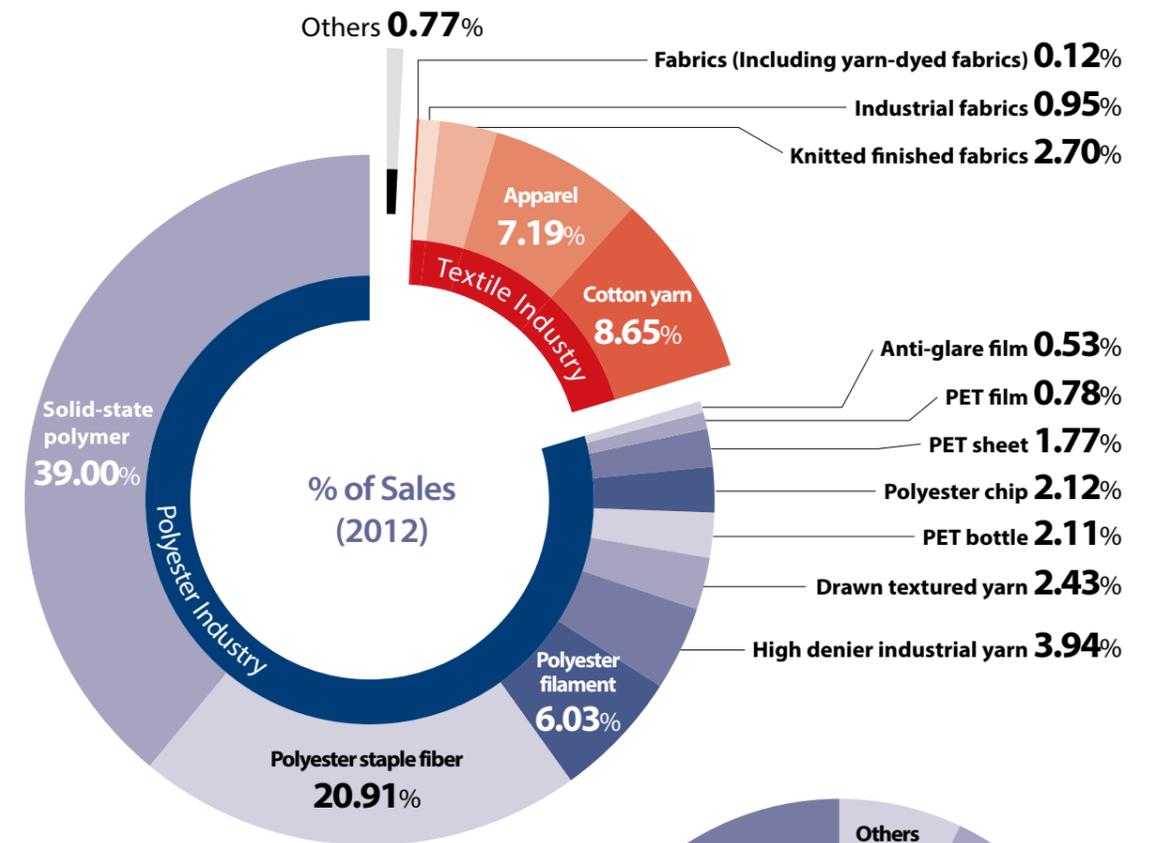
Using more than 60 years of industry groundwork, diversified development, and flexible arrangement of operational strategy, we at Far Eastern New Century have successfully transformed ourselves into an enterprise with a wide variety of interests, including petrochemicals, polyester, textile, land development, and investment business. In our first year after changing our name from Far Eastern Textile Limited to Far Eastern New Century Corporation, we have set in motion a five-year plan to double Manufacturing Business revenue, at the same time expanding our production capacity for petrochemicals, polyester, and textiles in China and Taiwan.

In 2012 the company's operational performance saw steady and continuous growth, with our consolidated revenue reaching NT\$240.4 billion, a 2% increase on the 2011 figure. Non-consolidated revenue was NT\$60.7 billion, with a net income of NT\$8.71 billion and EPS of NT\$1.73.

Unit: NT\$ thousands

| Item | 2009 | 2010 | 2011 | 2012 |
|---|------------|------------|------------|-------------------|
| Revenues | 41,890,078 | 53,758,879 | 61,556,945 | 60,682,495 |
| Cost of Goods Sold & Operating Expenses | 42,722,862 | 52,984,026 | 61,109,689 | 60,665,887 |
| -Salary and Wages | 3,280,579 | 3,841,831 | 4,025,813 | 4,035,364 |
| Operating Income (Loss) | (832,784) | 774,853 | 447,256 | 16,608 |
| Non-operating Income and Gains | 10,396,075 | 13,775,287 | 12,549,582 | 10,203,097 |
| Non-operating Expenses and Losses | 1,427,584 | 1,540,940 | 1,135,236 | 1,588,098 |
| Income Before Tax | 8,135,707 | 13,009,200 | 11,861,602 | 8,631,607 |
| Income Tax Benefit (Expense) | (47,011) | (159,030) | (774,106) | 81,570 |
| Net Income | 8,088,696 | 12,850,170 | 11,087,496 | 8,713,177 |
| EPS (NT\$/share) | 1.60 | 2.55 | 2.20 | 1.73 |

Note: EPS is calculated according to retroactively adjusted surplus and the number of shares after capital increase by capital surplus as stock dividend.



Awards Received

Far Eastern New Century is well equipped with foresight, technological advantages, and strong innovation. Driven by stable finances and talented individuals, other than achieving outstanding operational accomplishments, we have also received favorable comments and awards both domestically and internationally. In 2011 we won the "Global Chinese Business 1000 Awards" award in Yazhou Zhoukan, and were named as one of the top 13 Chinese enterprises in the world. We were the only corporation in Taiwan to win an award. In addition to this, in the magazine CommonWealth's deliberations for its "Most Admired Company" award, Far Eastern New Century has been crowned industry champions for five years running (2008–2012), and is the enterprise which has garnered the most awards in the textiles industry.

Far Eastern New Century won the "Award for International Trade in 2012" from the Ministry of Economic Affairs, as well as the twin certifications of excellent and good "Hiring Disable Employees Lable" from the Department of Labor, Taipei City Government. In 2012 the company's chairman Douglas Tong Hsu won the "Chinese Business Leaders Annual Award", the only entrepreneur to be given this accolade. The recipients are voted for by ordinary people, academics, and media editors, and the evaluation standards comprise of the four areas of global vision, times insight, industry vision, and Chinese values.



| Date | Awards | Award by |
|---------------|--|--|
| August 2011 | Silver medal for Taiwan TrainQuali System in Enterprises | Bureau of Employment and Vocational Training Council of Labor Affairs, Executive Yuan |
| October 2011 | Taiwan Green Classics Awards | Ministry of Economic Affairs |
| October 2011 | 2011 Most Admired Company | CommonWealth magazine |
| October 2011 | Global Chinese Business 1000 Awards | Yazhou Zhoukan |
| November 2011 | Corporate Start-up Award for Companies over 40 | Ministry of Economic Affairs |
| November 2011 | Most Innovative Companies in Taiwan | Industrial Development Bureau, Ministry of Economic Affairs |
| November 2011 | Hsinpu Chemical Fiber Plant won "Greenhouse Gases Voluntary Deduction Award" | Taiwan Man-Made Fiber Industries Association |
| August 2012 | Sixth place in "Award for International Trade in 2012" | Conducted in cooperation by the Bureau of Foreign Trade and the Small and Medium Enterprise Administration, Ministry of Economic Affairs |
| October 2012 | 2011 Most Admired Company | CommonWealth magazine |
| November 2012 | "Hiring Disable Employees Lable" Twin certifications of excellent and good | Department of Labor, Taipei City Government |
| December 2011 | Chairman Douglas Tong Hsu won the "Chinese Business Leaders Annual Award" | ifeng.com, 21st Century Business Herald, China National Radio- China Business Radio |

Government Cooperation Plan



Items of Government Cooperation Plan 2011-2012

Unit: NTS thousands

| Categories | Items of Plan | Total Subsidy Amount |
|--|--|----------------------|
| Technology Development Program Subsidies | Process Development for Lignocellulosic Ethanol Technology | |
| Technology Development Program Subsidies | TDMDA Industrial TDP Subsidy | |
| Exhibition subsidies | Subsidy for participation in exhibition in Geneva | 33,275 |
| | Subsidy for participation in exhibition in Germany | |
| | International Exhibition of Rubber Technology | |
| | China International Trade Fair for Apparel Fabrics and Accessories | |
| Human resources development | Multi-beneficiary Vocational Training Program | |
| Technology Development Program Subsidies | Global Integration Project (January 2012 – December 2013) | |

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% | 4.54% |
| consolidated | 2.78% | 3.12% | 3.44% |

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

Auditing Department e-mail address: 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"> We have established Chinese and English websites at http://www.fenc.com/, 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. We have disclosed the latest status of the corporation and promoted our corporate social responsibility-related work. 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, supervisor@fenc.com. We have reported information changes in accordance with regulations on the reporting of listed companies' corporate information. |
| 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. |



Risk Management



We think that an effective management for a sustainable corporate, must comprehensively evaluate and control related risks. For this, we have established complete risk management mechanisms, to distinguish and evaluate possible risks during daily operations of the corporation, and respond to the risks and related control.



New Far Eastern New Century has established Auditing Department, the main goal of which is to effectively control risk. The unit also helps to strengthen the corporation's internal control institutions. The unit aims to reduce errors, prevent corruption, and improve operational achievements, and actively protects and benefits the corporation's overall interests.

Financial Risk Management

The capital management of Far Eastern New Century mainly includes daily cashier operations and short-term financial management. Cashier work mainly focuses on organizing and predicting each item of the corporation's daily revenue and expenses, executing various forms of income and expense payments, and service operations. On the other hand, short-term financial management mainly focuses on borrowing needed operational capital from financial institutions, or using extra capital to repay loans.

Currently, some of the financial institutions with which we mainly engage in business transactions include local and overseas banks, and finance bills corporations. Our main financing tools are bank loans and the issuing of commercial papers. Our main financial management methods when we have excessive capital include investment tools such as time deposits, repurchasing commercial papers, and money market funds.

● Cash flow management

Cash flow management is closely linked to all kinds of operational activities. In order to fully grasp our corporate cash flow we regularly analyze information related to our operational, investment, and finance activities, and effectively predict future cash flows.

● Risk management of foreign exchange

Because Far Eastern New Century's exports bring it foreign currency income, if there is a net position of foreign exchange after subtracting foreign exchange debts, we will use the exchange rate at the time of entry into the accounts, and avoid risks of the use of cash commodities and forward exchange contracts, reducing the impact of currency rate fluctuations to our corporation.

● Financing of capital market

In order to improve operational adaptability, decentralize financing channels, and strictly control the risks inherent in interest rate rises, our financial department will examine the statuses of capital markets and cash flows, looking for opportunities to issue domestic and overseas long-term fixed interest rate bonds such as straight, convertible, and exchangeable bonds. This will strengthen financial structures and reserve capitals according to future capital needs.

Internal Risk Control

The internal control system of Far Eastern New Century was established by the board, and through the execution of managerial procedures by the board, managers, and other employees, its goal is to advance the complete operation of the corporation, and appropriately ensure the achievement of the following goals:

1. Operational results and efficiency, including profits, achievements, and capital safety guarantees
2. Reliability of financial reports
3. Compliance with relevant legal regulations

Operational Chart of Internal Control System



New Far Eastern New Century has established Auditing Department, the main goal of which is to effectively control risk. The unit also helps to strengthen the corporation's internal control institutions. The unit aims to reduce errors, prevent corruption, and improve operational achievements, and actively protects and benefits the corporation's overall interests. Annually we present an auditing plan (including the auditing of corporate social responsibility issues) to supervisors and directors for checking and approval so that the board, supervisors and management understand the results of auditing and the state of follow up progress, and engage in good communication.

Auditing of Corporate Social Responsibility Topics

| Topic | Explanation |
|---|---|
| A. Occupational health and safety | In order to enhance the protection of the safety of our employees and contract workers we audit many categories of occupational and labor safety. |
| B. Production management | We conduct sustained supervision and control of production efficiency and operation, providing recommendations for procedural improvements, coordinating the views of production units and encouraging communication. |
| C. Energy saving and carbon emission reducing | <ul style="list-style-type: none"> ● We participate in energy saving and carbon emission reducing group, and conduct related work. ● We participate in greenhouse gases inventory. |
| D. Supplier management | <ul style="list-style-type: none"> ● On an irregular basis we cooperate with FEG Purchasing Department and conduct supplier visits and issue reports. ● On an irregular basis we cooperate with FEG Purchasing Department and conduct supplier complaint processing. |
| E. Customer relationship management | We conduct audits of sales and production departments regarding customer complaints, making sure that all complaints are appropriately processed, then giving our recommendations. |
| F. Corporate governance | <ul style="list-style-type: none"> ● We undertake managerial operational audits of board meetings, and make sure they operate according to legal statutes and don't violate regulations regarding conflicts of interest. ● We conduct audits of important internal information processing, ensuring that the protection and procedures of important internal information are appropriately controlled. ● We conduct operational managerial audits of the "Remuneration Committee", and make sure it operates in accordance with regulations. |

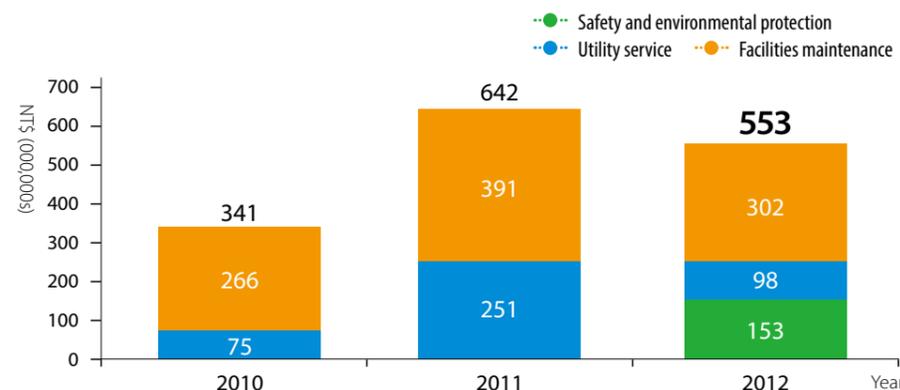
Climate Change Risk Management

The natural disasters of recent years caused by climate change (e.g. severe storms and droughts) can all harm the supply of raw material and factory areas. As Far Eastern New Century owns many factories and office buildings, we are exposed to the risks of climate change. We effectively use insurance to respond to and control these risks.

Since 2011 we have started pushing through our "risk adaptation plan" in all our factories and formulating a "managerial method of emergency preparation and adaptability." This includes our "emergency adaptability procedures for fire hazards and explosions" and "emergency processing procedures for natural disasters." These are the emergency adaptability mechanisms for when disasters occur, and we hope they can effectively reduce the damages potentially inflicted by typhoons, floods, fire, or earthquakes, and lower insurance expense.



Risk Management and Capital Expenses



Ratio of Risk Management and Related Capital Expenses to Total Capital Expense



Note: The amount of capital expense is the budget of capital expenses passed by the board that year.

Legal Risk Management

We comply with relevant legal policies as a basic social responsibility. Our main legal risks include:

1. Violations of regulations by people who are unaware of legal regulations or changes in legal regulations, resulting in lawsuits and corporate losses.
2. Contracts that are detrimental to the corporation or damage the corporation's rights and benefits.

Because of this, we always pay close attention to the impact on operations of important domestic and international policies and changes in the law. We also formulate coping measures to avoid violations of relevant legal policies. The relevant strategies include:



- We ensure that the contents of the contracts signed by the corporation are clear, fair, and legal.
- Through the evaluation of all types of contracts and the provision of legal consultation, we plan relevant rights and obligations, lowering, transferring, or avoiding risks.
- Through the processing and management of our legal department, we make sure that legal cases can comply with policies in a timely manner and receive beneficial results.
- We process all kinds of conflicts and legal cases caused by contracts and controversial issues, lowering, transferring, and avoiding damage.

Legal Education Training and Propaganda

In order for all employees to understand the legal standards they could possibly come across and to avoid the risks caused by disparities in messages, Far Eastern New Century legal department will report all cases it sees on the job, analyze them on a case-by-case basis and according to legal regulations, and regularly publish them as electronic legal policies for employees' reference when they're processing related work in the future.

We also analyze related legal knowledge and cases. Through our internal Far Eastern Magazine we then share these with employees in our affiliated enterprises, improving their legal knowledge.

In 2011 we conducted the seven-hour training course "Introduction and Case Sharing to Controversial Issues in labor and management relations." Not only do we reinforce the knowledge of our employees regarding relevant labor regulations, we also strengthen the protection of our employees' labor rights and benefits.

In 2012 we conducted five training courses for "Introduction to the New Personal Data Protection Regulations and Corporate and Personal Response Measures", actively promoting relevant legal regulations in order to protect the corporation's rights and benefits.



Credit Risk Management



We take "zero bad debts" as our goal of credit risk management, and we implement control of customer credit and account receivables. The relevant control and response measures and mechanisms are as follows:

1. We work with domestic and international credit agencies to promptly grasp the operational statuses of customers' credit.
2. We sign contracts with account receivable insurance companies to spread the credit risks involved inherent in exporting.
3. We regularly conduct credit investigation team and credit committee meetings to evaluate the level of customer credits and the risks of managerial credit.
4. We regularly revise relevant methods of credit management and respond to external changes in the environment.
5. We adopt relevant management measures. For example, we established supervisory lists, reduced credit amounts, and took out credit insurance in order to respond to the possible credit risks caused by the global financial crisis of 2007-08 and the European debt crisis.
6. We regularly publish "National Risk Reports" to help business units develop advance risk evaluations and post-event risk management when engaging in export trading. This is in order to in good time set off the warning mechanisms for high-risk export countries and reap the benefits of export credit risk management.

Intellectual Property Rights Management

We place great emphasis on intellectual property rights, and below we will explain the following four aspects of patents, trademarks, copyrights, and business secrets.

Patents

1. Patent searches are conducted on all patent cases prior to application, and all applications are requested to fully implement all the listed items on the "Patent Content Disclosure Manual" and then submit the applications, in order to avoid infringement of rights.
2. We keep in continual touch with all units, and fully understand the application demands.
3. We cooperate with patent firms from various areas of expertise. In order to ensure the quality and protection of patent applications we select cooperation partners according to their professional characteristics.
4. We keep managing and monitoring the patent database system, and strengthening our contact confirmation with partner firms to lower the risks of patent capital losses.

Trademarks

1. In order to avoid ineffective application and infringement of rights, all our trademarked cases are inspected by trademark firms before application.
2. We maintain a sustained understanding of the status of demand for corporate product trademark applications.
3. To ensure the quality and protection of our trademark application cases, all our trademark cases must be processed by our legal department or trademark firms.
4. We keep managing and monitoring the trademark database system, and strengthening our contact confirmation with partner firms to lower the risks of patent capital losses.

Copyrights

1. The signing of contracts is strictly required for all cases involving copyrights ownership.
2. Regardless of whether employees have completed their work on the job or pay others to finish the work, Far Eastern New Century should be clearly stated as the publisher in order to avoid risks produced by future use.
3. Contracts that involve copyright should clearly request companies to independently complete the work without plagiarism. In order to avoid controversies surrounding rights infringements, if there are matters which require authorization from other people then it should be guaranteed that they have already gained legal authorization.

Business Secrets

Before cooperating with other companies or conducting business negotiations all units within the corporation should sign confidentiality agreements in order to ensure the protection of the relevant business secrets and information disclosed by Far Eastern New Century.

Information Security Control

In order to maintain the normal operation of network information systems, ensure the safety of network information transfers and trade, and protect the confidentiality and completeness of Far Eastern New Century's information processing, in 2007 have established the internal "The Supervisory Committee of Information Safety." In order to ensure the security of information, systems, facilities, and networks, this committee is responsible for the promotion and coordination of all kinds of information security matters, policy formulations, and taskforces.

Having referred to the international standards ISO/IEC17799:2000 and BS7799-2:2002, we have stipulated information policies and regulations for Far Eastern New Century's employees, temporary workers, and overseas staff.

With regards to control and management, each year we conduct a self-evaluation of all kinds of control operations listed below to make sure all operations meet information security standards. It includes:

- Risk management
- System development, procurement, and maintenance
- Information system processing
- Safety control and management of computer facilities, system software, and network systems

In addition to this, to make sure that all computer operations meet the standards of safety and legal regulations, each year we engage the services of an external unit to conduct inspections of information centers' computer system structures; operational procedures; information security policies; account control and management of authoritative limits; developmental management of systems and patterns; management of transaction records; batch operations and information transfers; regular maintained operations; and information backups.

Information Security Training and Guidance (Information Center)

We cooperate with the "Information Safety Sub-committee" working under the "IT Committee" to promote various information security policies and promote personal data protection policies. The main items are as follows:

- Each season we hold meetings of the "IT Committee" and provide training and guidance on information security and personal data regulations.
- We adhere to information security and personal data policies stipulated by the information security teams.
- We cooperate with information security teams to announce various information security reports, and reinforce internal information management, warning mechanisms, and protection work within the corporation.

Personal Data Management



In response to the personal data protection regulations implemented in 2011, we have tried to lessen its influence and keep its impact to a minimum.

1. In 2010, after the personal data protection regulations were revised and passed, we conducted seminars focusing on Far Eastern New Century and affiliated corporations. We transmitted information on all the measures in the new regulations, and strengthened employees' knowledge of new regulations.
2. In 2012 we actively participated in relevant seminars on personal information regulations and the implementation of detailed law revisions, planning related response strategies:
 - (1) We took an inventory of internal personal information and conducted investigations of the internal control situation.
 - (2) Based on the results of the investigations we stipulated the "Manual for Personal Data Protection Management Methods and Information Security Management."
 - (3) We have established adaptability processing mechanisms in case of leakage of personal information.
 - (4) We have promoted and implemented maintenance systems of personal data security (including employee training, information security systems, and legal policy guidance).
 - (5) We have integrated the results of Far Eastern New Century's response strategies, and helped affiliated corporations together to establish related responding measures.
3. In 2012 we conducted numerous seminars on personal data protection mechanisms within the company and at affiliated corporations. We actively promoted relevant legal policies in order to protect the rights and benefits of the corporation.
4. We have stipulated response policies within the personal data regulations in all kinds of contracts, and have fully implemented related policies.



Corporate Social Responsibility Management

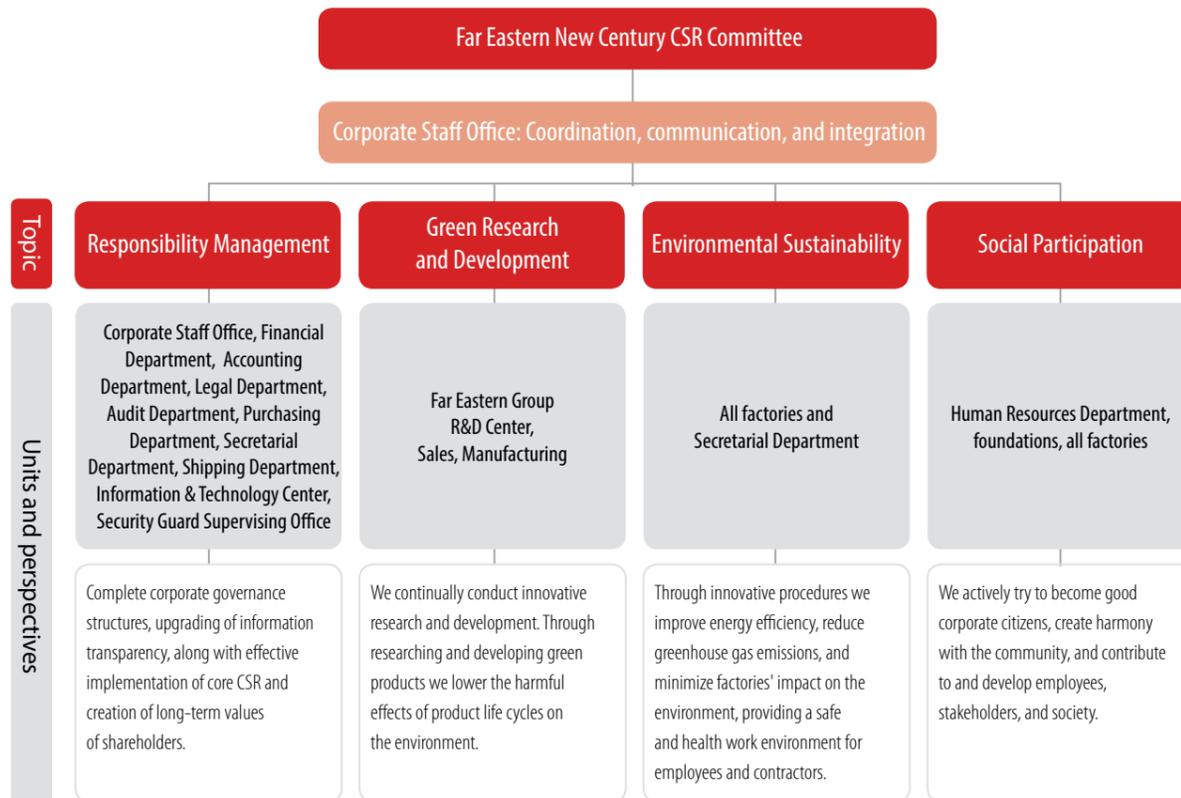


We strive to become a corporation able to achieve sustainable development, and to be responsible for the environment, society, employees, and stakeholders.



CSR Committee

Far Eastern New Century's efforts in CSR cover all units of the company. In 2012 we established the "Corporate Social Responsibility (CSR) Committee." Each year the committee periodically reports the CSR achievements to high-level management, provides instructions, plans policy, and evaluates goals, promoting CSR to become the corporation's core values.



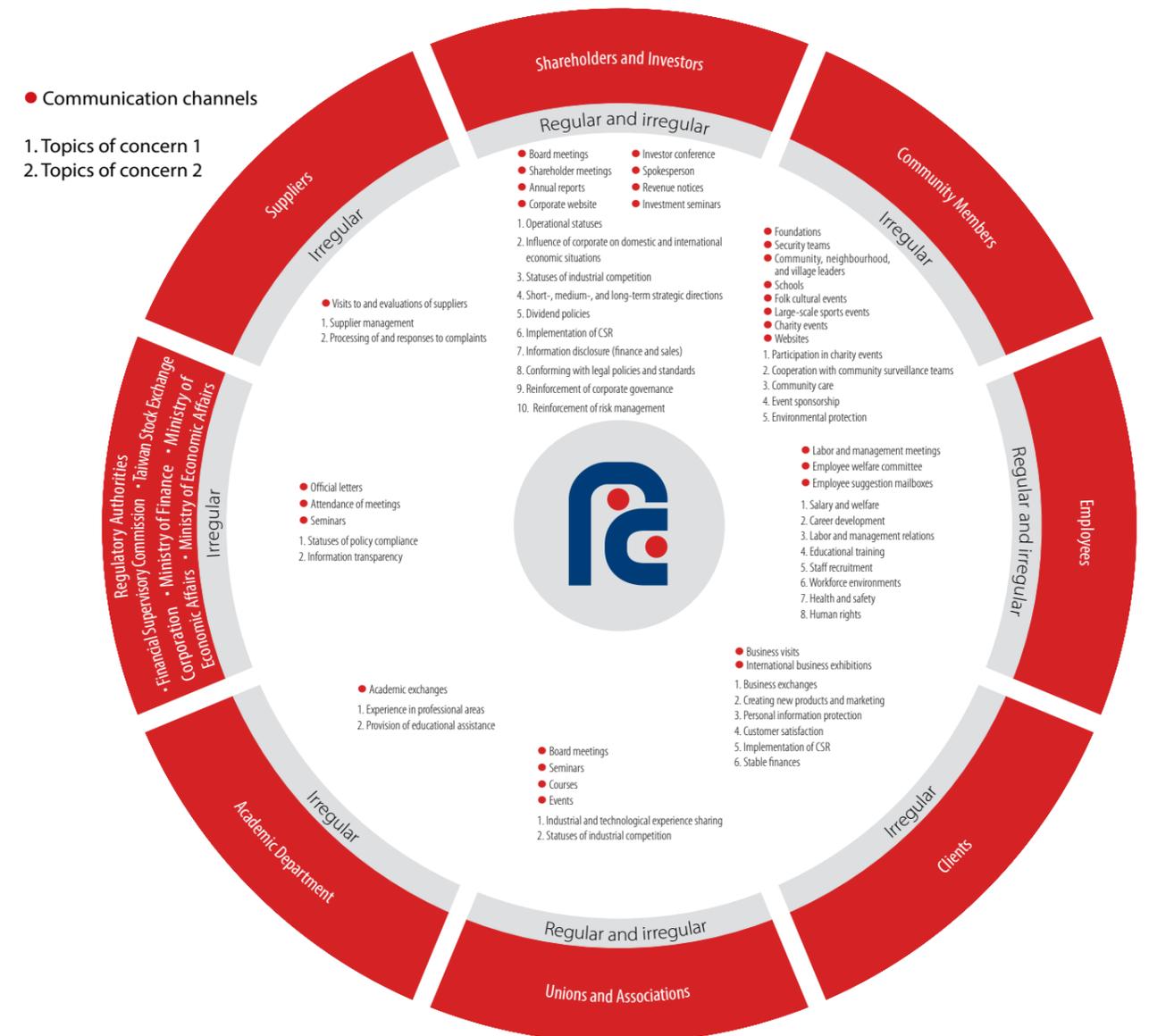
Far Eastern New Century uses its "CSR Committee" as a fundamental platform, dividing the broader topic of CSR into two levels. Through medium- and long-term planning and stratified managerial mechanisms, the policies and activities of each topic are all gradually integrated into the operational systems of every department. The PDCA (plan-do-check-act) cycle is then used to perfect the CSR managerial system, realizing CSR through a holistic investment, setting the corporate standard of "Sincerity, Diligence, Thrift, and Diligence."

| Layer | Topic |
|--------------------------|--|
| Fundamental level | Compliances of legal corporate governance, innovative research and development, information safety management |
| Activity level | Risk management, energy saving and carbon emission reducing, environmental health and safety, green purchasing, social charity |

Communication and Interaction with Stakeholders

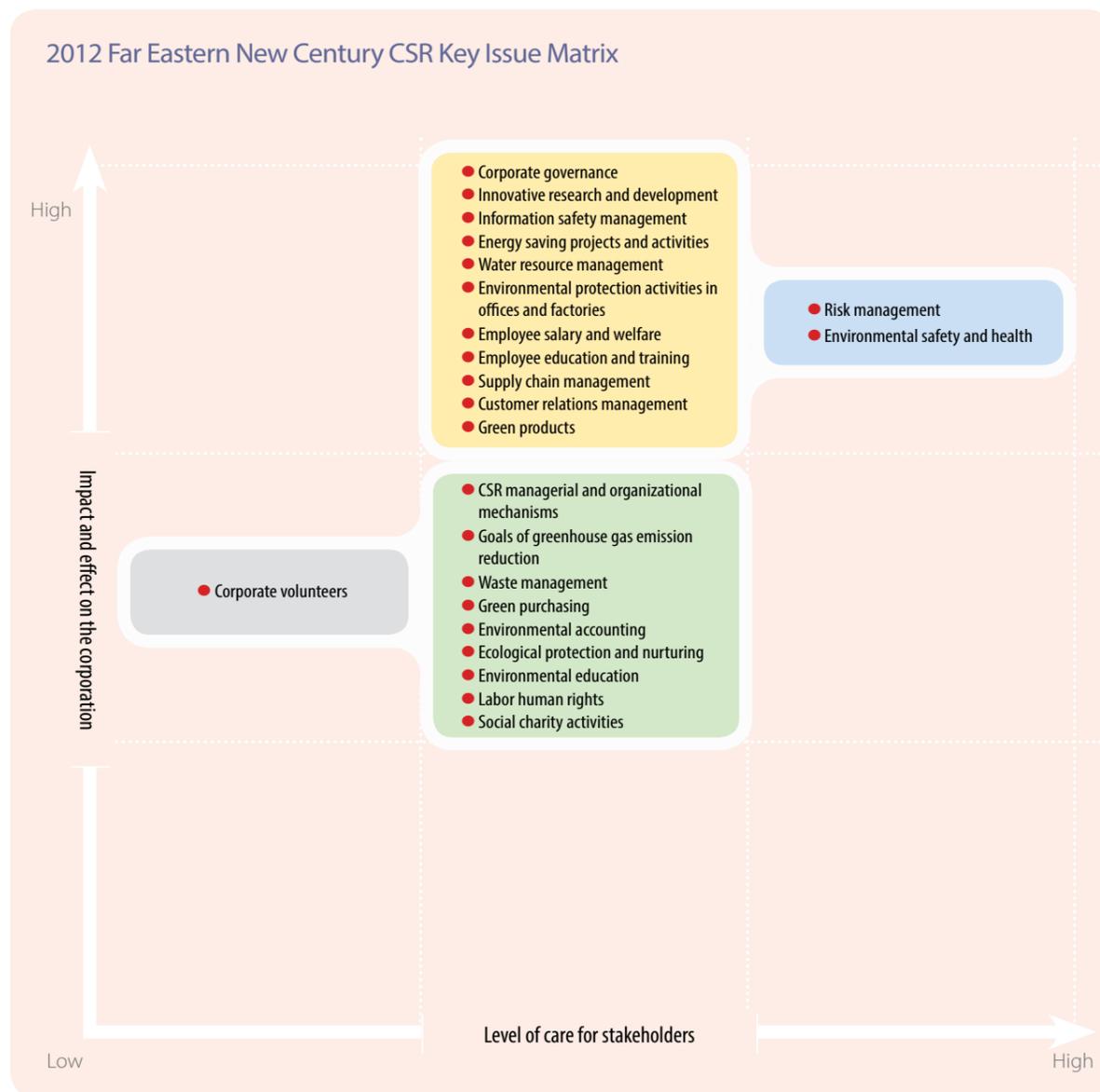
The diverse roles of stakeholders and their influence provide us with smoother and more compassionate thinking which can be used to carry out the corporation's operations. At the same time, we actively participate in, listen to, and communicate widely with stakeholders, attempting to find a way to understand their thinking and the subjects they care about, allowing stakeholders to respond to their needs and find solutions through unimpeded communication channels

After identifying and categorizing all stakeholders who may come into contact with or influence any of Far Eastern New Century's business units, we were able to divide our stakeholders into the below eight categories. The table of communication frequencies and the topics they're concerned with is as follows:



CSR Topics

This is Far Eastern New Century's first CSR report. In order to give consideration to the perspectives and needs of a wide range of stakeholders, the report covers all relevant topics and information regarding Far Eastern New Century's CSR activities. At the same time, through internal group discussions, we consider stakeholders' perspectives and conduct key materiality evaluations of related topics.



External Organization Participation Situation

| Names of Society, Association and Union | Title | Attendance |
|--|--|---|
| Chinese National Association of Industry and Commerce | Executive Board Directors | Regularly participates in the Council meetings and some events. |
| Chinese International Economic Cooperation Association | Executive Board Directors | Regularly participates in the Council meetings and some events. |
| Association of Industrial Relations, R.O.C. | Executive Board Directors | Regularly participates in the Council meetings; provides recommendations for labor-management cooperation. |
| Taiwan Man-Made Fiber Industries Association | Executive Board Directors, Board Directors | Regularly participates in the Council meetings and some events. Attends China International Man-Made Fiber Conference and international business exhibitions. |
| Taiwan Spinner's Association | Executive Director of the Board | Regularly participates in the Board meetings and some events. |
| Taiwan Garment Industry Association | Supervisor | Regularly participates in the Board meetings and some events. |
| Taiwan Textile Federation | Executive Board Directors, Board Directors | Regularly participates in the Board meetings and some events. Present innovative technology of making textile from recycled PET bottles at Taiwan Textile Federation on 2012.12.26. |
| Textile Printing Dyeing & Finishing Association | Board Directors | Regularly participates in the Council meetings and some events. |
| Taiwan Silk & Filament Weaving Industrial Association | Board Directors | Regularly participates in the Council meetings and some events. |
| The Institute of Internal Auditors, R.O.C. | Chairman of Academic Committee | 1. Promotes and provides advice to assist conference. 2. Plans and executes granting professional licenses. 3. Shares experiences by conducting seminars and other methods. |
| The Arbitration Association of the Republic of China | Board Directors | Regularly participates in the Council meetings; promotes solution of cross-strait and international conflict. |
| Taiwan Stock Affairs Association | Supervisor | Participates in the annual meeting, some events and programmes. |
| Environmentally Biodegradable Polymer Association | Supervisor | Regularly participates in the Supervisor meetings and some events. |
| Federations of Taiwan Man-made Fiber Industries Labor Unions | Executive Board Directors | Regularly participates in the Council meetings and some events. |
| Taiwan Biomass Energy Industry Association (TIER) | Board Directors | Regularly participates in the Council meetings and some events. |
| Taiwan Nanotechnology Industry Development Association | Board Directors | Regularly participates in the Council meetings and some events. |
| Taiwan Knitting Industry Association | Supervisor | Regularly participates in the Supervisor meetings and some events. |
| Association of Bio-based Material Industry (ITRI) | Board Directors | Regularly participates in the Council meetings and some events. |
| Hsinchu Volunteer Workers Service Association | President of the Council | Regularly participates in the Council meetings and some events. |
| Northern TOSHMS of Council of Labor Affairs | Vice director of Job Training | 1. Provides lectures of education promotion and on-job training with TOSHMS practice. 2. Regularly participates and assists in education promotion and seminar. |



Innovative Research and Development



Innovative research and development is Far Eastern New Century's key strength. Other than actively improving research, development, and design abilities, as well as higher values for products, we also combine the manpower and resources of Yuan Ze University, Oriental Institute of Technology and Far Eastern Memorial Hospital expanding core technological abilities, developing high-profit emerging products and high value-added products which meet market demand, and strengthening our competitive advantage in the market.





Far Eastern New Century Research and Development Strategies

Strategy 1

Integrating internal research and development resources. Speeding up the development of new core-technology high value-added products. Strengthening our industrial competitive advantage.

Strategy 2

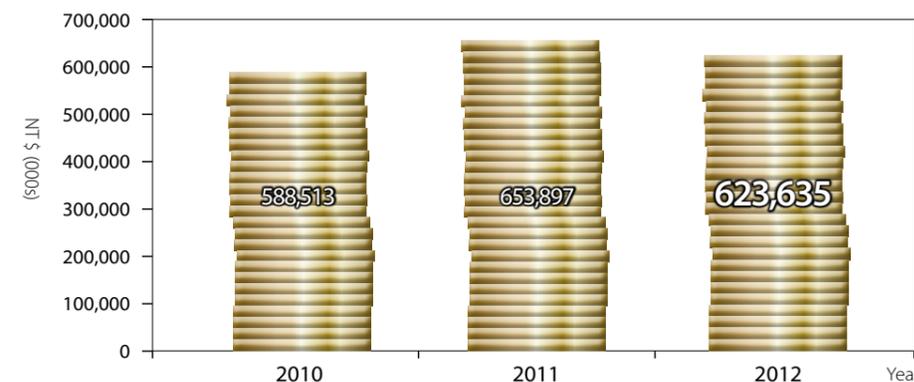
Strengthening domestic and international sharing. Integrating the skills of biological medicine, photoelectricity and green energy. Developing into diverse areas and creating new industrial values.

Strategy 3

Nurturing talent. Strengthening energy of research and development. Taking steps towards excellent corporate.

We continue to put effort into our research and development. The research and development budget for the past three years consists of over 1% of operational revenue. We continue to inject new energy into industrial innovation and stabilize the corporation's competitive advantages.

Far Eastern New Century Research and Development Budget



Solid Research and Development Team

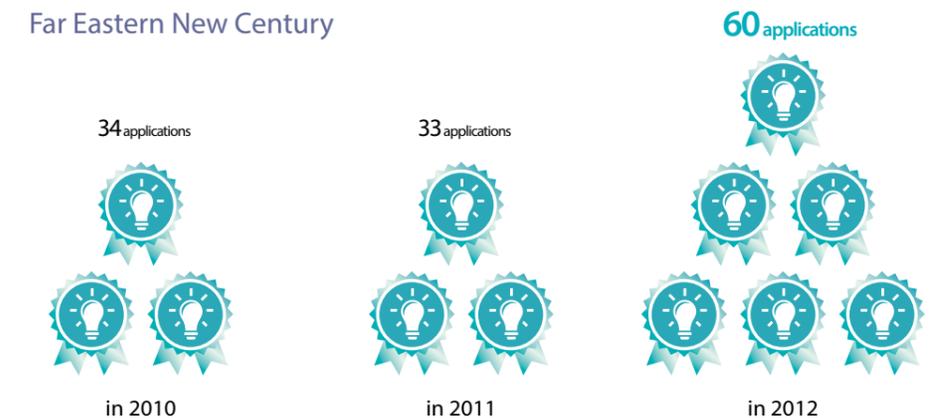
In 2001, we established the "Far Eastern Group R&D Center." In the short term our goal is to "focus on polyester, environmental protection, energy saving and carbon emission reducing", and we use as our basis accumulated polyester compound technology. With polyester as a foundation we have expanded and developed compound raw materials and products, and we promote the application of polyester in high value-added industries.

With regards to long-term planning, we are focused on green energy and the biomass industry, and we are actively developing polyester raw materials with biomass raw materials. In order to maintain our advantages in innovative research and development, we have established a research and development center in Shanghai, and we are currently actively planning the establishment of a center in Yangzhou, which will allow us to continue accumulating skills and competitive abilities.



The "Far Eastern Group R&D Center" is divided into the Polyester Fiber & Textile Div., Polymer Div., Green Materials Div., Optoelectronics Div., and BioTech Div.. The research and development team members are in possession of high educational levels and research and development abilities, with 55% having Masters Degrees and 10% PhD Degrees. Striking achievements have been made in the research and development of new products and in skill development, and applications for patent protection of research achievements have been made in many countries; since the end of 2012 we have applied for 270 patents. In order to strengthen our research and development, in 2012 we invested approximately NT\$300 million in our research and development budget.

2010-2012 Patent Applications in Far Eastern New Century



Areas of Research and Development

| Division | Category | Feature |
|--|---|---|
|  Polyester Fiber & Textile | PET Materials | Developing PET modified materials which are novel, high value-added and environmental-friendly green products. |
| | Elastomer Materials | Developing new products such as breathable & waterproof TPU/TPEE films, TPEE composite monofilament and PUR hot melt adhesive. |
| | Non-PET Fabric Materials | Developing non-PET fiber materials which are novel, high value-added and environmental-friendly green products. |
| | Functional Fabrics | Developing new functional fiber and fabric products |
| | PET recycling | Improvement of recycling techniques and processes |
|  Polymer | Coating | Coating, ink, adhesives & sealant for optical electronic products. Functional coating & ink for specific purpose. |
| | Green & Recycled Polymer | Biodegradable Polymer Application of Bio-based Material (Starch) blending technology. Recycled PET |
|  Biotech | Wound care dressings | We have developed a series of wound dressings which can be used in inflammatory phase until scar reconstruction phase |
| | Functional medical materials | We are focusing on dental materials, silicone hydrogel and elastic fabric development |
| | Orthopedic materials | We have developed orthopedic materials, such as absorbable bone nails, screws, plate and bone graft substitute |
| | Antimicrobial polymer | The mechanism of our antimicrobial polymer is "contact killing way" and no poison will be released. |
|  Optoelectronics | Optical compensation film | We developed functional optical compensation films that correspond to all kinds of liquid crystal display panels, especially for film type pattern retarders used in 3D display |
| | Surface functional film | Functional layer on substrate. Wet coating. |
| | Transparent conductive film | We can provide large area and uniform transparent conductive film by roll to roll coating process. |
| | PEDOT coating formulations (Conductive polymer) | Wet coating Transparent Low-dependence on humidity |
|  Green Materials | Cellulosic ethanol production | A pretreatment step is required in order to open the structure of the cellulosic ethano in order to improve the efficiency of the following enzymatic hydrolysis, our primary feedstock of interest is agricultural residues. |

In order for us to understand and develop green technology, we must simultaneously consider energy safety, food safety, and sustainable development. We have to invest in a large amount of research and development resources, and select the cellulose in agricultural waste to create cellulosic ethanol (second generation bio-ethanol), at the same time as ensuring sustainable corporate development this avoids food shortages and rising food prices.

In 2012 the Far Eastern Group R&D Center applied for the "Process Development for Lignocellulosic Ethanol Technology." The total budget of the plan is NT\$42.54 million, with the government providing a subsidy of NT\$15 million (35% of the budget). We predict that this will promote the development of domestic industries and benefit the environment. The predicted benefits of this plan include:

- 1. Economic use for fallow cropland:** There are approximately 240,000 hectares of fallow cropland in Taiwan, and government subsidies for fallow cropland reach NT\$11.8 billion. If we can use fallow cropland to grow energy crops and produce bio-ethanol, this could be beneficial for reducing greenhouse gas emissions and help solve energy shortage problems. At the same this would allow us to improve land use ratios and the income of farmers.
- 2. Reduction of carbon emission:** The total life cycle of cellulosic ethanol production (including plant growth, collection, ethanol procedures, and use) not only produces no CO₂, but can also cut the amount of CO₂ in the environment by 0.13 tons. Using cellulosic ethanol production to replace a tank of gasoline can cut CO₂ emission by 0.55 tons.
- 3. Upgrading international competition in Taiwan:** Cellulosic ethanol production is a goal of all countries, and Far Eastern New Century predicts that after our plan is complete we can become the first corporation using cellulose to produce ethanol, boosting Taiwan's international competitiveness.
- 4. Promotion of the development of Taiwan's green chemicals industry:** If the production technology for cellulosic ethanol can be successfully completed it can promote the green ethylene glycol industry and create a green polyester industry in Taiwan.

What is "Cellulosic Ethanol?"

Currently, the production of ethanol involves raw material grain crops such as corn, sorghum, sugar cane, and wheat. It is generally called first generation bio-ethanol or starch ethanol. Due to recent population increases and global warming, global grain prices are rising, pushing up the production costs of bio-ethanol and creating the problem of having to compete with ordinary people for grains.

In order to solve this urgent demand for raw materials, in recent years developed industrial nations have started using as the raw materials for bio-ethanol agricultural waste such as rice straw, wheat straw, corn rachis and sugar cane residues. This is known as "cellulosic ethanol." As traditional agricultural waste is usually burned or buried, if we can successfully convert its wooden cellulose into ethanol, we not only can solve the long-term energy crisis faced by humanity, but also bring about the twin benefits of environmental protection and revitalization of the agricultural economy.

The production of cellulosic ethanol through bio-MEG can not only lower our dependence on petroleum, but in addition, according to the current specifications of the Kyoto Agreement, plant raw materials cannot be included in carbon emission figures. This is because the Bio-PET produced by bio-MEG emits 30% less CO₂ than PET which has petroleum as its raw material, and is thus beneficial to global ecology.

Green Products

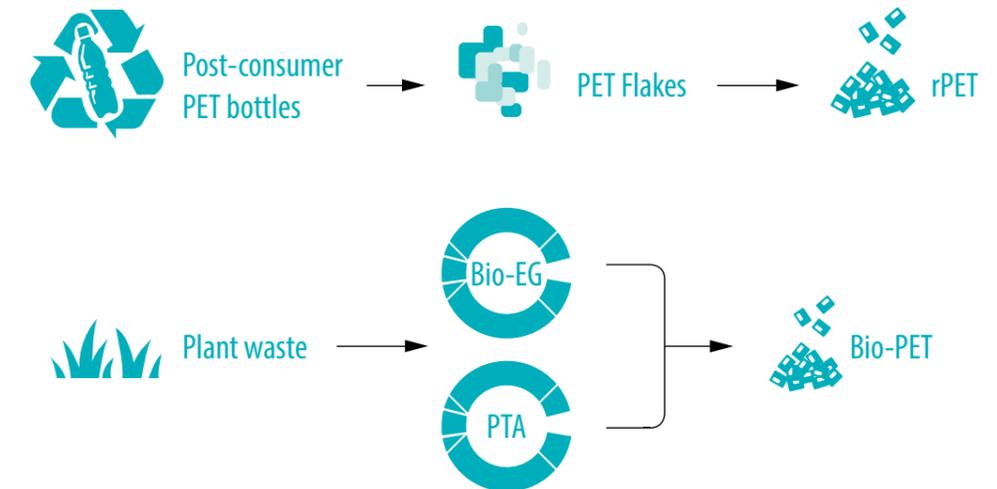
Promise of green product research and development

We continue to invest resources into the research and development of sustainable green products.

Green products research and development goals

Replacement of petroleum raw materials: We have completely realized the ideals of biomass raw materials and recycling.

Non-pollution: After products are abandoned they can be recycled or decompose naturally, creating no waste pollution.



PET (polyethylene terephthalate) is currently one of the most widely used plastic raw materials. The PET industry has its origins in the petrochemical industry, and in the future it will also face the same problems as other plastic industries, such as rising oil prices, raw material shortages, and carbon dioxide emissions. How to establish sustainable development for the PET industry has already become an important topic faced by the whole PET industry.

By responding to the international trends in the industry towards low carbon emissions and environmental protection, our goal is to move towards green industry and establish a green energy research and development team. We promote green product research and development, and actively develop green products such as Bio-PET, Recycled-PET, and biodegradable materials.

Through strategies and techniques such as waste recycling and reuse and the development of biodegradable materials, we actively commercialize green environmental protection products. Because of this, in 2011 we won the "Taiwan Green Classics Awards" from the Ministry of Economic Affairs. The products that were awarded prizes include Biodegradable Polyester FEPOL®, the food-grade recycled PET chips Pro-Green, and the polyester recycled fiber Topgreen.

Our rPET Alloy has also passed the SGS product carbon footprint PAS 2050: 2008 certification. rPET Alloy is made of recycled PET, and can be used in engineering plastics. We predict that in the future it will be able to replace cell phone shells, notebook shells, and other plastic parts of electronic devices. We are currently working with many large electronic factories, allowing us to write a new chapter in the application of Recycled PET. This is a new milestone for green product development.

In addition to this, we also actively work with international beverage and sports brands to promote energy saving and environmental protection products in order to lower the use of energy and resources. This includes food-grade plastic sheet and PET bottles made of bio-PET chips and recycled PET chips, or functional textile products made from recycled fiber and biomass.





Green Environmentally-Friendly Food-Grade PET Chips

(Recycled PET)

The Pro-Green produced by Far Eastern New Century can replace the PET chips made from petroleum on the market (the raw materials of PET bottles). Using recycled PET bottles as raw materials reduces their environmental impact and fulfills the "bottle-to-bottle" concept of environmental protection.

If recycled PET raw materials are used in food-grade packaging materials, a higher level of cleaning is required. Pro-Green produced by Far Eastern New Century has passed the US FDA food-grade quality approvals and the SGS Leachable Testing for Food Container. It is proven that there are no safety concerns when it is applied to food packaging. In addition, Pro-Green uses recycled PET bottles as raw materials, and emits 50% less carbon than other PET chips. It fulfills the three Rs of green values – reduce, recycle, reuse.



| | |
|---|--|
| Food-grade quality approvals | <ul style="list-style-type: none"> • US FDA food-grade quality approvals in 2010 • Passed SGS Leachable Testing for Food Container in 2010 |
| Quality approvals from international beverage brands | Coca-Cola, Pepsi, Danone, Nestle |
| Quality approvals from prestigious cosmetic brands | Body Shop, L' Oreal |
| Approvals from global injection molding companies | IKEA, Sabic |
| Taiwan Green Classics Awards | FENC received "Taiwan Green Classics Awards" in October, 2011. |

Polyester Recycled Fiber

Polyester recycled fiber uses recycled PET bottles as its raw material after the multiple processes of sorting, cleaning, crushing, de-polymerization, re-polymerization, melting, spinning to recycled fiber. In order to lower polyester fiber's dependency on petroleum, it can act as a replacement for the polyester fiber made of petroleum currently on the market.

PET bottles and polyester fiber are made of the same raw materials. The burning or burying of PET bottles can incur high processing and social costs, as well as polluting the environment. Through recycling processes and recycling technology on abandoned PET bottles, we can create bottle flakes that can further processed to become chips. In order for the standards and requirement of cleanness of recycled PET bottles to reach fiber grade, they can be made into recycled polyester fiber through textile and spinning processing. Abandoned plastic, which originally caused environmental problems, can become recycled and reused resources, and lower the demand for petroleum.



| | |
|---|--|
| Green Mark | Received the green mark of "recycled textile products and other products" from the Environmental Protection Administration. |
| Certification of hazardous substances in textile | Received the certification of hazardous substances in textile products (Oeko-Tex Standard 100) in 2011. |
| Certification of Global Recycle Standard (GRS) | <ul style="list-style-type: none"> • Received the Global Recycling Standard certification in 2011. • Received the SCS 100% Recycled Content certification in 2011. |
| Taiwan Green Classics Awards | Received the 1st "Taiwan Green Classics Award" in October 2011 |

Biodegradable Polyester



Plastics are traditionally made from light and cheap material whose characteristics include high mechanical strength, heat resistance, and acid and alkali corrosion resistance. Products from shopping bags and containers to all kinds of household electronics use plastics. According to statistics, over 200 million tons of plastic products are produced annually. Materials include PVC, PE, PP, and PS. However, these plastic materials are not only difficult to decompose, but after use can only be burned, which produces severe pollution problems.

Far Eastern New Century's FEPOL® is a new form of polyester environmentally-friendly material which decomposes easily. It can be seen as a biodegradable plastic (also known as green plastic). It is a plastic material that can decompose in the natural world. After use it is processed with manure, which only produces CO₂ and H₂O. It does not burden and impact upon the environment, and after manure processing the organic and natural materials can increase the added value of raw materials, greatly reducing plastic pollution problems.

With the trends of environmental protection and sustainable development, FEPOL® biodegradable polyester can hopefully replace most traditional plastics, lowering their environmental impact and benefiting the world's natural and ecological environment.



| | |
|-------------------------------------|--|
| BPI approval | US Biodegradable Products Institute Certification in 2010 |
| OWS approval | <ul style="list-style-type: none"> • Quality approval from OWS (Organic Waste Systems) in Europe, 2009. • We have met the standards of EN 13432 (2000), ISO 17088 (2008), and ASTM D6400 (2004). We have also passed the heavy metal testing, compost is not hazardous to the environment. |
| Taiwan Green Classics Awards | Received "Taiwan Green Classics Awards" in October 2011. |
| Patent Results | Obtained invention patents from Taiwan, China, and the United States. |

Polyester Shrinkage Film



The labelling materials of PET bottles were originally made from PVC. However, the burning of PVC produces dioxin, which can have great impact on the environment and on people's health. Based on the need for environmental protection, Far Eastern New Century has developed the polyester shrinkage film as a replacement for traditional PVC materials.

The polyester shrinkage film is developed by core technology, which has positive mechanical, optical, and printing functions. Not only can it be used to make labels for PET bottles, but it can also be recycled with the bottles themselves. This eliminates the procedure of separating the label from the bottle. It saves recycling costs, and also reduces pollution, playing a positive role in helping protect the environment.



| | |
|-----------------------|--|
| August 2010 | European Invention Patent |
| September 2010 | ROC Invention Patent |
| May 2011 | China Invention Patent |
| September 2012 | Taiwan Chemical Industry Elite and Product Innovation Award from TCIA |



Education and Training of Research and Development Talent



In order to have the chance to keep the Far Eastern Group R&D Center up to date with international trends, we have hired famous lecturers from around the world to conduct training and discuss patent, medical devices, and nanotechnology. In 2012 we conducted a total of 8 training sessions, which were attended by a total of 266 people. The training topics included:

Training Topics

1. The sterilization effects of medical devices and biological safety (sterilization effects of gamma ray and EO gas).
2. Basic Patent Training Courses
3. Intermediate Patent Training Courses
4. Hyaluronic acid crosslinking, PMMA bone cement
5. Using a mixture of hydraulic biological high polymers' microstructures and changing relationships to discuss the design of joint injection fluids
6. Electricity conductive adhesive glue
7. Collection and structure reports of corporate competition
8. Skills sharing in the nano-carbon material CNT area of research

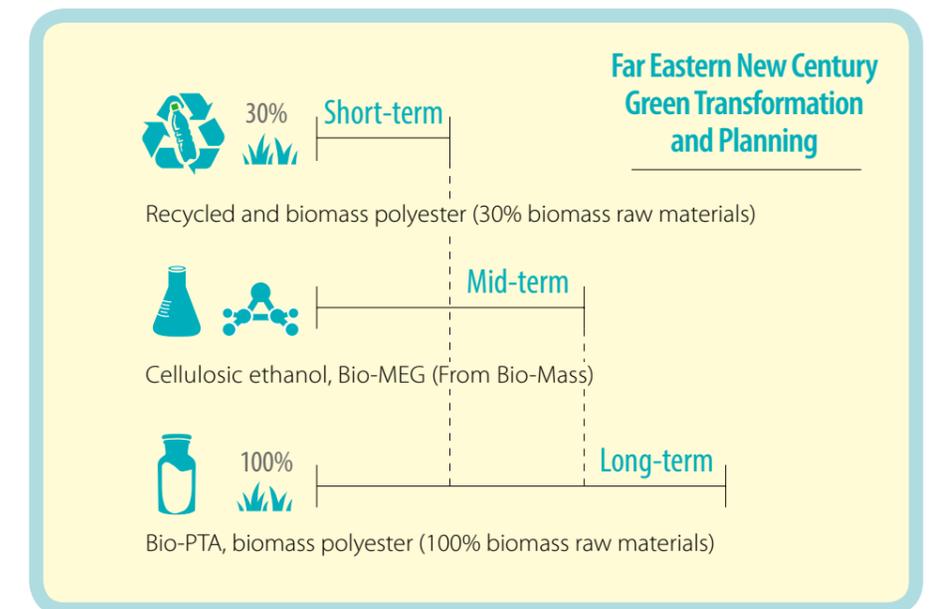
Categorization of Courses

- | | |
|---------------------------|-----------------------------|
| 1. Professional knowledge | 4. Communication techniques |
| 2. Industrial knowledge | 5. Creativity |
| 3. Managerial knowledge | 6. Personal finance |

The total staff training hours at Far Eastern Group R&D Center was **2,775** hours.

Directions of Future Research and Development

With the impetus of the global trends of environmental protection, we predict that the application of traditional petrochemical products will be limited. In light of this, Far Eastern New Century is actively organizing the research and development of new materials. We hope to develop more environmentally- friendly materials, and make the best contributions to the industry and to the global environment.



Environmental Sustainability



We understand all of the processes' overall influences on the environment from value chain, raw materials, production, and transport services. Through relative creative research and developmental technology, we can produce products that are more environmentally friendly and materials that are more sustainable.



Energy Saving and Carbon Emission Reducing

Energy saving and carbon emission reducing has a direct relationship with the long term operational development of Far Eastern New Century. The rise of energy costs will lead the production costs to increase as well. The strategies of energy saving and carbon emission reducing for Far Eastern New Century is to reduce the energy consumption in the factory, and continue to develop green products, from the essence of the product itself to reducing energy use and greenhouse gas emissions within the entire organization.

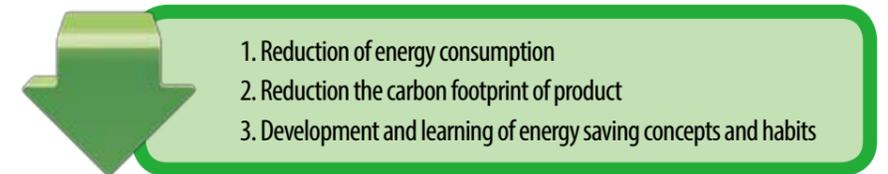
In order to effectively reduce the emission of greenhouse gas, internally, we executed all kinds of energy saving activities, and reduce the emission of indirect greenhouse gas. In the aspect of the products, other than using reusable raw materials (Recycling of PET bottles), and production leftovers, we also use the collection of production afterheat and fuel to reduce energy consumption.

In the aspect of action, we focus on promoting relative measures of recycling use, Energy saving, and greenhouse gas reduction. We ask all the relative departments to be responsible for environmental management work. This includes the collection and evaluation of operational activities with environmental influences. We then establish the measuring indices, and continue to conduct inspection and improvement work.

Greenhouse Gas Inventory and Reduction

Currently, all the factories follow the ISO 14064-1 standard to conduct greenhouse gas inventory. We understand greenhouse gas emissions. According to inventory results, this reference is used to promote greenhouse gas reduction activities.

We conduct analyses according to factory production procedures. We gradually promote relative greenhouse gas management and reduction plans, and do the following activities in order to reach the goal of greenhouse gas reduction.



Other than promoting energy saving in the factories and work environments, in the future we will further communicate with our working partners to together fulfill the promise of reducing environmental influences, and to disclose the status of greenhouse gas and energy use.

Far Eastern New Century mainly uses electric power and heavy oil. As for the aspect of products and waste transport, employee commute, business trips, and waste processing, currently we only conduct inspection of origin of emission, and not quantification. In the future, we will consider how to quantify the carbon information emission of supply chain system according to actual conditions, and promote relative reduction work.

All the Factories Pass the Greenhouse Gas Inventory (ISO 14064-1) Fiscal Year of Verification

| Units | 2005 | 2006 | 2009 | 2010 |
|------------------------------|------|------|------|------|
| Hsinpu Chemical Fiber Plant | ● | | ● | |
| Kuanyin Chemical Fiber Plant | ● | | ● | |
| Hukou Mill | ● | ● | ● | ● |
| Neili Texturizing Plant | ● | ● | ● | ● |
| Headquarters | ● | | | |

We effectively manage operational influences on the environment. This is a key point of daily operation for Far Eastern New Century. We deeply understand the influences of products' life cycles on the environment. Through relative measures and activities, we reinforce product innovation, develop more environmentally friendly products, and more sustainable materials. This creates balance between the environmental and operational achievements, and increases the competitiveness of corporations for sustainable environmental aspects.

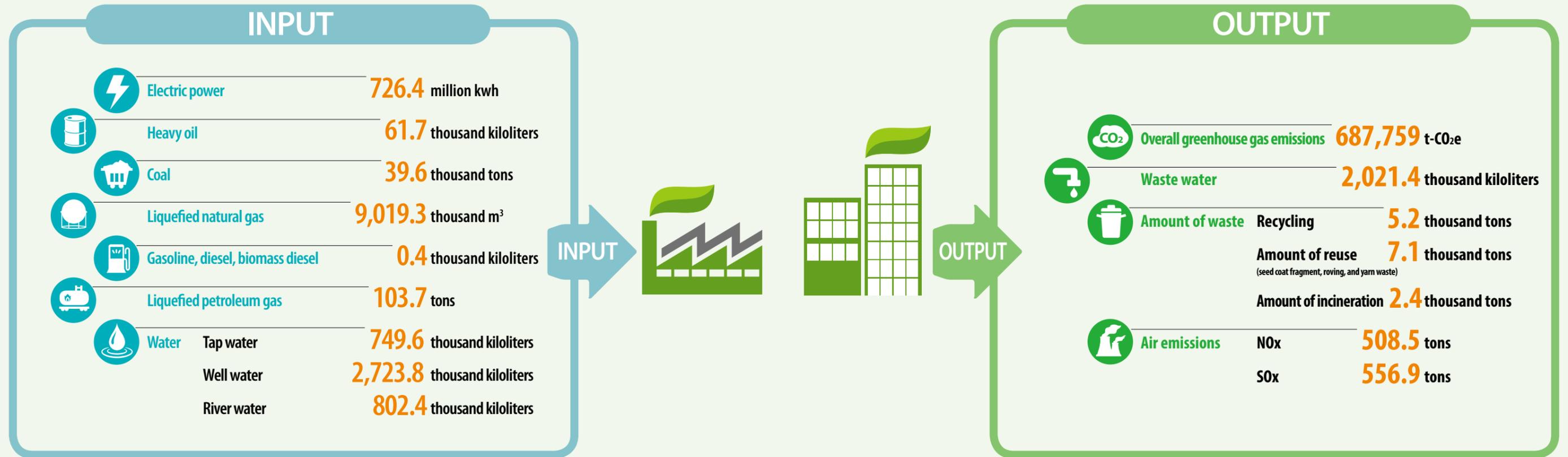
Since the establishment of all the factories of Far Eastern New Century, we have continued to invest capital in establishing all kinds of facilities. We effectively conduct the evaluation and improvement of environmental influences of a product's lifecycle. We hold the environmental concept of "Protecting the environment, cherishing resources, integrating knowledge and activities, starting from the basics." We promise to continue to implement the following policies, to actually fulfill our responsibility of creating a sustainable environment, and create even better work and life environments.

The Sustainable Environment Policies of Far Eastern New Century

1. We comply with legal regulations and relative standards
2. We continue to improve the production processes, and be active in pollution prevention
3. We implement the reduction of industrial waste, and upgrade the efficiency of energy and resource use
4. We implement educational training, and upgrade the environmental knowledge and skills of employees
5. We continue to promote recycling and awareness of environmental protection
6. Through appropriate methods, we communicate the achievements of environmental protection to stakeholders.



2012 Chart of Energy and Resource Use for Far Eastern New Century



Emission of Greenhouse Gas

| Categories | Units | 2009 | 2010 | 2011 | 2012 |
|--|---------------------|----------------|----------------|----------------|----------------|
| Direct greenhouse gas emission (Scope 1) | | 258,573 | 293,538 | 285,563 | 280,844 |
| Indirect greenhouse gas emission (Scope 2) | t-CO ₂ e | 411,363 | 425,311 | 419,210 | 406,915 |
| Total | | 669,936 | 718,849 | 704,773 | 687,759 |
| Other greenhouse gases | | | | | |
| Amount of methane CH ₄ emission | | 447 | 455 | 453 | 479 |
| Amount of nitrous oxide N ₂ O emission | t-CO ₂ e | 689 | 754 | 722 | 670 |
| Amount of perfluorinated hydrocarbon PFCs emission | | 0 | 0 | 0 | 0 |
| Amount of hydrofluorocarbon HFCs emission | | 46 | 44 | 45 | 45 |

Remarks: Emission of air pollution includes Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Hukou Mill, Neili Texturizing Plant, and Kuanyin Dyeing and Finishing Plant

Air Emissions



Remarks: Remark: Emission of air pollution includes Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Hukou Mill, Neili Texturizing Plant, and Kuanyin Dyeing and Finishing Plant

Amount of Energy Use



Explanations: In 2012, Kuanyin Chemical Fiber Plant and Kuanyin Dyeing and Finishing Plant replaced its heavy oil boiler with a natural gas boiler.

Remark 1: Ecological benefits = Production service values (Revenue)/Environmental impact (Amount of resource use)

Remark 2: GJ(gigajoule)



Energy Saving Activities

For the manufacturing industry, the expense of energy cost is one of the keys that determines whether or not a corporation can maintain its competitiveness. For this, energy saving is not just a slogan, but a very important issue for corporate existence. In the long run, Far Eastern New Century emphasizes energy saving. Not only do we regularly conduct reports on energy saving topics, we also actively examine all kinds of conditions of energy consumption.

In 2010, Far Eastern New Century has prepared the budget of NT\$2 billion. This amount is equivalent to 10% of energy cost in the previous 3 years. This is the budget for the capital expense of energy saving. In the meantime, we also established the "energy team," and executed the inspection and follow-up annual energy saving plans and budget. Overall, this exhibits our determination and goals for energy saving.

Under the promotion of overall energy saving project, in 2012, we executed a total of 98 energy saving projects. We saved a total of 21,084,298 kwh of electricity per year, 573 kiloliters of fuel oil per year, 30, 531 tons of steam per year. This is equivalent to the reduced amount of greenhouse gas emission for 22,457t-CO₂e per year. The conserving benefits is NT\$ 86 million per year.

Energy Saving in Factories



| Categories of Energy Saving Projects | Factories | Annual Amount of Energy Saving (Thousands of NT\$) | Electrical Power Conserves t-CO ₂ e | Fuel Gas Conserves t-CO ₂ e | Steam Conserves t-CO ₂ e |
|--------------------------------------|------------------------------------|--|--|--|-------------------------------------|
| Improvement of production procedures | Hsinpu Chemical Fiber Plant | 13,285 | 1,034 | 1,086 | 713 |
| | Kuanyin Chemical Fiber Plant | 9 | 2 | 0 | 0 |
| | Kuanyin Dyeing and Finishing Plant | 2,042 | 0 | 283 | 0 |
| Improvement of facilities | Hsinpu Chemical Fiber Plant | 21,426 | 4,212 | -202 | 1,523 |
| | Kuanyin Chemical Fiber Plant | 5,837 | 1,330 | 0 | 0 |
| | Hukou Mill | 5,245 | 1,233 | 0 | 0 |
| | Neili Texturizing Plant | 1,359 | 374 | 0 | 0 |
| | Kuanyin Dyeing and Finishing Plant | 5,468 | 8 | 376 | 648 |
| | Headquarters | 34 | 7 | 0 | 0 |
| Improvement of product | Hsinpu Chemical Fiber Plant | 17,260 | 320 | 0 | 6,385 |
| Energy management and others | Hsinpu Chemical Fiber Plant | 10,766 | 2,489 | 0 | 104 |
| | Kuanyin Chemical Fiber Plant | 1,619 | 0 | 240 | 0 |
| | Hukou Mill | 348 | 82 | 0 | 0 |
| | Kuanyin Dyeing and Finishing Plant | 912 | 209 | 0 | 0 |
| | Headquarters | 0 | 0 | 0 | 0 |
| Total | | 85,611 | 11,301 | 1,783 | 9,373 |

Remark: Emission coefficient of 1 kwh of electricity=0.536 kgCO₂e 1 kiloliter of fuel gas=3,111 kgCO₂e 1 ton of steam =307 kgCO₂e

Taipei Metro Office Tower Energy Saving Facilities

Taipei Metro Office Tower began replacing existing light bulbs with energy saving ones in 2007 and has saved tens of thousands of kw as a result annually; 2007~2010, 229,697KWh of electricity were saved, reducing emissions of greenhouse gases by 123.1t-CO₂e/year.

In 2012, 20W energy saving bulbs were exchanged for 9W LED bulbs, saving 8,580 KWh of electricity; new type energy saving printers were also introduced, saving 4,504 KWh of electricity, a total saving of 13,084 KWh and reducing emissions of greenhouse gases by 7.0t-CO₂e/year.

Remarks: According to the Bureau of Energy, MOEA's 2011 electricity emission index, 1 KWh =0.536kgCO₂e

Thousands of Far Eastern New Century employees work around the offices and factories everyday. For this, we continue to provide guidance and events of energy saving in workplaces. We hope to develop concepts and habits of energy saving for every employee. We encourage employees to conserve all kinds of energy, and create the long term effects and benefits of energy saving.

In order to cooperate with the strategies of energy saving and carbon emission reducing, all the factories and office buildings of Far Eastern New Century continue to change traditional fluorescent lights to LED lights. Since July, 2008, we started implementing energy saving at workplaces, and stipulated relative standards. We executed the standards of 5 major categories of energy saving activities according to electricity, oil, water, food, and reduction of recycling.



Energy Saving in Workplaces

| Categories of Energy | Energy Saving Directions | Activities |
|-------------------------|--|--|
| Electricity | Improvement of habits of electricity use | <ul style="list-style-type: none"> Turn off public lighting and basic lighting during lunch break Employees who leave their seats for over 10 minutes or during the lunch break should turn off the desk lamps No elevator use within 3 floors Energy saving slogans at the locations of switches of electric light and devices |
| | Renewal of electronic facilities | <ul style="list-style-type: none"> Energy saving light bulbs replace incandescent light bulbs Shortens the running of air conditioner for 1 hour Turns up the temperature of air conditioner by 2 degrees Notebook computers replace desktop computers Purchase electric devices with green mark. For example, printers, computers, fax machines, and air conditioners, etc. Turn on every other lamp or reduce the number of light tubes at the balcony and corridors that require less lighting. Stop using a portion of elevators during off-peak hours. |
| Oil | Reduces oil consumption | <ul style="list-style-type: none"> Make better use of video conferences in order to lower the expenses of business trips Arrange shuttle buses to pick up and drop off the employees to and from work |
| Water | Avoid waste | <ul style="list-style-type: none"> Bring water to meetings. Internal meeting ends within 2 hours, and no drinking water is provided. |
| | Adjusts water use facilities | <ul style="list-style-type: none"> Water saving toilet bowls replace regular toilet bowls Water saving faucets replace regular water faucets |
| Food | Reduces the use of tableware | <ul style="list-style-type: none"> Staff dining room is prohibited to provide and use disposable tableware |
| Recycling and Reduction | Reduces the amount of paper use | <ul style="list-style-type: none"> Terminates the use of paper cups during internal meetings Use waste paper for unofficial documents; official documents should be printed on both sides |
| | Recycle and reuse | <ul style="list-style-type: none"> We implement garbage classification and recycling within the corporation |

Energy Saving at the Information Center

In order to upgrade facilities and improve maintenance effects and benefits, and reduce energy consumption, in 2002, the information center planned to establish a special apparatus room in the information center by using Far Eastern Tone IDC and establish the main system of Far Eastern New Century here. Each year, we have gradually been expanding it to make the VIP apparatus room for organizational use only in order to reach the goal of energy saving, carbon emission reducing and organizational synergy.

From 2011, in coordination with the completion of the establishment of The Far Eastern Group's private cloud, the main equipment of the application system of each using unit was moved to a cloud environment, achieving a 60% energy saving, at the same time concentrating operations and maintenance and thus increasing system security and stability.

The Environmental Effects and Benefits of Energy Saving by Using Cloud Hosting

| | Using Independent Hosting | Using Cloud Hosting | Energy Saving | Percentage of Energy Conserved |
|--|---------------------------|---------------------|---------------|--------------------------------|
| Number of host facilities | 67.0 | 24.0 | 43.0 | 64.2% |
| The amount of electric use for host facilities (KWH) | 27.0 | 9.6 | 17.4 | 64.4% |

Energy Saving for Video Conferences

In recent years, Far Eastern New Century has greatly promoted the use of video conferences. This brought benefits such as energy saving, cost reduction of business trips, prevention of infectious diseases from spreading, and response to the risks of natural disasters. For example, the regular internal meetings of the Headquarters of Far Eastern New Century adopt the video conference methods. In 2012, we conducted a total of 48 video conferences, and 5,040 people participated. (This does not include the video conferences conducted by each unit).



Energy Saving and Environmental Protection of Transportation

Regardless of raw material import or product export, Far Eastern New Century requires a lot of sea and land transportation tools to lower environmental and energy consumption caused by transportation. This fulfills the responsibility of supply chain management. When we select cooperating shipping companies, we will include energy saving of transportation as a key point of evaluation, and come up with recommendations for cooperating shipping companies to refer to. We hope to make a difference in environmental protection together.

The Main Shipping Companies of Container Export Who Cooperate with Far Eastern New Century

| | Shipping Company | | Shipping Company |
|---------------------------|--|----------------------------------|------------------------|
| Domestic Shipping Company | Evergreen Marine Corporation | International Shipping Companies | Demark Maersk Line |
| | Yang Ming Marine Transport Corporation | | France CMA-CGM |
| | Wan Hai Lines Limited | | Nippon Yusen Kabushiki |

The shipping companies we have chosen to cooperate are the best in the industry, which includes domestic and international shipping companies. Currently the main shipping companies implement the following measures regarding energy saving and carbon emission reducing.

| The Content of | Measures for Energy Saving and Carbon Emission Reducing |
|--|--|
| Design of ships | Through the use of advanced software and hardware facilities, the shipping company lower the emission of waste of ships and lower the amount of polluted water and exhaust gas. By supervising and controlling the emission of sulfide and nitride, appropriately manage ballast water, polluted water, and garbage, in order to prevent oil pollution or leakage of coolants. |
| Meteorological navigation systems on ships | This provides the most immediate, safe, and oil-conserving path for ships to refer to the minimum oil consumption in order to reach the goal of energy saving and carbon emission reducing. |
| Maritime communication satellites | Through maritime communication satellites, we can analyze the amount of daily fuel consumption of each ship, voyage information, amount of storage of oil and water tanks, and loading of cargo. We also require the fleet to upgrade the energy efficiency. |
| Fuel use | The host of the ship adopts a system of low sulfur fuel in order to reduce the emission of sulfide. |
| Loading and unloading of cargo | This upgrades the efficiency of loading and unloading facilities of ships, decreasing the time of ship detainment in the harbor and reducing the influences caused by local environments. |

As for the aspect of domestic transportation, the transportation companies that are under contract with Far Eastern New Century are all well known in the domestic market. Other than asking them to comply with the quality policies of "Safe, fast, and responsible," as for the aspect of environmental protection, we also ask them to do the following:

1. Self management of car: Regularly go to inspection station and conduct inspection of smoke emissions to fulfill the requirement of pollution control.
2. The offices contain car and tire wash facilities to make sure that when cars enter and exit the factories, they will not pollute the environment.
3. For daily administrative documents, e-mails should be used more to reduce paper use.

Use of Raw Materials

The main raw materials of Far Eastern New Century are cotton, PTA, and MEG. The strategies of local purchase and use of reprocessed materials are employed to reduce the transportation, energy consumption, and greenhouse gas emissions of all kinds of raw materials. This can upgrade the efficiency of resources use, and is beneficial for the local economic development of the purchasing country.

In order to protect the ecological environment, fulfill corporate social responsibility, and satisfy the people's consumption need of green environmental protection, Far Eastern New Century cooperates and fulfills the requirement of leading brand clients and large beverage factories; we gradually introduced Bio-MEG, organic cotton, and BCI cotton as raw materials. Far Eastern New Century has received the GOTS, OE100, and OEB1 certifications for organic cotton. In the meantime, we are also official members of BCI.

In 2012, Far Eastern New Century purchased a total of 53,000 tons of cotton. 40,000 tons were original cotton, and 13,000 tons were reprocessed cotton, which took up 25% of the total purchase.

In addition PTA and MEG are the main raw materials for polyester production. Through spinning processing, it becomes polyester fiber, or PET chips. PTA is mainly purchased domestically. In 2012, the total quantity of purchase was 741,000 tons. MEG and BIO-MEG were mainly imported. In 2012, the total quantity of purchase was 305,000 tons.

2011-2012 The Quantity of Purchase for Main Raw Materials

| Categories | 2011 The Quantity of Purchase (Tons) | 2012 The Quantity of Purchase (Tons) | Sources |
|-----------------------------|--------------------------------------|--------------------------------------|---|
| Original and organic cotton | 14,000 | 40,000 | United States, Brazil, Australia, Africa |
| Recycled cotton | 2,000 | 13,000 | Domestic purchase, Pakistan, India, Vietnam |
| PTA | 681,000 | 741,000 | Mainly domestic purchase |
| MEG, BIO-MEG | 288,000 | 305,000 | Mainly import |

2012 The Amount of Purchase for Intermediate Materials

| Categories of Intermediate Materials | 2011 The Amount of Purchase | 2012 The Amount of Purchase |
|--------------------------------------|-----------------------------|-----------------------------|
| General materials | 67 | 60 |
| Machines and facilities | 3,791 | 2,139 |
| Information facilities | 49 | 65 |
| Total | 3,908 | 2,264 |

Unit: Millions of NT\$

What is "Organic Cotton?"

Generally speaking, organic cotton is mainly used for organic fertilizer, biological prevention of diseases and insects, and main management of natural cultivation. It is prohibited to be used to make chemical products. From seeds to products, the cotton is totally natural and produced without pollution. The TEXAS Organic Program stipulated by Texas, USA provides more complete definitions for organic cotton. Simply speaking, organic cotton is nurtured on the fields that have terminated the use of chemical fertilizers and pesticides for over 3 years. (Information sources: Taiwan Textile Foundation)

BCI (Better Cotton Initiative)

BCI (Better Cotton Initiative) is an international non-profit organization. The goal of its establishment is to promote effective methods of cotton cultivation, bringing out more economic effects and benefits of cotton growth, more environmental protections, and more benefits for sustained operational development. In order to benefit all the human beings on Earth, and fulfill the ethical responsibility required for a good corporation, currently Far Eastern New Century is an official member of BCI.

Green Purchasing

Green purchase is an important topic of focus in recent years. Far Eastern New Century deeply understands that the influences of purchase to the environmental achievements of corporate supply chains are tremendous. The requirement of a green standard to the purchase department and to suppliers is beneficial in boosting active research, development, and application of green technology for suppliers. We use the materials that are environmentally protective and energy saving in order to upgrade the environmental knowledge of suppliers, improve environmental behaviors, and upgrade the standards of environmental management.

For this, Far Eastern New Century defines "green purchase" as the production, procedures, and waste processing of purchased products or their raw materials. It creates less harm to the environment and consumption of resources, and less pollution.

In order to fully implement green purchase, in 2011, Far Eastern Group Purchasing Department established the "green product purchase project." This allows the concept of green purchase to be promoted and implemented to all the factories and units. Under strong promotion, in 2012, the amount of green purchase for Far Eastern New Century was approximately NT\$1.3 billion.

Promotional Methods of Green Product Purchase Project



Information Collection

1. Search and get to know the relative marks of green purchase



Guidance and Promotion

2. Provides guidance and promotion to all the units and suppliers that use green purchase



Product Purchase

3. Corporations that receive the green or environmental protection and energy saving certifications have priority for purchase or increased weight

Far Eastern New Century will gradually discuss and stipulate green purchase standards as the reference for development, selection, and evaluation of suppliers in order to assure that the suppliers provide reusable, recycled, resource-saving, and healthy green products. In the meantime, we required the suppliers to supply raw materials, production skills, production processes, production channels that meet the green principles to actively fulfill the social responsibility of supply chains.

What is "Bio-MEG?"

Currently the MEG produced in the petrochemical industry is refined from petroleum. The biomass materials replace petroleum as raw materials. MEG that is obtained from the transformation of starch and plants is Bio-MEG.

Water Resources Management

Through the increase of frequency of climate anomaly, Taiwan is also facing the risks of inability to balance the supply and demand of water resources. This includes factory construction and daily operation possibly facing a lack of water resources. Because of this, Far Eastern New Century actively tries to our best to control water resources during daily operations.

In order to fully use water resources, we not only actively increase the regenerated use of water resources through the improvement of facilities and skills, we also encourage all the factories to continue to strength their research to respond to the possibilities of higher water prices.

Currently, the main water resources at all the factories of Far Eastern New Century are tap water and well water sources. In Hsinpu Chemical Fiber Plant, we also use river water sources. In recent years, we actively promote water conservation and search for the best way to control water use and management to reduce the influence of water source consumption on the environment.

Condition of Water Resource Use

| Categories | Units | 2009 | 2010 | 2011 | 2012 |
|------------------------------|--------------|-----------|-----------|-----------|------------------|
| Quantity of tap water use | 1,000 Liters | 712,974 | 703,653 | 640,180 | 749,569 |
| Quantity of well water use | 1,000 Liters | 2,981,385 | 3,161,097 | 2,946,714 | 2,723,846 |
| Quantity of river water use | 1,000 Liters | 894,767 | 866,251 | 792,902 | 802,361 |
| Quantity of total water flow | 1,000 Liters | 2,468,779 | 2,632,214 | 2,608,659 | 2,021,440 |

Remark: Water source use statistics include Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Hukou Mill, Neili Texturizing Plant, Kuanyin Dyeing and Finishing Plant, Far Eastern Group R&D Center, and Headquarters. Only Hsinpu Chemical Fiber Plant uses river water, and it does not use tap water. Headquarters uses tap water only and does not have the statistics of total quantity water flow.

Effluent Processing

All the effluent at all the factories of Far Eastern New Century is appropriately processed by effluent processing facilities; the water is emitted, and the water quality meets current legal policies and standards. We assure that the surrounding environment is not evidently impacted by water. In 2012, there were no incidents of severe leakage or flooding.

The effluent process methods are different according to the characteristics of the factories. Kuanyin Dyeing and Finishing Plant adopts the biological and chemical processing methods for effluent processing. Hsinpu Chemical Fiber Plant uses the second grade of activated sludge processing. In the meantime, we have established the carp pond that uses effluent as feed, and is used as the index of effluent organisms.

In addition, Far Eastern New Century Hsinpu Chemical Fiber Plant promotes the RO concentrated water recycling and reuse plan. It is used in non-drinking water and daily water use systems in the factories. In 2012, the quantity of RO water recycling at Hsinpu Chemical Fiber Plant was 869,534 liters. It took up 32% of the total water use ratio.

Statistics of Water Source Recycling and Reuse at Far Eastern New Century— Takes Hsinpu Chemical Fiber Plant as an Example

| Categories | Units | 2009 | 2010 | 2011 | 2012 |
|---|--------------|-----------|-----------|-----------|------------------|
| Total quantity of recycled and reused water (A) | 1,000 Liters | 658,095 | 732,920 | 796,795 | 869,534 |
| Total water use (B) | 1,000 Liters | 2,497,603 | 2,638,511 | 2,587,029 | 2,747,887 |
| (A)/(B) | % | 26% | 28% | 31% | 32% |

Chemical Materials Management



In order to fulfill the sustained environmental policies of Far Eastern New Century, and reduce the hazard to the environment and maintenance of the health of staff, for relative chemical materials that are risky, all the factories stipulated strict managerial processes and procedures in order to implement control. In 2011, the Hsinpu Chemical Fiber Plant conducted "the chemical product storage/safety use evaluation." It includes the improvement of raw material/waste storage space, establishment of regional managers and emergency contact phone number, and isolation and storage of special materials.

As for newly purchased chemical products, we use chemical product compatibility software to conduct incompatibility analysis. The establishment of a new chemical product control mechanism should pass the evaluation of Labor Safety & Health Department to assure safety. In 2012, we further established the electronic form filling system. All the units upload the information of chemical products and conduct systematic management.

Now Far Eastern Group R&D Center uses 21 toxic chemical substances and 2 industrial raw materials of precursor chemicals. In 2012, 738 kg were used and stocks totaled 279kg. They are stored in a locked cabinet and are the responsibility of specially appointed personnel.

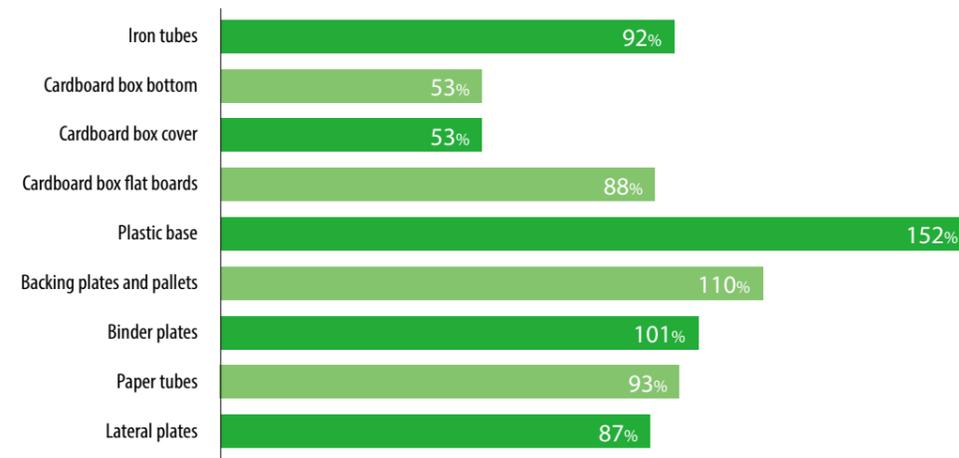
Recycling of Packaging Materials

Packaging can assure the safety of product transportation. It will eventually become waste, and it uses more resources to process. For this, Far Eastern New Century takes up the responsibility of recycling of packaging materials in order to avoid environmental risks brought by inappropriate processes when packaging materials are used. This greatly reduces negative impacts on the environment.

The items of packaging material recycling for Far Eastern New Century mainly comes from industrial fabrics, iron tubes and cardboard boxes at chemical fiber plants. In 2012, the quantity of recycled industrial fabrics and iron tubes were 354/per month in average. The recycling ratio is 92%. As for the chemical fiber plant, the recycling ratio for packaged material is cardboard box bottoms, at 53%, flat boards 88%, plastic base 152%, backing plates and pallets 110%, binder plates 101%, paper tubes 93%, and lateral plates 87%.



2012 Status of Packaging Material Recycling



Waste Processing

Regarding waste management, Far Eastern New Century emphasizes the reduction of corporate waste. We strictly comply with relative legal policies of all kinds of waste and elimination of pollutants, and fully execute waste management. In addition, we promote internal guidance at all the factories. Not only do we implement recycling and reduction concepts, under the foundation of feasible technology and economic cost, we also hold the principles of reduction, recycling, and reuse, in order to reach the goal of waste reduction.

| Categories | Units | 2009 | 2010 | 2011 | 2012 | |
|---|--------------------|-----------|-----------|-----------|------------------|------------------|
| Total quantity of recycled and processed waste | Kilograms | 5,385,306 | 5,177,745 | 5,590,259 | 5,168,057 | |
| Total quantity of reused and processed waste | Seed coat fragment | Kilograms | 989,246 | 2,327,411 | 2,665,081 | 2,256,009 |
| | Roving | Kilograms | 272,425 | 125,993 | 126,919 | 152,144 |
| | yarn waste | Kilograms | 3,227,564 | 6,155,446 | 5,746,514 | 4,729,958 |
| Total quantity of incineration processed waste | Kilograms | 2,210,338 | 2,836,909 | 2,715,834 | 2,441,768 | |

Remark: Recycled and processed waste includes Hsinpu Chemical Fiber Plant, Hukou Mill, Neili Texturizing Plant, Kuanyin Dyeing and Finishing Plant, and Far Eastern Group R&D Center.

Far Eastern New Century is not involved in waste processing and recycling. For this, we maintain good cooperative relationships with external units, in order to execute high efficiency of waste processing and recycling. The current processing methods of Far Eastern New Century is that production unit takes scrap iron, scrap stainless steel, scrap aluminum, scrap cable, scrap plastic, scrap PP, and PE to services department for sale and processing. The scrap clothes are recycled by the companies and the dyeing auxiliary is recycled by the suppliers.

Regarding the reduction of life waste and recycling measures, we provide guidance and clear labels with, for example, scrap light tubes, scrap paper, scrap iron, scrap plastic drums, scrap PP, and scrap EE, etc. Our goal is to put our best effort into recycling and garbage reduction.

Noise Prevention



The partial production processes of chemical fiber and textile plants of Far Eastern New Century can produce noise. We especially reinforce the noise prevention educational training of employees. When employees enter noisy workplaces that are over 85 decibels, will put up warning and hazardous labels, and they are required to wear earplugs. The environmental safety staff will conduct irregular inspections of the factories to assure that they will not be influenced by the noise.

As for the facility improvement, other than installing silencers and mufflers on the exhaust vent, we also grow trees in the factories in order to reduce the noise, reinforce the friendly neighbor measures, and stipulate inspection methods and policies according to work environments. Each year, we focus on the workplaces and conduct environmental inspection of noise and volume to understand the noise conditions of the work environment. In addition, the field unit and safety and health unit work together Council of Labor Affairs, and Northern Region Inspection Office to discuss the improvement strategies, use the improvement methods of construction of adding a control room in the expanded areas, in order to reduce the problems of noise exposure of the employees.



Results of Environmental Improvement in 2012

Far Eastern New Century holds the spirit of cooperating with national policies, improving environmental quality, reducing environmental pollution, cooperating with the spirit of ISO, and continuing with the improvement of labor safety and environmental protection, all in order to upgrade the efficiency of air pollution prevention facilities.

In 2012, the Environmental Protection Administration found out that there was a peculiar smell and water quality surrounding Hsinpu Chemical Fiber Plant. We were fined NT\$ 310,000 because air and water quality inspections exceed the tolerated values. This time the air sampling location is on a hillside conservation zone. The standard of peculiar smell is 10. The Hsinpu Chemical Fiber Plant is in close vicinity of 118 County Road. The standard for industrial land is 50, but is reduced considerably to 10. Afterwards, we petitioned with the Environmental Protection Administration and they agreed to re-plan future sampling locations.

| | 2012 |
|---|---|
| Categories of pollution | Air and water pollution |
| Articles of compensation or penalized units | Environmental Protection Administration |
| Compensated amount or penalty situation | NT\$316,000 |
| Other losses | None |



Improvement Project of Peculiar Smell at Hsinpu Chemical Fiber Plant

In order to improve the problems of peculiar of Hsinpu Chemical Fiber Plant, in 2012 we established many managerial policies:

1. VOCs (Volatile organic compounds) inspection: When the inspected value is too high, we immediately check if there is leakage, and continue to conduct inspection until the values improve.
2. Peculiar smell of rain channel: Because peculiar smell will spread from the rain channel, rain channels within the factories are adopted by respective units, who are responsible for cleaning them.
3. Equipment components increase prevention facilities: We increase coating at the emission channels to reduce the emission of peculiar smell.

Externally, we actively work together with external academic units, analyze and confirm pollutants, and maintain good communication with the government and community residents in order to fully exhibit the desire of improvement on our side. After the improvement project is executed, people who petitioned to the environmental protection units have decreased from an average of 8.5 cases/per month in 2012 to an average of 2.7 cases/ per month in the first quarter of 2013. The achievement of improvement is evident.

Environmental Protection Coordination

On November 15th, 2012, the Environmental Protection Administration conducted the petition communication meeting at the Mother Nature community at the Hsinpu Chemical Fiber Plant Recreational Center. The participants included representatives from the Environmental Protection Administration, Environmental Protection Bureau, residents, professors from National Chiao Tung University, professors from Yuanpei University, and experts from the Industrial Technology Research Institute. The factory exhibits the determination of improvement and achievements of effort, and receives favorable comments from environmental protection experts and government officials. This brings closer communication between the factory, community neighbors, scholars, and experts.





Labor and Management Relations



Far Eastern New Century understands the promotion of corporate developmental strategies, the team and execution power are critical.

Excellent talent is the most important key to assuring execution.

When the industry is expanding,

Good quality of human resources as strong backup is needed.

So the dynamics of economic environments can be closely connected, and this boosts and supports diverse corporate development and growth.



We have a reasonable and fair human resources system and a complete corporate internal organization, and exhibit the practice of "placing the right talent at the right place" and "giving full scope to talent." When we hire our employees, we place the right talent at the right position and right place. Regarding salary and compensation, we make sure our employees are compensated according to the effort they put in. Regarding promotion, we choose the right people, and reasonably promote them. We hope to establish trust, love, and support between our employees. We emphasize the spirit of team work for the operational development of the corporation.

With the emphasis of human resources demand of future industrial development, we have also established the human resources shifting system, talent retention project, planning of successor development, and nurture of middle and high level managers. According to the direction of future corporate development, we provided professional courses to reinforce the efficiency of organizational operations and expand the synergy of human resources in order to assure a strong foundation of human resources capital for Far Eastern New Century.

Through the implementation of complete human resources system, and humane managerial spirits, Far Eastern New Century not only strictly complies with all kinds of labor legal policies, continues to follow the status of legal policies, and adjusts the internal managerial system, we also continue to provide legal policy explanation and guidance for employees, and regularly implement relative courses regarding employee safety and health to provide employees with healthy and safe work environments.

In 2011-2012, Far Eastern New Century Has Garnered Many Human Resources Awards

| Names of Awards | Award by |
|---|---|
| Silver medal for Taiwan TrainQuali System in Enterprises | Bureau of Employment and Vocational Training Council of Labor Affairs, Executive Yuan |
| Hiring Disable Employees Lable Twin certifications of excellent and good | Department of Labor, Taipei City Government |

We Have Garnered the Taipei City Government Excellent Corporate Award of "Hiring Disable Employees Lable"

Far Eastern New Century respects and accepts people with physical and mental disabilities who can work. We use their work attitudes and spirit to encourage other employees, and we are proud to have excellent employees with physical and mental disabilities.

As for work environment and life, not only do we appropriately arrange work training and environmental introduction, we also hire psychologists to help relieve the psychological pressure of employees with physical and psychological disabilities. Special parking spaces are not named disabled parking spaces, but are arranged in numbers. In addition, we also focus on the transportation need of employees with physical and psychological disabilities and establish software and hardware facilities. For example, electric motorcycles are provided with charging outlets in the factory, and shuttle buses are arranged to take them to and from work.

As for the hearing disabled employees, we use color labels to distinguish work procedures to help them quickly get used to the work environment. Employees will also go to the homes of disabled employees and help their children do homework so they can concentrate on working. If employees with physical and psychological disabilities perform well, we will award them accordingly, and thank them for their effort.

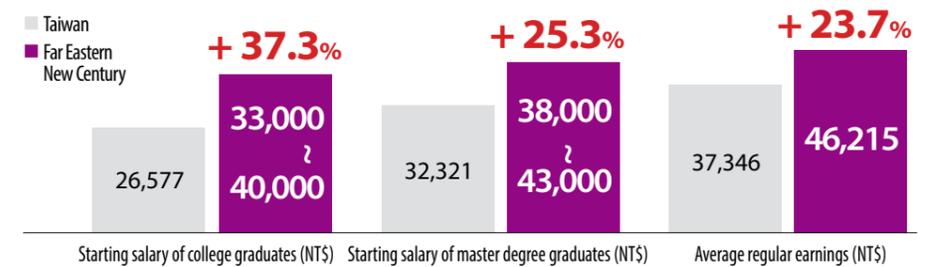
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Publication unit/Department of Labor, Taipei City Government
Date of publication/ November, 2012
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Salary and Welfare

Far Eastern New Century understands that stable and excellent human resources are important capitals of sustainable corporate development. In order to continue to maintain the leading position in the industry, in addition to actively recruiting excellent professional talent, we also grasp current labor market information, appropriately adjust salary and welfare, all in order to attract and retain excellent talent.

We value the compensation and treatment of our employees. Regarding the remuneration standard for new employees, we will consider market price level, areas of expertise for the job applicants, and relevance of work content, and levels of difficulty of work characteristics, and conduct comprehensive evaluation. If new employees have previous related work experience, or have certificates related to the positions they apply for, their salaries will be adjusted as well.



Remarks: According to the statistics of Directorate-General of Budget, Accounting and Statistics, Executive Yuan in 2011, entry level employees with no experience and college degrees, the starting salary is NT\$26,577, and the starting salary for employees with masters degrees or above is NT\$32,321.

For employees that are college graduates with no experience, the starting salary at Far Eastern New Century is 37.3% higher than the market level. For employees with a masters degree it is 25.3% higher. PhD graduates are compensated after being compared to people with relative work and educational experience in the market.

The Human Resource Department will recruit online, on campuses, through personal contacts, or by hunting high-level managers. The employing unit will fill out an online request to fill vacant positions, and after their request is approved, employment of staff at each operating site will begin. We regard all our employees as equal and will not treat them differently because of race, sex, religious belief, nationality or social background.

We regularly participate with the internationally renowned salary inspection institute—Taiwan Towers Watson Company to conduct salary inspection, and we grasp the salary status in the industry. We regularly inspect the salary level of Far Eastern New Century employees to fulfill the effects and benefits of talent retention. In 2012, the statistics of Council of Labor Affairs showed that the annual average regular earnings in Taiwan was NT\$37,346. The annual average regular earnings for Far Eastern New Century was NT\$46,215, which was 23.7% higher than the market average.

As for the expense of employee benefits, Far Eastern New Century has established the employee welfare committee in accordance with law, and each labor union and employee decides all items of expense and distribution. In addition, as for the employee bonuses, according to Articles of Incorporation, Far Eastern New Century also takes 4% of the corporate net income as a bonus expense for employees.

| Employee Welfare | 2010 | 2011 | 2012 |
|--------------------------|----------------|----------------|----------------|
| Welfare related expenses | 189,923 | 208,543 | 207,857 |
| Employee bonuses | 470,346 | 421,266 | 325,428 |
| Total | 660,269 | 629,809 | 533,285 |

Unit: Thousands of NT\$

Human Resource Structures

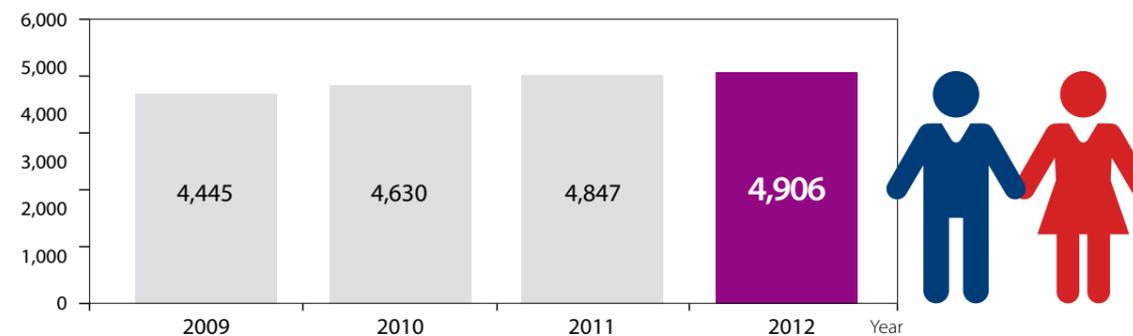
At the end of 2012, the total number of Far Eastern New Century employees is 4,906, with 832 of them being foreigners. Because the factories are scattered in different counties and cities of Taiwan, the employees are mostly local residents of the respective regions. For example, the Headquarters is situated in Taipei City and approximately 70% of employees are residents of Taipei City or New Taipei City. For the factories in Taoyuan, Hsinchu, and Miaoli areas, approximately 70%~80% of the employees are local residents of Neili, Hukou, Kuanyin, and Hsinpu. For the Yilan Garment Factory, 98% of the employees are residents of Yilan.

Besides making good use of local talent, we also support people with physical or mental disabilities to find employment and provide friendly work environment for them. In 2012, we garnered the Taipei City Government excellent corporate certificate for "hiring a certain number of people with physical or mental disabilities." In 2011, there were a total of 64 individuals with physical or mental disabilities working for Far Eastern New Century. In 2012, there were 65.

The operation of Far Eastern New Century is one of the manufacturing system. Most employees in the chemical fiber industry have background in chemical engineering, and most of them are male. However, Far Eastern New Century treats all the male and female employees equally. There are no disparities in work, salary, welfare, and promotion based on gender.



Total Number of Employees



Domestic Employees (Staff and Factory Workers)

| | 2009 | 2010 | 2011 | 2012 |
|------------------|------|------|------|------------|
| Male employees | 73% | 74% | 74% | 67% |
| Female employees | 27% | 26% | 26% | 33% |

Explanation: In 2012, the ratio of female employees has increased considerably.

Foreign Employees (Foreign Labors)

| | 2009 | 2010 | 2011 | 2012 |
|------------------|------|------|------|------------|
| Male employees | 85% | 84% | 85% | 82% |
| Female employees | 15% | 16% | 15% | 18% |

Explanation: In 2012, the ratio of foreign female employees has increased considerably.

Managerial Staff

| | 2009 | 2010 | 2011 | 2012 |
|--------------------------|------|------|------|------------|
| Male managers (%) | 85% | 84% | 84% | 84% |
| Female managers (%) | 15% | 16% | 16% | 16% |
| Total number of managers | 481 | 630 | 635 | 656 |

Employee Turnover

Male Employee Turnover Rate (%)

| | 2009 | 2010 | 2011 | 2012 |
|---------------------|------|------|------|------------|
| <30-year-olds | 3.7 | 2.5 | 3.6 | 3.7 |
| 30~50-year-olds | 2.2 | 1.0 | 1.9 | 1.7 |
| >50-year-olds | 2.3 | 0.5 | 0.6 | 1.3 |
| Total turnover rate | 8.2 | 4.0 | 6.1 | 6.7 |

Explanation: In 2012, the overall turnover rate for male employees at Far Eastern New Century was 6.7%. The turnover rate for employees under 30 years of age was a little higher. For 30 to 50-year-old employees, the overall turnover rate shows stability.

Female Employee Turnover Rate (%)

| | 2009 | 2010 | 2011 | 2012 |
|---------------------|------|------|------|------------|
| <30-year-olds | 2.7 | 2.0 | 1.6 | 0.8 |
| 30~50-year-olds | 2.3 | 1.1 | 0.7 | 0.9 |
| >50-year-olds | 1.4 | 0.3 | 0.3 | 0.2 |
| Total turnover rate | 6.4 | 3.4 | 2.6 | 1.9 |

Explanation: In 2012, the overall turnover rate for female employees at Far Eastern New Century was 1.9%. In recent years, we have endeavored to care for our female employees and as a result the turnover rate for female employees has decreased considerably compared to 2009.



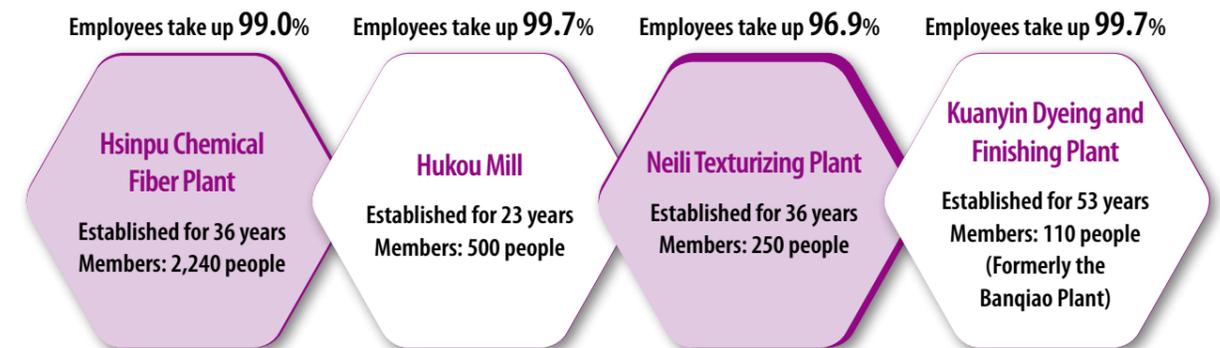
Union Organization



We value the employees' freedom to associate and rights to collective bargaining. The establishment of "The Labor Union of FENC" maintains the rights and interest of labors, and ensures labor safety and work conditions. We believe that a sound union plays the role of a mediator. Regarding labor issues, the union can represent the employees in expressing their perspectives and recommendations, and strive for reasonable work environment, rights, welfare, and development, allowing the two sides drive the corporate internally and execute corporate social responsibility.

Far Eastern New Century Union has been established for 36 years, with a total of 3,100 union members. In 2012, the union regularly conducted board meetings, temporary board meetings, member representative meetings, and in the meantime many events to promote the physical and mental health of employees.

The Organizational Status of Far Eastern New Century Union



The Hsinpu Chemical Fiber Plant Union Conducted Labor Events in 2012

| Events | Content Description |
|---|--|
| Conducting labor educational courses | In order for employees to deeply understand their welfare, new union regulations and other relevant labor safety policies, we conducted a two-day-one-night laborer educational course. A total of 11 echelons were conducted, and 471 employees participated. |
| Promotion physical and mental health of employees | "Hsinchu County Hsinpu Riverside Park" has conducted the "2012 Far Eastern New Century Cup Marathon and Safety and Health Fair." More than 5,500 people participated. |
| Giving out consolation money and mutual fund | Console employees who are sick or injured due to work or personal reasons and the family members of deceased employees, and present them with consolation gifts. |
| Selection of exemplary labors | In 2012, we have selected a total of 47 exemplary labors. Other than giving out awards and medals, we also conducted an amity banquet. |
| Group insurance | A total of 482 people, including the employees of the factory and their family members, are insured at a discount. |
| Case of assistance request | We process special matters according to the needs of union members. |

Measures of Employee Welfare



Far Eastern New Century has established an "Employee Welfare Committee" that, other than paying welfare funds and conducting all kinds of welfare events for employees, also provides holiday bonuses and children educational scholarship (biannual basis) and bonuses and welfare for birthday, wedding, funeral, childbirth, New Year, and group insurance.

As for the physical and mental health of employees, other than employee health checkup, we also regularly conduct employee tourist trips and sports events each year. As for employees who are single, we also provide them with free singles dormitory, which takes away the burden of house rental for employees who are working far away from home.

- | | |
|--|---|
| 1. Leisure and travel | 7. Scholarship for the children of employees |
| 2. Birthday celebration events | 8. Educational training fees |
| 3. New Year consolation | 9. Labor Day activities |
| 4. Club activities | 10. Injury and sickness consolation, emergency assistance |
| 5. Wedding, funeral, festival, and gifts | 11. Other consolation and subsidies |
| 6. Assistance of club activities | |

The operation of employee welfare committee at each factory

A total of
NT\$ 46,107
Thousands of NT\$

Vitality Clubs

In order to promote the physical and mental health of employees, we provide many channels of workout and stress relief. We have established diverse clubs, which include: rhythm dance club, yoga club, badminton club, softball club, bowling club, mountain climbing club, bicycle club, and basketball club, etc. The clubs are subsidized according to the need of each club, ranging from NT\$30,000 to 100,000. We regularly conduct all kinds of club activities. From 2011~2012, we have subsidized a total of NT\$2,775,000. Employees not only actively participate in these club activities, but also have outstanding performance in sports events organized by government institutions and labors. They fully exhibit the vitality of Far Eastern New Century employees.





Respect for Female Employees

Due to the factors of industrial characteristics, the number of male employees at Far Eastern New Century is more than the female employees. However, in the aspect of work system and environment, we actively construct friendly software and hardware environments for female employees. As for the hardware part, in order to respect the rights and welfare of female employees, we comply with the spirit of "Gender Equality Law." We have established breast feeding rooms at the Headquarters and all the factories. As for the software part, we have conducted relative educational training according to the contents of sexual harassment prevention law. We have provided educational training in sexual harassment prevention for managers and employees, in order to prevent cases of sexual harassment. We consider the personal safety of female employees working late at night. We provide dormitories for female employees who work night shifts, and we conduct female breast cancer and cervical cancer screenings. In the meantime, the union also provides NT\$ 3,000 in subsidy for each pregnant female employee.

The Reinstatement Rate and Retention Rate for Position Retained without Pay Due to Birth

| | 2009 | 2010 | 2011 | 2012 |
|---------------------------|------|------|------|------|
| Reinstatement (Remark 1) | 100% | 100% | 60% | 45% |
| Retention rate (Remark 1) | - | 100% | 100% | n/a |

Remark 1: Reinstatement rate refers to the number of employees reinstated within 2 years out of all of the employees that applied for parental leave that year. In 2012, some of the employees who took parental leave were not reinstated because they have not met the deadline of parental leave.
 Remark 2: Retention rate refers to the number of employees that remain in position for over a year out of all of the employees reinstated that year. In 2009, no employees were reinstated. The 2012 retention rate has to be calculated in 2014.

Retirement Measures

We conduct the matters of retired employees according to Labor Standards Laws, and thus we established the "The Supervisory Committee of Workers' Retirement Fund", in order to review and supervise the status of use of retirement funds. Monthly, we allocate the retirement fund to each retirement accounts, and ensure the rights and welfare of retired employees. For employees who choose Implementation Rules of the Labor Pension, according to the "laborer retirement fund policies", we allocate the retirement fund to each retirement accounts monthly.

In addition, special events for retired employees are organized at each factory. In 2012, the Polyester Industry conducted the event of "old friends coming home." We invited all the retired employees from the chemical fiber plant to a banquet, and conducted birthday celebrations, elderly health seminars, briefing of factory expansion plan, and nostalgic factory trips. We have received favorable comments and support from the retired employees. In 2013, we furthered the planning of a retired employees association, and upgrade the services and care for them.

"Retirees Association" at Far Eastern New Century Polyester Industry

In order to appreciate the contributions of retired employees, the Polyester Industry has established the "Retirees Association" platform. We hope to communicate and interact with them through the events, care for their daily living needs and health. such that they can feel our love even after retirement.

Members of the "Retirees Association" include the retired employees of the chemical fiber plant, and individuals that were once employed by Far Eastern New Century and were invited to the Association. Not only can they use the reading rooms, swimming pool, and fitness facilities, and enjoy coffee house meals at the Hsinpu Chemical Fiber Plant Recreational Center, they can also receive discounted services at Far Eastern Polyclinic and Far Eastern Memorial Hospital.

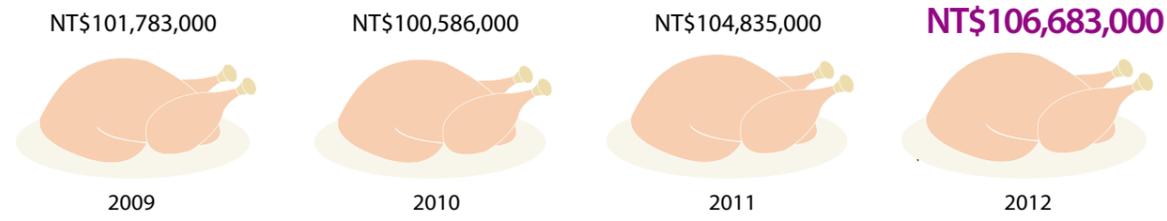
Members can apply for car services in the factory when they need to attend wedding, funeral, and festival events, participate in the annual year-end banquets, sports events, and all kinds of health promoting events. This allows retired employees to continue to maintain the development of physical and mental health.



Care for Employee Dining

Not only do we care for health, safety, and corporate development, we also care for employee meals. Our goals are to pursue employee satisfaction and lower the economic burden. Headquarters and all factories have staff dining rooms. Employees pay only part of the dining fee, and the corporation take responsible for the est of it. This allows the employees to have diverse and economic meal selections.

Meal Allowance Subsidies



We take the Headquarters as an example of saving precious lunch time for employees, and not wasting time selecting main and side dishes. We directly provide nutritional meals specially made for employees. Throughout the whole month, the main dish does not repeat.

In addition, in order to respond to the healthy concepts, since March, 2011, the headquarters has started labeling calories on the menus. This allows the employees to be able to select the calories they need, so they can eat happily without worry. A meal at the headquarters staff dining room is NT\$83. The employees pay NT\$33, and the corporation subsidizes for NT\$50. In 2009 and 2012, the total amount of headquarters dining subsidy was NT\$11,253,000.



Upgrade Plan for Headquarters Dining Room

The 7th floor staff dining room at The Taipei Metro Tower was activated in 1994. After decades of use, the facilities and pipes are old. The floor tiles are not slip-proof. The specifications of stoves do not meet the current standard.

In order to provide employees with a better dining environment and more quality, we have invested NT\$ 15.65 million to promote redecoration and facility renewal of the staff dining room. Other than adding seats at the dining area, we also increased hardware facilities for multi-functional meetings to promote food hygiene and environmental comfort at the dining room.





Treatment of Foreign Workers

Currently, Far Eastern New Century has hired nearly 800 foreign employees. For these foreign employees who left their countries to work in Taiwan, we pay special attention to their leisure and relief outside of work. When they face difficulties, we provide appropriate support, and hope they can work happily in Taiwan.

In order for us to respond to the standards that the International Labor Organization has set for foreign employees, we value and assure the human rights and living conditions of foreign labors within the factory. Other than providing food, clothes, housing, transportation, leisure, and entertainment according to religion, faith, physical and mental health, educational training, and feedback, and provide appropriate support. In order to have barrier free communication, the factory also hired counselors for foreign employees. When foreign employees face problems at work or in life, they can immediately solve the problems through the help of counselors. For example, the guide will accompany when diagnosis conducted.

In 2012, we have conducted a one day barbecue trip for foreign labors at the Ba Shien Water Park, Jumping Happily in Taoyuan, Christmas and New Year Festival for foreign labors, and rich and diverse events such as birthday celebration. There are also kitchens and cooking utensils in the factory, so the foreign labors can cook homemade meals. We also provide Chinese learning courses for foreign labors and help them get used to local culture.



Administrator

There are Vietnamese and Filipino counselors in the factory. They can help foreign labors with work and life in the factory.

Housing

There is 24 hour security on duty as well as special staff members who assist with dormitory management. The male and female dormitories are separated independently. There are surveillance systems at the public areas and entrances of the female dormitories where personal privacy is not invaded. There are surveillance checkpoints at the male dormitory with humane management. There are air conditioners at all the dormitories.

Dining Room

There are additional menu items for foreign employees every Friday. Homemade meals are provided. There is also the cafeteria that provides inexpensive products for foreign employees to select and purchase.

Condolence Payments

When family members of the foreign employees die, not only do the counselors provide psychological counseling, the factory also gives out condolence payments, and arranges a trip back home for the foreign labors as soon as possible.

Regular Meetings

We regularly conduct two meetings annually, and help foreign labors to communicate with the corporation.

Sports and Leisure

There are internet cafes, fitness facilities, ping-pong table, basketball court, softball field, and tennis court in the factory. Basketball and pool competitions are conducted every year. This provides foreign labors with normal recreational activities.

Commendation

We conduct the best exemplary foreign laborer selection. We provide award certificates and prize money according to seniority, performance, and dormitory management to lift the working spirits of foreign labors.

Employee Education and Training



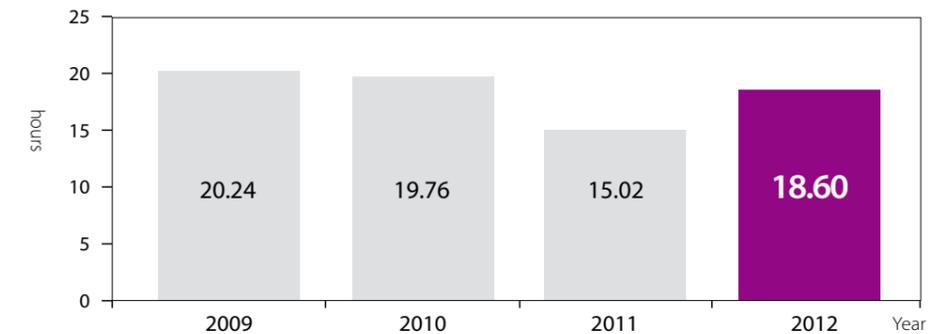
Facing stiff future challenges, lifelong learning is the best way for employees and the organization to maintain innovation and vitality. For this reason we attach special importance to employee education and training and career development; in line with the company's development direction, we strengthen talent nurturing and advanced study for managers, providing systematic and continuing courses and actively assisting employees raise their ability and quality level to strengthen the competitiveness of the individual and the enterprise.

To increase the overall level of enterprise employees, nurture professional management talent and meet the operational needs of the organization, as early as 1972 and before the announcement of the Vocational Training Fund Regulations, Far Eastern New Century had established the Occupational Training Center, which was formally renamed the Human Resources Development Center in February 2008.

As well as providing employees with corporate management, factory management and other related management skill training, to meet the needs of each rapidly growing business division various specialized technical courses are also held by Far Eastern New Century Human Resources Development Center to nurture the specialized talent needed.

In 2012, Far Eastern New Century spent a total of NT\$19.4 million on employee education and training and provided 91,244 hours of training. As a result of the increase in employee number by 200 since 2010 the average number of training hours per employee fell slightly, however, after we adjusted resources and mechanisms the average number of training hours per employee in 2012 had recovered to 18.60 hours. In the future, we will continue to carry out optimized allocation of training resources so that the quality of our human resources is continually raised.

Average Number of Training Hours Per Employee



Training Situation for Employees of Each Position



Our core objective is building a learning organization. Further to this we have implemented 6 education and training systems. In 2013, in addition to holding the sixth Far Eastern Enterprise University EMBA course as well as various management and specialized courses, to focus on the needs of the organization, we also hold special project type courses for various departments to allow Far Eastern New Century to achieve its strategic objectives; we have also introduced KPI and objective management training courses to support the improvement of the performance management system; to nurture various levels of cross-field specialized personnel at an early date we have strengthened the cross-ability training courses and system to ensure that operational objectives are met.

With respect to talent management, we have already completed the talent information for managers in each department. In the future this information will be the basis for carrying out an inventory of the internal human resource situation and establishing success models and capability assessments for each position beginning with the most key units, the aim being to tightly link talent management and strategic development, increasing the enterprise's management effectiveness and overall competitiveness.

Far Eastern Enterprise University

Far Eastern Enterprise University was established in 1998. Integrating the various resources of the Far Eastern Group and Yuan Ze University and case study discussion, complete lifelong learning courses that are in line with the needs of the enterprise and employee career planning are jointly planned, fully establishing a new model for good industry-academia cooperation. The EMBA degree course and credit course were formally established in 1999; in 2012 the fifth group of degree course students was enrolled, 64 people graduated from the degree course and 408 people took part in the credit course.

Far Eastern University is not just the concrete realization of Far Eastern's lifelong learning, its educational form which pays attention to both knowledge and development allows individual career planning and the company's development strategy to be combined. In the future, it is hoped through the Far Eastern University model to effectively promote talent nurturing and implement knowledge management to increase the overall competitiveness of the Far Eastern Group.



Factory Education and Training

| | |
|---|---|
| Hsinpu Chemical Fiber Plant | <ul style="list-style-type: none"> On the job training was carried out as well as holding evening GEPT English courses. In February 2012 four courses were held in which 58 people took part. In July two courses were held in which 39 people took part. The Hsinpu Chemical Fiber Plant has 1875 employees who engaged in a total of 49,226 training in 2012, an average of 26.3 hours per employee. (the standard is 16 hours a year) |
| Kuanyin Chemical Fiber Plant | <p>Apart from the certificates required by government regulations, exams are held for workplace unit employees in accordance with their nature and certificates area issued. The production unit has a work certification system and only those who pass the exam can do the work.</p> |
| Hukou Mill | <ul style="list-style-type: none"> The courses provided by the occupational training center (including occupational safety training) include 4-6 hours of operator vocational training and labor health and safety training a year; every year, in accordance with job grade, employees are required to attend 3-14 hours of training per year. A variety of other courses can also be taken voluntarily by employees. In coronation with special projects, foreign lecturers are brought to Taiwan and overseas visits arranged for employees. In 2012 NT\$3.98 million was spent. |
| Neili Texturizing Plant | <ul style="list-style-type: none"> Training for new employees, two training courses for existing employees every year Subsidy provided for obtaining professional certification: In 2012 four people competed gas boiler operator initial training, and one completed repeated training, two people completed health and safety manager training repeated training, one person completed fire prevention management initial training and one repeated training. In total NT\$45,440 was spent. |
| Kuanyin Dyeing and Finishing Plant | <ul style="list-style-type: none"> Education and training for new employees, three training courses, fire prevention education and training and emergency fire drill annually for existing employees Subsidy provided for obtaining professional certification: In 2012, three employees were sent for the above 1 Ton level fork lift truck operator technician test and passed. Also, an organic solvent work manager safety supervisor, fire prevention manager and a labor safety manager also received professional certification successfully. |

Potential Talent Training

To meet the rapid changes in the industry, Far Eastern New Century continues to implement a high level human resource succession plan, by strategic, stage by stage nurturing of talent we are accelerating the lowering of the age of talent to meet new market changes.

With respect to potential future talent, we will, in accordance with the needs of each position, plan a series of management skill upgrading courses so that talent demand and enterprise development planning are closely linked.

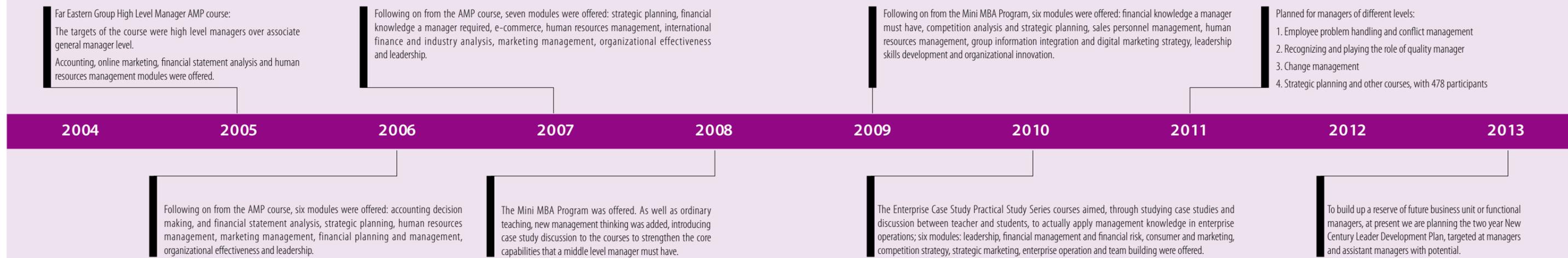
Rotation

Far Eastern New Century believes that job rotation is an effective form of on the job training that allows employees to understand different jobs and continually engage in on the job training, growing their ability through different work. At present, we implement internal and external rotation. Departments, adjust human resource allocation in accordance the new organizational framework and human resource requirements and in coordination with annual personnel rotation.

| | |
|--------------------------|---|
| External rotation | <ul style="list-style-type: none"> Manager contacts related unit and assist the rotation for different shifts. The unit that confirms rotation sends a letter asking the aspiration of the employee. |
| Internal rotation | <ul style="list-style-type: none"> The organizational personnel complement is adjusted taking into consideration the length of time the employee has done the same time of job and task requirement. An employee who has been doing the same type of work for over two years can apply for rotation |



Table of Potential Talent Training



Employee Health and Safety

Whether in the factory or the office, Far Eastern New Century hopes that all employees can enjoy a healthy and safe work environment, and realize their full potential at work. For this, we hold to a zero-hazard core principle; according to the work environment and status of employees, we take proper action to promote the employees' health and safety. Far Eastern New Century emphasizes the following key managerial points of employee health, safety, and hygiene.

- 1. Health and safety workplace
- 2. Employee physical and psychological health

1. Health and Safety Workplace

In order to create a safe work environment, Far Eastern New Century takes the following measures:

Work Environment Maintenance

Starting from the purchase of tools and materials, we insist upon high standards of safety and health. We conduct strict supervision when machinery is installed; we regularly conduct all kinds of operational environmental monitoring according to various laws and regulations. If we see that conditions do not meet these standards, we immediately eliminate the problem or improve the situation. We also look for risks in operational areas, and install appropriate protection facilities.

Employee Health Maintenance

As well as cooperating government occupational hazard checks, we arrange regular health checkups for employees. We inspect the results, and conduct health management with company hospitals. Every factory is equipped with medicine, healthcare materials, and simple medical facilities. Some factories hire contracted doctors and medical staff for regular services.

Training and Practice

All new employees must take a compulsory labor safety seminar. Current employees regularly take refresher courses, and are evaluated after class to see if they really understand the materials. We renew hazard prevention and fire drill plans (staff organization, status handling, evacuating flows etc.) every quarter, while also conducting emergency evacuation drills.

Safety Management

Labor safety is one of the topics included in monthly reports for review and improvement. Labor safety staff from each factory present the problems that need to be improved, to ensure that safety systems operate normally and effectively. We also provide group insurance for employees, in order to increase their labor security.

Table of Factories That Have Introduced Environmental Safety and Health Management

| Factory | Description |
|------------------------------|--|
| Hsinpu Chemical Fiber Plant | OHSAS18001, TOSHMS, ISO14001, ISO22000 |
| Kuanyin Chemical Fiber Plant | OHSAS18001, TOSHMS, ISO 14001 |

Safety and Health Seminar

On February 25th 2011, Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant collectively conducted a "Safety and Health Seminar" for senior managers. We analyzed accident statistics of occupational hazards and slightest accidents over the past ten years. We discussed how to minimize occupational hazards and improve the efficiency of labor safety. Every department pledged to minimize hazards and signed the "safety and health promise contract."



The Labor Safety and Health Project

In order to minimize health, safety, and health risks, every factory at Far Eastern New Century has advocated individual labor health and safety plans. Under strict supervision and leadership, we ensure that every factory employee feels safe and is able to fulfill their full potential in their work.

| Factory | Description |
|------------------------------------|--|
| Hsinpu Chemical Fiber Plant | <ul style="list-style-type: none"> ● We have 40 personnel with certified emergency training licenses. ● A total of 281 employees have completed CPR course training. |
| Hukou Mill | <ul style="list-style-type: none"> ● We conduct alcohol tests on employees (including foreign employees). If they are found to have consumed alcohol, they are not allowed to enter the factory. ● We have 24 personnel with certified emergency training licenses. ● A total of 60 employees on the various work shifts have completed CPR training. |
| Kuanyin Dyeing and Finishing Plant | <ul style="list-style-type: none"> ● We have requested that all the employees (including foreign employees) wear safety vests when riding scooters or bicycles in and out of the factory. ● We have recommended that foreign employees be accompanied when going out after 17:00, to prevent avoid unwanted harassment. |

2. Employee Physical and Psychological Health

Employee Psychological Counseling

With rapid changes in industrial competition and environments, work pressures and employee health have become important topics of discussion. If psychological pressure on employees is not expressed properly, it will possibly affect their psychological health, leading to lower productivity, and could even affect work behaviors and occupational hazards.

In order to provide employees with diverse channels for expression, we have arranged psychological counselors to provide psychological counseling for employees who need counseling from 10 AM to 3 PM every Wednesday. Whether work pressures or family problems, if employees need to share or express how they feel, or relieve mental burden, they can communicate with psychological counselors. In 2012, Hsinpu Chemical Fiber Plant arranged psychological counseling for 63 people, all paid by the corporation.

Health Checkups

We understand that only with healthy employees can the corporation continue to be competitive. To this end, every factory at Far Eastern New Century has a clear-cut system: we make sure that every employee is aware of and understands his or her health conditions. We also provide general employees with health checkups that better than those demanded by laws and regulations. For managerial level employees, we also provide comprehensive health checkups, to ensure that corporate managers can lead and manage employees from a position of health in body and mind.

Faced with potential threats of emerging infectious diseases in recent years, including seasonal flu and other infectious diseases overseas, Far Eastern New Century provides basic protection and advice while continuing to minimize the possible risks posed by all kinds of diseases by arming employees and family members with basic knowledge and skills in disease prevention.



Health Promotion Actions

Every factory at Far Eastern New Century holds to the principles of promoting workplace health and improving employee welfare. It takes us great effort to improve employees' physical and psychological health in our factories through various events and healthcare equipment.

| | |
|---|--|
| Hsinpu Chemical Fiber Plant | <ul style="list-style-type: none"> • We organize triathlon events every month, as well as in-factory marathons, sports events, and fairs. • We organize regular blood donations. In 2012, a total of 200 people donated blood. • We have installed a gymnasium and swimming pool for factory employees to use. |
| Kuanyin Chemical Fiber Plant | <ul style="list-style-type: none"> • We have established factory provision of health counseling, and regularly conduct health seminars. • Due to the high average age of factory employees, every unit is equipped with sphygmomanometer, and employees are asked to measure their blood pressure. Subcontractors are also asked to measure their blood pressure before conducting overhead operations. • We organize social activities such as mountain climbing and hiking. |
| Hukou Mill | We organize parent-and-child walks and prize-drawing events every year on May 1st Labor Day. In 2012, approximately 250 people participated. Through those events, we increase interaction and the physical health of parents and children. |
| Neili Texturizing Plant | <ul style="list-style-type: none"> • Every year in March and September, we conduct noise and CO₂ level inspections. • Every week, from 12:00 to 13:30 Tuesday and Friday, we arrange factory medical counseling. The factories pay for all related cost. |
| Kuanyin Dyeing and Finishing Plant | <ul style="list-style-type: none"> • We conduct occasional free, simple health checkups. • There are basketball courts, ping pong tables, and a billiard room for employees to use. We also organize occasional basketball and ping pong games. |

Emergency Response Drill

| Factory | Implementation Plan |
|---|--|
| Headquarters | We occasionally conduct fire drills and integrated safety training, reinforcing staff concepts of self-protection, rescue, and reaction, in order to minimize hazard and ensure the safety of staff and property. |
| Hsinpu Chemical Fiber Plant | We have organized a volunteer fire team. We conduct factory fire drills twice a year. The drill procedure consists of initial drills for fire team and all the volunteer firemen of the factory itself, followed by cooperative drills with fire teams from outside the factory. |
| Kuanyin Chemical Fiber Plant | <ul style="list-style-type: none"> • We conduct quarterly fire prevention drills • We work together with fire authorities to conduct a large-scale fire drill at least once a year |
| Hukou Mill | <ul style="list-style-type: none"> • Frequency of fire drills depends on the unit. All factories conduct collective training twice a year • Fire drill: we conduct precautionary fire drills in the first and second halves of the year. We invite local fire authorities to send their staff and provide educational training for factory employees, and cooperate with fire authority staff and vehicles in on-site training |
| Neili Texturizing Plant | <ul style="list-style-type: none"> • Fire and evacuation drill • We conduct precautionary factory fire drills every six months |
| Kuanyin Dyeing and Finishing Plant | <ul style="list-style-type: none"> • Fire extinguishing and evacuation training • We conduct precautionary factory fire drills every six months |

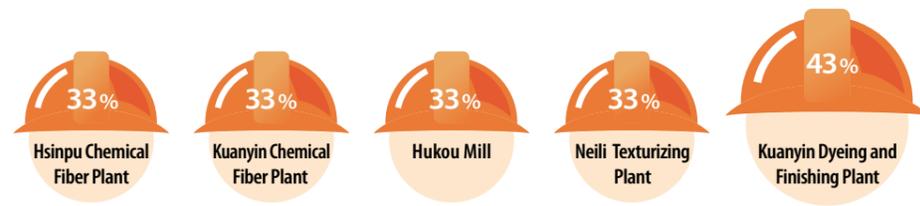


Employee Satisfaction

Every factory at Far Eastern New Century has a "Safety and Health Committee" of labor. Members are voted by labor and management representatives. They are responsible for the stipulation, coordination, and supervision of factory environment/safety and hygiene/health related issues.

Each factory "Safety and Health Committee" conducts a meeting once every three months and communicates with the employees. The topics include: 1. Health and safety (a. occupational hazard status, b. educational training status, c. self-checkup status, d. contracted management, e. operational environment monitoring status, f. hygiene/health promotion); 2. Resident complaints and environmental management status; 3. Fire management, and 4. Topic reports, etc.

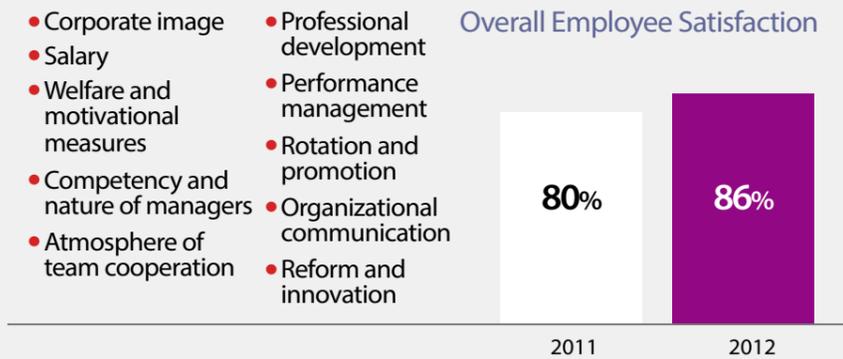
Ratios of Labor Representatives in Safety and Health Committees



In order for Far Eastern New Century employees to enjoy better quality of workplace, Far Eastern New Century regularly conducts employee satisfaction surveys. We hope that through scientific and systematic statistics, we can understand the recommendations and opinions of different employees, acting as a references for the development of promotion and improvement measures, thereby improving employee satisfaction and trust.



10 Facets of Employee Satisfaction Surveys of Far Eastern New Century Employees



Occupational Injuries and Losses Ratios

| Year | Occupational Injury (Cases) | Loss of Work Days (Days) | Total Work Hours | GRI Ratio of Occupational Injuries Causing the Losses of Work Hours | GRI Ratio of Losses of Work Days | Disabling Frequency Rate (FR) | Occupational Hazard and Total Hazard Indices |
|------|-----------------------------|--------------------------|------------------|---|----------------------------------|-------------------------------|--|
| 2009 | 14 | 1,560 | 8,587,924 | 0.30 | 36.33 | 1.51 | 2,361.46 |
| 2010 | 9 | 615 | 8,350,454 | 0.22 | 14.73 | 1.08 | 662.84 |
| 2011 | 6 | 269 | 8,321,523 | 0.14 | 6.47 | 0.72 | 193.95 |
| 2012 | 7 | 106 | 5,631,622 | 0.25 | 3.75 | 1.24 | 131.13 |

Remarks:
 1. GRI ratio of occupational injuries causing the losses of work hours/ Cases of occupational hazard/ Total work hours x 200,000*
 2. GRI ratio of loss of work days = Loss of work days/Total work hours x 200,000*
 3. Disabling frequency rate (FR) = Cases of occupational hazards x 1000,000/ Total work hours
 4. Occupational hazard and total hazard indices = (Cases of occupational hazard x losses of work days) x 1,000,000/ Total work hours
 (*: According to the ratios of 50 weeks per year, 40 work hours a week, and 100 hired employees)

In 2012, we added "health promotion workplace indices" into employee satisfaction surveys. The results show that employees believe Far Eastern New Century is equipped with a thriving work environment which nurtures multi-functional employees. In addition, the overall work satisfaction in 2012 is higher than that of 2011.

We have communicated the results of the survey to unit managers, to help units to fully understand the feedback and opinions of employees, and adopt responsive improvement measures. In 2011, we emphasized salary, welfare and motivation in implementing improvement upgrade measures. Because of this employee satisfaction in the areas of salaries, compensation, welfare and motivations have shown an improvement in the 2012 survey.

Remark: According to Harvard Business Review (2012) Creating Sustainable Performance, organizations can utilize four workplace environmental factors to encourage staff to form a thriving workforce. The four workplace environmental factors include: 1. Bestow a level of authority to those carrying out work. 2. Understand clearly the contribution of personal work achievements to the efficiency of the organization. 3. Mutual trust and respect. 4. Provide work performance feedback.

Security Team



The Far Eastern New Century security team is made up of 119 members of staff. They are all full-time employees, working on three different shifts. We provide better pension compensation for our staff who maintain the safety of factories and offices compared to general employees. In addition, we conduct annual health regimen seminars, in order to ensure their welfare.

Aside from factory security itself, the security team also plays the role of good neighbors. They work together with area surveillance teams consisting of residents from the areas surrounding the factories. Security drivers execute cooperative area surveillance in company cars. We conduct staff training twice a year, in order to reinforce self-defense and practice fitness and counter-violence techniques.



Project Improvement System

Since 1984, Far Eastern New Century has actively encouraged employees "to think how to make their work better" through our system design. We established the project improvement meeting to actively promote the project improvement activities of the corporation. We hope to encourage employees to actively provide constructive, creative ideas and to establish official, continuous, and open channels for well communications.

Since the implementation of this project improvement system and with the cooperation of all business units and factories, the number of projects increases every year, bringing the corporation tangible benefits. In order to encourage employees to put forward creative ideas and concepts related to improving company operational efficiency, we have also created seven areas of motivational awards, related to participation, implementation, special projects, patents, quality of the projects, presentation and quantity of individual projects.

In 2012, Far Eastern New Century gave out bonuses of a total sum of NT\$2.12 million, to encourage every member of the corporation to think systematically and with initiative, to discover potential hidden wastages. Through the project improvement system, everyone can realize the full potential of their intelligence and ability.



Performance Evaluation

In order to implement talent development and wage differentiation, Far Eastern New Century has clear standards regarding employee performance evaluation, training, award, and punishment. In addition, in order to balance fairness and employee development, managers at every level discuss daily performance with employees during the evaluation period, as an appropriate medium for communication between labor and management.

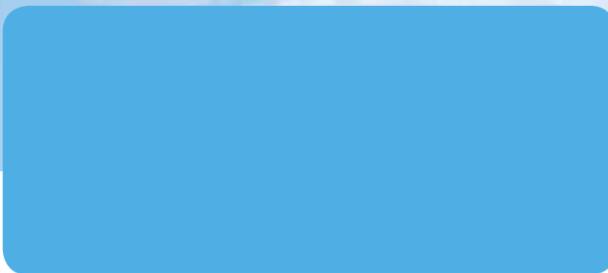
The categories of employee evaluation at Far Eastern New Century include: trial evaluation, normal evaluation, project evaluation, and annual performance evaluation. Employees who have been in the corporation for at least one year must attend. Annual performance evaluations include attendance, educational training and participation, leadership, self-advancement, competency, and performance. We integrate the employees' annual performance evaluation as the final measure for salary adjustment. In addition, if employees have important achievements, they should be evaluated by the general managers immediately, so the employees who perform well can have the opportunity for a salary increase during the year.



Supply Chain Partnership Relationship



Far Eastern New Century cares not only for our employees and actively creating a safe and healthy work environment, we also use the same standards with our supply chain partners, focusing on their work environment and welfare, ensuring the health and safety of our supply partners through management and communication methods.



Communication and Evaluation of Suppliers

In order for our supplier partners to understand and meet our standards regarding safety and ethics, we have stipulated supplier behavior principles, which clearly specify our ethics, compliance, and health and safety mechanisms. At the same time, we pass on our corporate spirit of "Sincerity, Diligence, Thrift, Prudence, and Innovation" via the home page of the ecome website (<http://ecome.com.tw/>), written materials and meetings, thus promoting our concept of corporate social responsibility.

From 2004 to the end of 2012, we were signatories to the "Supplier Behavior Principles and Promise Declaration." The ratio of domestic supplier stands at 85.80%. With regards to domestic suppliers with whom we cooperated with prior to 2004, we planned to complete the three stages of supplier behavior principles and promise declaration within three years, fulfilling our supply chain responsibilities, thus leading supply chain partners to respond collectively to their social and environmental protection responsibilities.

Supplier Behavior Principles

1. **We comply with Labor Standards Law and relevant regulations:** we do not force labor, hire illegally or use raw materials that are prohibited by laws and regulations.
2. **Confidentiality of information:** we guarantee confidentiality of information regarding technology, quality, products, and services, and exhibit business ethics and responsibility.
3. **The limits of user units and purchase:** we set clear boundaries of requisition and purchase. Suppliers and user units can discuss technological topics such as assistance in drawing up specifications and explanations. They are not allowed to discuss or transfer any business clauses to user units.
4. **Occupational ethics:** suppliers and purchase centers engage in a professional relationship. They should avoid invitations, gifts, and social events.
5. **Fixed price:** Suppliers should not quote different prices to different user units in the organization.
6. **Planning for operational staff:** service items that are predictable, such as annual maintenance or specifically skilled maintenance projects, should be planned ahead of time. Suppliers should not give a case overload or holidays as excuses for price increase or not accepting the cases.
7. **Design and contract separation principle:** if suppliers are involved in design or planning, they should not participate in the follow-up execution work of those cases.
8. **Cost analysis:** when raw material or labor costs increase, suppliers should comply with the demands of the purchase center, and provide information on cost analysis.



In order to assure service quality, we use supplier evaluation records as references when selecting suppliers. We also look into records of bad transactions, using the violation point method to evaluate or eliminate suppliers, and also exercise strict control over one-time suppliers. In the future, we will look at concrete conditions, and include the CSR performance of suppliers in evaluation indices, lowering the risks of suppliers' CSR performance through active understanding and analysis.

1. We conducted supplier evaluation every year, making detailed records as the basis for selecting suppliers. Suppliers with bad record ratio higher than 15% or exceeding three instances are temporarily listed as observing suppliers. Regarding those with bad records exceeding five instances, we first try to understand the actual reasons for this, and then decide whether or not to penalize them.
2. When construction cases are being checked for acceptance, "supplier evaluation form" should be filled out. These are divided into four evaluation categories: joint evaluation items, including professional competency, service competency, and problem solving ability; delivery evaluation items, including product quality, on time delivery, defective product improvement speed; engineering evaluation items, including work progress control, expenditure control; and personnel service evaluation items, including personnel turnover and personnel attendance situation.
3. If suppliers are recorded as "improvement need" or "very poor," they are listed as observing suppliers; we will try first to understand the actual reasons for this, and then decide whether or not we will penalize them. In 2012, we evaluated 2,640 construction suppliers. 21.10% were listed in the excellent category, while 77.99% were listed in the good category.
4. We exercise strict control over one-time suppliers. A "one-time supplier" should not be involved in a second transaction within the year. They must provide requested information before continuing business transactions with us. If they have not completed corporate credit reports and relevant documents within two years, they will be removed.

Implementation of Supply Chain Communication and Interaction

We maintain good relationships with suppliers and user units through planned visits. With this face to face communication, we can build mutual trust as well as understanding each other's needs, this in turn benefitting the quality of our cooperation.

| Subjects Visited | Goal Values (Times/Years) | Actual Values in 2012 |
|---------------------|---------------------------|-----------------------|
| User units | 20 times | 25 units |
| Important suppliers | 80 times | 75 units |



Encouraging Green Purchases

Through information collection, advocacy, promotion and product purchase, we lead those within the corporation and supply chain partners in green purchases. We hope that through this, we can guide the industry towards green production and being environmentally friendly.

| Actions | Description |
|------------------------|---|
| Information Collection | <ul style="list-style-type: none"> Through online research of green labels, we understand the green credentials of products, such as environmental protection labels (Environmental Protection Administration, Executive Yuan), energy labels (Bureau of Energy, Ministry of Economic Affairs), water efficiency labels (Water Resources Agency, Ministry of Economic Affairs), and green building material labels (Taiwan Architecture and Building Center). |
| Advocacy and Promotion | <ul style="list-style-type: none"> Internal departments: we have invited experts from the Bureau of Energy at the Ministry of Economic Affairs to introduce green purchases. We also invite companies with environmental protection or energy labels to introduce their products. User units: we request that they purchase environmental protection and energy saving green labels. For large-sum (or large quantity) purchases of electricity and energy consuming products, we request that they conduct energy saving evaluations. Suppliers: Corporations that receive the green or environmental protection and energy saving certifications have priority for purchase or increased weight. |
| Product Purchase | <ul style="list-style-type: none"> Product that receive the green or environmental protection and energy saving certifications have priority for purchase or increased weight. The goal of green purchase is 5% of the sum of all annual purchases. |

Safety and Health Management of Contractors

Far Eastern New Century not only emphasizes employees' safety, but we also care about the safety of contractors at work. We are dedicated to providing a safer work environment, and also try to reduce occupational hazards. We also work hard to ensure the safety and health of that all workers in the factory (including contractors). Having signed contracts with contractors, we then request that they sign safety and health documents such as the "Contractor Safety and Health Promise", "Preparation for the Establishment of Labor Safety and Health for Managerial Staff" and the "Contractor Operational Safety and Health Records." In addition, we require that contracted workers participate in safety and health educational training, and pass relevant tests. We also conduct occasional educational training and meetings of various kinds for contractors. These include safety and health standards that must be met by contractors' vehicles and machinery. We sign organizational agreements with contractors every year, in order to ensure safe operations. For the construction and assistance in contracting after winning the bids, through such undertakings, we ensure that safety and health are upheld on the part of contractors during construction and thus reduce the risk of accidents.



| Item | Method |
|--|---|
| Signing of standards | Filling in work applications and relevant signing-in information |
| Contractor educational training | We conduct safety training and operational hazard awareness with newly hired contractors when first entering the factory. We request that they sign notices; they are then retrained twice a year. |
| Comment on operational hazards | We conduct 5~10 minutes of operational hazard awareness before entering the factory. We announce safety notices, and request that they sign the notices. |
| Alcohol test | Before they entering the factory, security staff perform an inspection upon operational staff. If security staff smell alcohol, they will perform an alcohol test. If staff are found to have consumed alcohol, they are not allowed to enter the factory. |
| Safety notices on the surrounding area | When entering the factory, contractors are notified regarding safety in the surrounding area. We also provide documentary films, education, and advocacy related to operations, and remind staff entering the factories to be aware of the importance of work safety. |
| Review and improvement | We review weaknesses in the work of contractors every day, and made improvement. Contractors are asked to take records of occupational safety lapses that happened on that given day, and are required to make improvements the following day. |

Safety Partnership Plan

In order for Hsinpu Chemical Fiber Plant to upgrade overall safety and health performance, we applied to participate in the "safety partner plan" of the Northern Region Inspection Office, Council of Labor Affairs, Executive Yuan. The period of cooperation lasted from December 24th 2009 to December 31st 2011. The contents included: 1. Safety and health educational training. We have recorded case studies of occupational hazards in factories. 2. Contracted management. On occasion, we invited the Northern Region Inspection Office to come to the factories for themed speeches and sharing of experience. 3. Promotion of the "Taiwan Occupational Safety and Health Management System." 4. We have conducted high risk observing seminar of a chemical engineering plant. 5. Labor safety cooperative inspection. We invited experts to come to the factory and work with the safety inspectors to look into weaknesses in safety and health management, and to make improvements.



The Council of Labor Affairs Safety Foundation Plan

By 2010, the Hsinpu Chemical Fiber Plant had cooperated with the "Labor Safety and Health Foundation Plan - Labor Safety and Health for Registered Families" for three consecutive years. With large factories leading small factories, we have assisted and guided medium and small sized enterprises in improving their work environment. The Hsinpu Chemical Fiber Plant was voted as Hsinchu County's major company for "building safe families." We conduct regular family operational meetings, mutual safety inspection and on-site hazard recognition, accident case review meetings, and targeted training of safety and health staff, etc.

The Council of Labor Affairs TOSHMS Promotional Meeting

In 2010, Hsinpu Chemical Fiber Plant participated in the Council of Labor Affairs "Taiwan Occupational Health and Safety Management System TOSHMS Promotional Meeting." We were named the deputy director of northern region promotional meeting educational training group. We shared our practical experience with industrial circles, helping improve the safety and health technical abilities of other enterprises, in order to reach our goal of continuous improvement of the management system.

Maintenance of Client Relationships

Far Eastern New Century emphasizes the pursuit of customer satisfaction. We continue to develop products and services that satisfy our clients. From product design, research and development, production and manufacturing to after-sales service, we continually pursue customer satisfaction. Even when customer satisfaction surveys are not carried out, we nonetheless collect client opinions and recommendations immediately through clear and direct feedback and communication mechanisms, sending these to various departments for analyses and responses, to deal with problems and promote overall measures. The corporation's channels of client communication include:

1. On occasion we use phone calls, e-mail, fax, letters, webcams, visits, business trips, and participate in exhibitions to maintain client relationships.
2. According to the various needs of clients and orders, we provide order progress reports, loading statuses or price changes of raw materials for the reference of our clients whenever needed.
3. We develop new products or cooperate with clients to develop new production processes and products.

When our sales or customer services representatives receive complaints or notices, they record the problem immediately, using paper documents or electronic information systems, and report client complaints to the managers.

If we receive complaints regarding quality, we will visit the client for inspection when required, or go with the technicians and other relevant staff to the factory and handle the case in accordance with the Far Eastern New Century "Customer Quality Complaint Handling Standards."

Customer Complaints Handling Mechanism

Far Eastern New Century has stipulated "Customer Quality Complaint Handling Standards." Sales departments handle customer complaint letters with paper documentation or electronic information systems. In addition, the company website also includes functions such as FENC news and contact email addresses for recommendations and feedback, meaning that clients can respond immediately to problems when they receive important messages from the company.

All company units follow the processing of customer complaints, which are organized into files. If the results of this process require the company to pay compensation, the compensated amount is authorized by each of the business units.

The Key Points of Customer Complaints

1. When we receive oral, paper, or e-mail customer complaints, we notify production units to look into the reasons and the parties responsible, and come up with a solution. Relevant units should bear the responsibilities for improvement and provide improvement proposals, in order to ensure that the same mistakes will not happen again. We respond immediately to clients, and send technicians promptly to handle customer complaints.
2. General cases should be responded to within 7 days, depending on cause analysis, improvement strategy, and compensation method.
3. If large cases need a lot of time to be analyzed and handled, we will notify the clients first, and after the process is complete, we will respond officially to the clients.



Client Needs Management

Far Eastern New Century emphasizes satisfying client needs and the pursuit of customer satisfaction. In order to respond to client needs for product innovation, we provide products and services that fulfill client expectations through thorough research and development, and after-sales service mechanisms.

Response Mechanisms

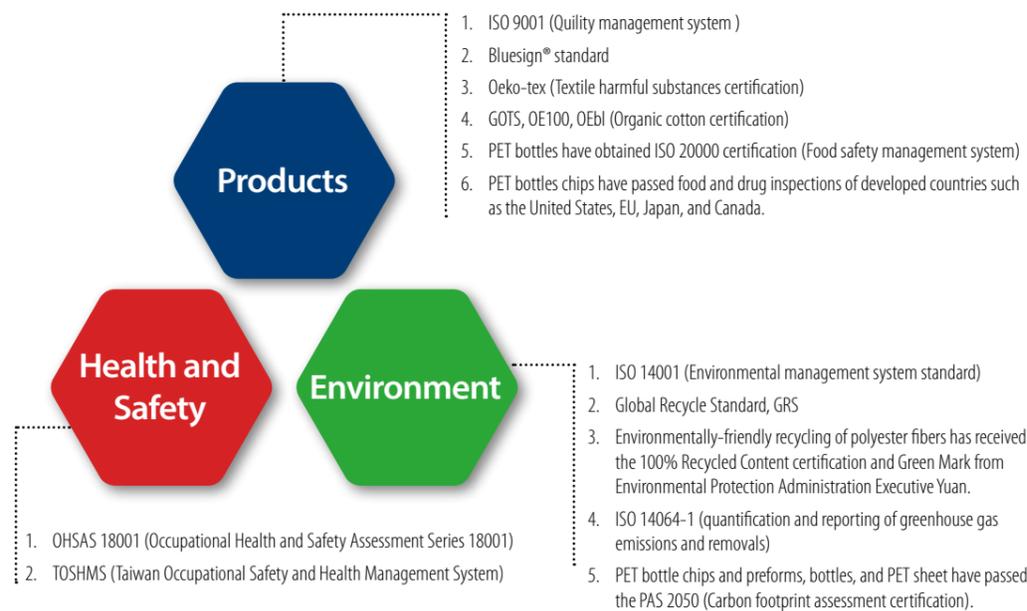
| | Raw Materials | Production Procedures | Environmental Protection |
|----------------------------|---|--|--|
| Client needs | <ol style="list-style-type: none"> 1. Diverse and functional options 2. Quality stability 3. Competitive price | <ol style="list-style-type: none"> 1. Strict production management 2. Quality stability 3. Punctual and precise shipping | <ol style="list-style-type: none"> 1. Reduce products' environmental impact 2. Reduce the materials used in production processes 3. Energy saving and carbon emission reducing measures |
| Response mechanisms | <ol style="list-style-type: none"> 1. Search out and cooperate with users of the products in domestic and international raw material plants. 2. Long-term and diverse purchases to fulfill raw material resource needs. 3. We make purchases at appropriate times and continue to make improvements regarding production cost. | <ol style="list-style-type: none"> 1. All unit managers conduct regular reviews 2. Machine maintenance and compliance with management standards 3. Fully communicate to ensure precise shipment dates | <ol style="list-style-type: none"> 1. Search out and use raw material factories and products with environmental protection certification 2. Work together with downstream companies to collectively reduce the use of the raw materials in the supply chain. 3. Optimize production processes and re-install facilities in order to reduce energy lost through wear and tear. |

Upgrading Mechanisms

| | Raw Materials | Production Procedures | Environmental Protection |
|---------------------------------|---|--|---|
| Research and development | <ol style="list-style-type: none"> 1. We focus on and develop innovative raw materials and promote its application. 2. Collective and integrated development of supply chains. 3. Advanced research and development capabilities. | <ol style="list-style-type: none"> 1. Continue with the optimization of production processes 2. Provide effective inspection/control methods, to make sure the quality of products meets standards. | <ol style="list-style-type: none"> 1. Design products and procedures to use the newest environmentally-friendly materials and energy-conserving and emission reducing processes and facilities. 2. We choose reusable materials, while researching environmentally-friendly and energy-conserving packaging materials. |
| Production | <ol style="list-style-type: none"> 1. Ensure raw materials meet required standards. 2. Similar products are produced with similar raw materials. 3. Purchase raw materials at the proper time, ensuring steady price and supply. | <ol style="list-style-type: none"> 1. All production control points are implemented in full. 2. As stipulated by production records, we keep an eye on abnormal occurrence points and immediately make improvement. 3. Lower rate of abnormal occurrence during production. | <ol style="list-style-type: none"> 1. Remove and renew old facilities properly, upgrade production capacity, and lower energy wastage. 2. Apply for international environmental protection certifications. 3. Production reviews and designs plan to reduce unnecessary wastage. 4. Concentrated processing to reduce use for raw materials and energy. |
| After-sales service | <ol style="list-style-type: none"> 1. We record the status of raw material usage immediately and thoroughly. 2. When changing raw material, we notify clients and suggest production conditions. 3. Regularly record usage status. | <ol style="list-style-type: none"> 1. Respond to the client response status, communicating and making necessary adjustments on the site. 2. We assist clients in setting the best production coefficients according to the product characteristics. | <ol style="list-style-type: none"> 1. We assist clients in reducing raw material wastage during production. 2. Promotion of new production processes, new products, and environmental protection certification. |

Information Platform Integration Plan

We Obtained Relevant Certification in Response Client Needs

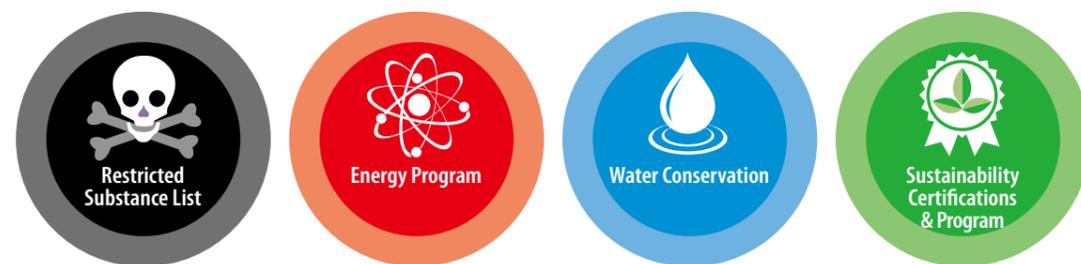


Participating in Brand Sustainability Plans

Far Eastern New Century has fulfilled its supply chain social responsibility: we respond proactively to the concepts of sustainability of brand suppliers, and are striving onward towards the goal of using environmentally-friendly raw materials. We also respond proactively to green plans and standards promoted by suppliers.

Currently, brands who purchase Far Eastern New Century products use network platform mechanisms in evaluating the sustainability of the supply chain, requesting suppliers to send certification documents and then conducting a points evaluation according to the conditions of certification documents. We cooperate in fulfilling societal and environmental sustainability responsibilities.

The certification documents that Far Eastern New Century have uploaded upon request of clients are as follows:



With the development of global trade, Taiwan textile industry's environment is facing difficulties, such as the questions of how to develop new products in a timely manner, respond quickly to client needs and make production management information transparent. We will need to be actively involved in electronic operations, in order to improve competitiveness.

To this end, Far Eastern New Century is actively involved with internal and external procedural management information, and promoting the information platform integration plan. Through organizational restructure, we changed the one-way transfer mode of department information on supplies from chemical and fiber plants, apparel, and finished products, so that information relating to research and development, production, and marketing can reach multiple destinations through platforms of communication. At the same time, we share resources with external clients and satellite factories in order to optimize service quality. We can further boost the global efficiency, and promote industrial competitiveness. This way, we can boost the efficiency and effectiveness of Far Eastern's global operations and improve the competitiveness of the industry.

Orders are the main nucleus of our planning. When we receive order confirmation, we enter a global production planning integration platform. We conduct order production planning and abnormal status monitoring. We transform production procedures into searchable information feedback for clients to conduct statistical analysis. This forms a reference base for future research and development, developing into a comprehensive guidance service.

In addition, in order to strengthen internal production, control efficiency, optimize resource use and reduce rolling time, we use buyer prediction systems before clients officially confirm purchases. We first collect the predicted purchase quantity of each big brand buyer, then conduct purchase information integration. In the meantime, we transfer information to our cooperating raw material suppliers (yarns). We prepare the raw materials of yarns and fabrics in advance for large quantities, in order to speed up actual production and improve efficiency.

Social Participation

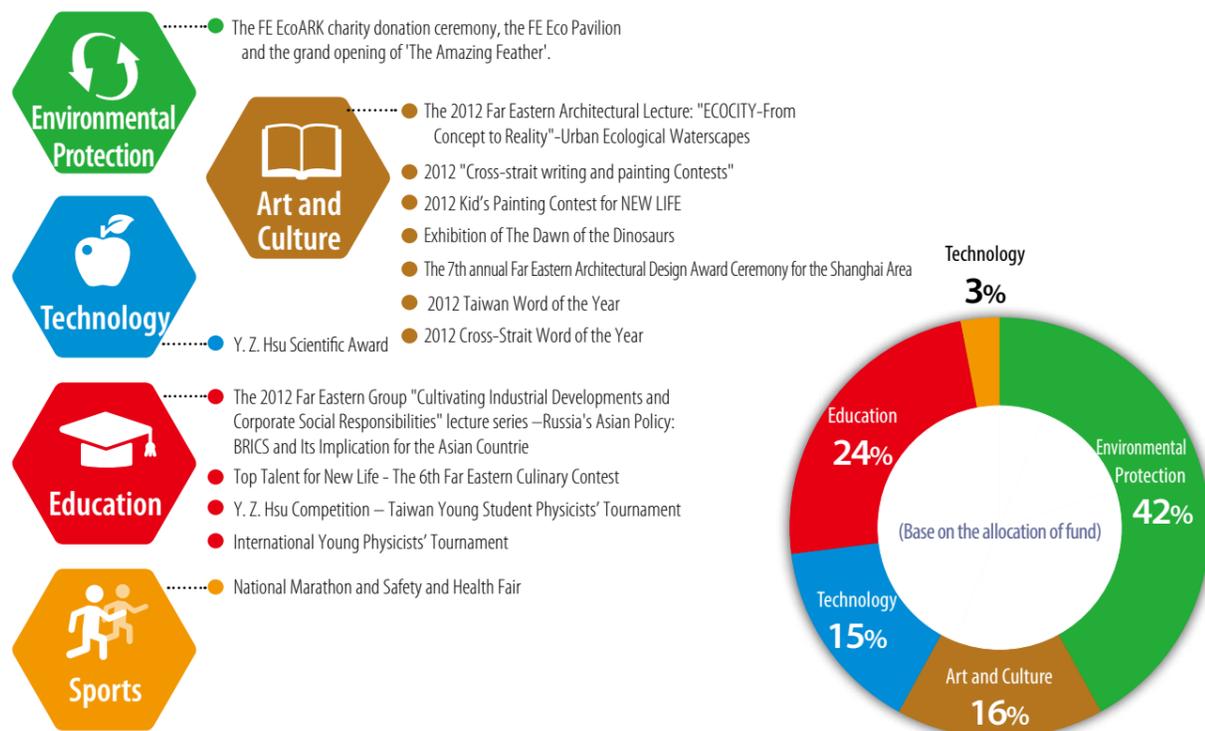


Since the establishment of Far Eastern New Century, We have always held to the concept that "returning prosperity to society."
We continue to be involved in and support social participation and charity.
Our promise and strategy of social participation is founded on the corporate spirit of "Sincerity, Diligence, Thrift, Prudence, and Innovation."
We use the innovative ideas to promote charity events.



Aspects of Far Eastern New Century's Social Participation

2012 Status of Far Eastern New Century's Social Participation



Two characteristics of Far Eastern New Century giving back to society

1. It has been 63 years since our establishment. We have been involved in charity for over two thirds of that time. Social participation has already become a part of our corporate culture.
2. We have established our foundation, school, and medical institution through donations, to promote all kinds of charity events. We will enact an ever bigger societal influence through substantive action.

Far Eastern New Century began to get involved in charity events in 1970, and we actively promote relevant social participation events. We have established the "Far Eastern Memorial Foundation." We have sponsored various kinds of literature, education events and medical research and assistance. At the same time, the Far Eastern Group has actively supported educational undertakings with very long-range payoffs. The Group therefore established the Oriental Academy of Industrial Technology; this school was promoted to the Oriental Institute of Technology in 2000. The Group also established the Yuan Ze Institute of Technology in 1989, and this school was upgraded to Yuan Ze University in 1997. It was also the first educational institute rewarded with the National Quality Award by the Executive Yuan in October, 2003. It was also named one of the Top 400 universities in the world in 2011 by the Times Higher Education World University Rankings. We have nurtured countless industrial technical talents for the welfare of our society.

In addition, in the 1970s and 80s, the late founder Yu-Ziang Hsu saw that Banqiao and Tucheng in Taipei County were overloaded with factories and a dense population but

lacked large modernized hospitals. Injured patients in need of emergency care had to be transferred to Taipei City, which was far away and time-consuming. In order to change this, Far Eastern New Century participated in donations to the "Far Eastern Medical Foundation." We held to the principles of self-built hospitals, emergency assistance, pro bono treatment of disease, and rewarding medical research. In 1981, we established the Far Eastern Memorial Hospital in Banqiao. It was the largest hospital in the Banqiao area. In 1999, the Far Eastern Memorial Hospital united with the National Taiwan University Medical Center. In 2006 and 2008, we garnered the National Quality Award, as well as individual and group awards. Currently, it is the first medical center in New Taipei City, Taiwan. Not only is an important place for cardiology and organ transplant, but it is also the only hospital in Taiwan that can perform a small intestine transplant.

In 2000, the late founder Yu-Ziang Hsu passed away. In order to remember his spirit of cultivation in industry and charity, Far Eastern New Century and other affiliates, along with the Hsu family and friends, collectively established the Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation, based on the mission of fostering technology & innovation. In 2001, the National Science Council of Executive Yuan approved the establishment of the foundation.

Far Eastern New Century hopes to improve the global integration of the Taiwanese people through art, literature, education, environmental protection, and sports, while getting involved in the nurturing of the nation's future elite. We hope to improve Taiwan's global vision and competitiveness. In addition, we are also actively involved in social participation, encouraging community feedback and interaction.

The Sum Invested in Social Participation of 2012

| | Unit | 2009 | 2010 | 2011 | 2012 |
|--------------------------------------|------------------|--------|--------|--------|---------------|
| Charity donation (Cash donation) | Millions of NT\$ | 207 | 462 | 265 | 108 |
| Annual revenue | Millions of NT\$ | 41,890 | 53,759 | 61,557 | 60,682 |
| Ratio of charity donation to revenue | (%) | 0.5% | 0.9% | 0.4% | 0.2% |

Remarks: The table above is the amount of cash donation for Far Eastern New Century (Not including factory donations and volunteers)

Details of 2012 Cash Donations

Unit: Thousands of NT\$

| No. | Name of Event | Participation Status |
|--------------|--|----------------------|
| 1 | Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation and Yuan Ze University | 10,779 |
| 2 | The Straits Exchange Foundation | 1,250 |
| 3 | Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation - prize expenses | 14,357 |
| 4 | Far Eastern Memorial Foundation - prize expenses | 81,278 |
| Total | | 107,664 |

Remarks: Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation and Far Eastern Memorial Foundation were both thanks to collective donations of Far Eastern Group Affiliates



2010 Taipei International Flora Exposition – FE Eco Pavilion

Taiwan currently recycles approximately 90,000 tons of PET bottles and containers per year, which is equivalent to 4.5 billion 600ml mineral water bottles. This volume could fill 3 Taipei 101s, and put end to end, this number of bottles could circle Taiwan 108 times. Such a quantity is tremendous. To combat this, Far Eastern Group has invested nearly NT\$300 million since 2010, making use of our professional skill in manufacturing PET bottles. We used 1.52 million recycled PET bottles as the raw materials to make PET bricks, and build the FE EcoARK. This building became the Pavilion of New Fashion at the 2010 Taipei International Flora Expo. It has attracted over 2 million visitors, allowing people to witness the contribution of PET recycling to environmental protection.

In 2012, in order to continue the charitable achievements of FE EcoARK and allow more people to experience them, Far Eastern Group donated FE EcoARK, the world's first green building made from PET recycling, to the Taipei City Government, and redecorated and planned the FE Eco Pavilion on the second floor.

From construction to operating and opening, we invested NT\$300 million in the FE EcoARK. In the period after the Flora Expo, we continued to be involved in promoting environmental protection, and the concept of recycling. The FE Eco Pavilion is like a Noah's Ark which contains the vision of sustained ecology - people can ride it to the highest echelons of energy saving and carbon emission reducing



FE EcoARK



1. The most environmentally-friendly building in the world, meeting the international LEED Platinum Certification Standard.
2. The only 100% remade product in the world- 100% recycled PET was used to produce a semi-transparent external wall coverage system.
3. The first carbon neutral building in the world.
4. The strongest and lightest semi-transparent curtain wall system in the world.
5. The first integration of a curtain wall system and solar-powered LED lighting.
6. Built from the only architectural materials that can be produced and manufactured on-site. This can reduce the environmental impact of transporting materials.
7. The only material that uses a pre-stressed model system to increase the sideways pressure resistance of buildings.



1. We have built the greenest renewable building in Taiwan.
2. The lightest steel structure of any public building facility in the history of Taiwan. The normal unit for the steel structural distance is approximately 130 kg/m² It is 72 kg/m² for FE EcoARK.
3. 100% of building materials were made in Taiwan.
4. The first indoor cooling system in Taiwan that does not require generated power.



| Item | Characteristics |
|--|--|
| Manpower | Far Eastern New Century support manpower includes design, construction, architectural managing, exhibition decoration, management, and advocacy events, as well as the Far Eastern Memorial Foundation, Far Eastern Department Stores, SOGO Department Stores, Far Eastern AMart, Far Eastern Apparel, Far EastTone Telecommunication, Far Eastern International Bank and other companies. |
| Uniqueness | <ol style="list-style-type: none"> 1. Far Eastern New Century is responsible for the construction, operation, and exhibition decoration of the FE EcoARK. We have invested manpower and materials to conduct research on the production of hexagonal PET bottle bricks. 2. 100% Made in Taiwan, it can hold 500 people. It is the world's first large exhibition pavilion made from waste. |
| Energy saving and environmental protection | <ol style="list-style-type: none"> 1. The design of the Ark is light and stable. It echoes the points that Far Eastern New Century emphasizes: reduce, reuse, and recycle – the spirit of environmental protection and energy saving. 2. We used the natural elements of sunlight, air and water, along with PET bricks' high transparency to introduce natural light and reduce the need for lighting and electricity use during the day. 3. Due to the design of our solar energy panels, we can have self-sufficient night lighting. 4. We use rainwater recycling to create a 27.5 meter outer wall water curtain, which has a natural cooling effect. 5. The pointed design of the northeastern corner echoes the head of the ship. This way, we can guide the northeastern breeze into the room, creating an environment that does not need air conditioning. 6. When air is injected into the PET bottle bricks, the heat-resistance effect is four times that of glass curtain architecture. |
| Benefits | <ol style="list-style-type: none"> 1. We promote the environmentally-friendly idea of PET bottles. Even though the recycling rate of Taiwan PET bottles is 95%, the rest still becomes non-biodegradable garbage, severely damaging the environment. Through this program, we can introduce to people the concept of PET bottle recycling. 2. We have established concrete and balanced standards for environmental protection and economic development. Using traditional lighting methods to illuminate large buildings, more than 400,000 LED lights are needed, using points, lines, and planes to form a large LED wall, however the FE EcoArk use a structure like concave and convex lenses in the inside of PET bottle bricks to cleverly let every LED light produce the effectiveness of 10 through the halation of refracted light, making a 90% power saving; at the same time, using solar panel design, made night time light source self-sufficiency in terms of power supply was achieved, even more fulfilling the spirit of green "energy." 3. We have effectively advocated the concept of green buildings in Taiwan.'100% Made in Taiwan' promotes a green image for Taiwan, and internationally renowned media institutions such as the New York Times and British BBC television have reported on it. The National Geographic Channel also produced a "Megastructures: EcoARK" documentary film, which has been broadcast in 34 different languages and in 168 countries since March 2011, with over 37 million total viewers. This has helped Taiwan to step out onto the international stage. |



Public Art That Integrate Concepts of Environmental Protection

Inspired by a trend for beautifying cities in recent years, public art has become another feature of the city's image. Yet we hold to the spirit of sustainability. After the 2012 Flora Expo ended, we emphasized the three Rs (Reuse, Recycle, Reduce), PET bottle bricks and renewability. Through the Far Eastern Memorial Foundation, we made donations to 100 elementary schools, including those affected by the Typhoon Morakot in 2009, and also established a campus green seed PET system, in the hope of improving the campus landscape, and local environmental concepts, humanity and culture.

In addition, in order to encourage creative teachers, students and members of the public to participate in the creation and discovery 'experimental', 'open' and 'public' art works, we conducted the "Far Eastern Campus green seed - PET installation competition" in those 100 schools equipped with green areas. With planning from artists in the schools and community, we began budget applications, encouraged use of green resources in the schools and set up "PET green installation." To further improve quality and establish a "green environment," we also recommend that schools get involved in local literature, working with groups of artists.

We hope to contribute to the beautification of cities through these environmentally-friendly green establishments, blending into campuses and surprising city highlights, and to pass on these concepts to the next generation through substantive action.

| | |
|----------------|---|
| Resources used | "Far Eastern Campus green seed - PET device" (donated to 100 schools including that were affected by Typhoon Morakot): design, production and shipping fees came to nearly NT\$20 million; along with the establishment of the competition, we invested a total of NT\$22.07 million. |
| Benefits | 1. Improve the campus landscape 2. Provide remote schools which lack resources with the best resources for environmental and aesthetic education. 3. Improve understanding of environmental concepts among school children and local residents and nurture an aesthetic appreciation. |



Sponsoring Speeches on Ecological Architecture

T-Park is an old factory site idle land in the Banqiao District of New Taipei City, currently being developed by Far Eastern New Century, with telecommunications networks as its basis. It provides an open testing platform, and is being developed into a professional telecommunication park of broadband services, telecommunication software development, digital content development, and new generation information facility research and development, creating an ideal environment for research and development in the telecommunications industry.

T-Park emphasizes technology and ecology in its park design. We have utilized the concept of using "humans" as the basis of ideas in creating this telecommunications park. We have transformed the park into a paradise rich in ecology, technological functions, and urban character. We used greenery, water, and public art to create the scenery, and form a space that is suitable for life and culture. This improves the quality and creativity of the work and life environment, attaining the goal of green energy conserving the environment and an image created by an ecological environment.

In order to promote the concept of development in tune with the environment, in 2012, the Far Eastern Memorial Foundation and the T-Park cooperated in hosting the "The 2012 Far Eastern Architectural Lecture." We invited internationally renowned landscape architect, and German designer Dieter Grau to Taiwan to co-host the event. Dieter Grau is also the designer of the T-Park Park Ecological Pool. The topic of the seminar was "ECOCITY-From Concept to Reality-Urban Ecological Waterscapes." Through the transformation of Germany's Ruhr Industrial Park riverside, we explored the concepts of rain collection, practical experience of this utilization, and the water element in the application of city landscape design, helping bring Taiwan's urban design and planning into line with international trends in environmental protection.

In T-Park, we try our best to preserve every raindrop, whether on our green roof, underground permeability zone or ecological flood detention pool. We use the rain to irrigate the 1,000 trees in the park. This allows these trees to absorb a large amount of carbon dioxide, and breathe out oxygen. Thus the traditional factory is transformed into a hi-tech technology park which cherished our Earth and water resources. Such methods are enough to make Taiwanese cities the greenest in Asia.

In addition, in order to improve the beauty and quality of life in Taiwan, spur on the pursuit of creativity in domestic architectural circles, and improve Taiwan's competitiveness, the Far Eastern Memorial Foundation and Yuan Ze University jointly held the "2011 Far Eastern Architectural Lecture." Spanish architect Dr. Santiago Calatrava presented his design work in Asia at the Yuan Ze University Art Campus Special District and Y.Z. Memorial Hall. He hoped to use ecological environmentally-friendly architecture to promote Taiwan and increase the visibility of Taiwan in the world, with the hope that Taiwan will become an island of creativity in literature and the arts. The public space that was officially used, could also be used for all kinds of charity events.





The Vote for the 2012 Taiwan Word of the Year and the Cross-Strait Word of the Year

Since 2008, the Far Eastern Memorial Foundation and the United Daily News have co-operated in publicizing The annual Taiwan Word of the Year, attracting the enthusiastic participation of the Taiwanese public and considerable media attention. The annual Word of the Year, as chosen by the public, reflects Taiwanese people's hopes and feelings. It can also get Taiwanese society as a whole to both reflect on the past year and look to the future. The 2012 Word of the Year was selected after 21 days and 62,108 telephone votes, being chosen eventually from among 82 shortlisted words. The Taiwanese public chose the word 'worry'.

In 2012, the Foundation also organized the Cross-Strait Word of the Year in conjunction with cross-strait mainstream media institutions such as Want Daily, the West Strait Morning Post and Sina. After more than 4.79 million online votes were cast on both shores, the word 'even' was chosen as the 2012 Cross-Strait Word of the Year.

Resources used Event expenditure was NT\$2.05 million, with 12 company volunteers.



The Y. Z. Hsu Scientific Awards



The Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation was established with the mission of fostering technology & innovation by one of the founders of Far Eastern New Century. It was the first private foundation approved for establishment by the National Science Council of Executive Yuan. Since 2002, the Foundation has held the regular annual Y. Z. Hsu Scientific Awards, including major awards such as the Y. Z. Hsu Scientific Chair Professor, the Y. Z. Hsu Scientific Paper Award and the Y. Z. Hsu Technology Invention Award. They encourage outstanding talent within Taiwan's academic community, investing in research and development and innovation. The awards will continue have a positive influence on society by commending outstanding individuals in emerging science and technology, and promoting exchange between different areas of industry.

The focus of the Y.Z. Hsu Scientific Award is on four major emerging areas of science and technology, namely Nano Science & Technology, Communication & Optoelectronics, Bio-medical Technology, and Green Technology; these areas have a wide-ranging impact but receive relatively little public support in Taiwan. The Scientific Chair Professor Award presents NT\$1 million to each recipient, one of the largest scientific awards in Taiwan. Since its incipience in 2001, the award has become a major event among the scientific community in Taiwan. The tenth Y. Z. Hsu Scientific Awards in 2012 received over 200 applications, setting a new record.

The 10th Annual Y. Z. Hsu Scientific Awards were opened for applications in November and December 2011, receiving 204 in total. In January to March 2012, 316 academic experts took part in a peer's review, selecting four recipients for the Scientific Chair Professor, eight publications for Scientific Paper Award and three winners of Technology Invention Award. Together with Yuan-Ze Chair Professor and Outstanding Professor Award, a ceremony was hosted in August 2012, and 22 winners were presented with a total prize of NT\$9.2 million.

The Y. Z. Hsu Scientific Awards have attracted 1322 participants since their establishment, and have rewarded 196 outstanding people with technological talent from among the Taiwanese academic community. It has become one of the country's most important technology prizes. Fourth volume of Y. Z. Award Papers of Science and Technology (containing past winners of the Y. Z. Hsu Scientific Paper Award) have been published, a total of 1,395 copies of which have been donated to 161 universities, libraries and research institutes across Taiwan, with the hope of nurturing further technological talent in the country.

The Y. Z. Hsu Competition – Taiwan Young Student Physicists’ Tournament and the International Young Physicists’ Tournament

In order to nurture students' abilities to express themselves in English and their ability to reflect logically on physics, the Far Eastern Y.Z. Hsu Science and Technology Memorial Foundation has, since 2009, collaborated with the physics department of the National Taiwan Normal University to host the "Y. Z. Hsu Competition – Taiwan Young Student Physicists’ Tournament" for Young Taiwanese Physicists, the first ever English-language physics debating competition aimed at high-school students in Taiwan and the biggest prize on offer to Taiwanese high-school students for a scientific competition.

The fourth annual Y. Z. Hsu Competition – Taiwan Young Student Physicists’ Tournament in 2012 attracted 18 teams from different high schools across Taiwan, with a total of 110 student and teacher participants. We also provided specialist teacher-training professionals. Total expenses for 105 staff and activity running costs came to NT\$7.47 million. Since hosting the four annual events, 85 teams from schools all over Taiwan have come to participate, with over 524 students and teachers, and the results have been outstanding. Resources were needed to fund 338 staff days and running costs of NT\$26 million.

The Y. Z. Hsu Competition – Taiwan Young Student Physicists’ Tournament promotes education in an innovative way. In order to give Taiwanese students further opportunities to integrate internationally, we also sponsor training for exceptionally talented students chosen from the event to take part in the International Young Physicists’ Tournament, competing for glory on behalf of our country.

Teams selected from the event to represent Taiwan participated in 23rd, 24th and 25th annual tournaments held in Austria in 2010, Iran in 2011 and Germany in 2012. The teams achieved the remarkable distinction of three silver medals in a row in these events.

Even more special is the fact the National Taiwan Normal University Physics Department won to host the 2013 26th Annual International Young Physicists’ Tournament. This is the first time that Taiwan has been awarded hosting rights for the event. In 2012 the IYPT International Executive Committee came to Taiwan to inspect the progress of preparations for hosting the event. Hosting of the event is expected to increase the international visibility of Taiwanese academic research. Moreover, hosting this international competition will promote ideas of learning from one another among different nations, helping to expand Taiwanese students’ academic horizons as they come into contact with different cultural traditions from across the world and learn to respect different people, thus improving their personal attributes.



Publishing the Far Eastern White Paper Series



2009 was the 60th anniversary of the establishment of the Far Eastern Group and its parent company Far Eastern New Century. With preparation and planning undertaken by the Far Eastern Memorial Foundation, May 2010 saw the publication of a collection of white papers entitled "Inaugurating a New Epoch: Endeavoring for a Brighter Future" (also known as the 'Far Eastern White Paper Books!') This invited the most renowned and influential contemporary scholars in Taiwan to come together with their suggestions regarding the various challenges that Taiwan will face in the future.

The Far Eastern White Paper Book received excellent reviews from various circles upon its publication. In view of the constant changes in the domestic and international political environment, we have looked into contemporary industrial and economic developments every year subsequently, publishing a series of White Paper Books. In future, we plan to look into practical needs and revise the White Paper Books or to hold conferences on general issues, continuing to demonstrate our concern for the long-term development of Taiwanese society. We look forward to seeing Taiwanese society striding onward in today's climate of constant political and economic flux, developing steadily and, with a long-term vision, improving the future.



The Far Eastern White Paper Series

| Year of Publication | Title | Chapters | Comment |
|---------------------|--|--|---|
| 2010 | The White Paper entitled "Inaugurating a New Epoch: Endeavoring for a Brighter Future" (also known as the 'Far Eastern White Paper'.) | Twelve topics including: Focus on the Economy and Industry; Finance; Education and Human Resources Training; Agriculture; Labor Capital and Employment; Health and Healthcare; Rule of Law; Environment and Resources; Art and Culture; Society; Democracy and Governance; Cross-Strait Co-operation and Peaceful Development. | Invited experts give their suggestions regarding 12 major topics. |
| 2011 | The Outlook on Cross-Strait Trade and Financial Co-operation in Post-ECFA Era | <ul style="list-style-type: none"> • The service sector stepping into a new era. • The new trade situation post-ECFA • Opening up new horizons in finance. • The golden decade | Experts are invited to provide their thoughts in response to the signing of the Economic Co-operation Framework Agreement. |
| 2011 | Cross-Strait Co-operation — and Peaceful Development: a Win-Win Stable Road | <ul style="list-style-type: none"> • Review of the current situation. • Analysis of problems. • Setting targets. • Method and strategy. | A reference of academic studies on government administration in Taiwan and overseas, intended for the wellbeing of compatriots on both sides of the Strait, to help those on both sides achieve long-term, mutually beneficial results. |
| Resources used | <ul style="list-style-type: none"> • Expenditure was NT\$6.81 million in 2010, NT\$5.21 million in 2011 and NT\$0.25 million in 2013, a total of NT\$12.27million in three years. | | |



The Far Eastern New Century Cup Marathon — The Chemical Fiber Plant

Far Eastern New Century believes that "the health of our staff is the company's greatest asset." In order to improve staff health, the Hsinpu Chemical Fiber Plant in Hsinchu County decided to replace "bad habits" with "a habit of exercise." The Far Eastern New Century Marathon Society, initially set up by workers in the factory, later began to plan a national marathon, to nurture in staff members the ability to set goals and develop self-motivation, and to encourage staff participation and quitting smoking. In 2012, the factory in Hsinpu, Hsinchu County hosted the National Marathon and Safety and Health Fair, which attracted almost 3,000 marathon runners from across Taiwan, and enthusiastic participation of more than 5,500 residents of the Hsinchu area.

Planning began in January for the 2012 4th annual marathon, continuing until the event itself in November. Members of the Far Eastern New Marathon Society ran trials routes all around the area surrounding the factory every Saturday, in order to select the best route for the marathon. In addition, to ensure the approval and support of residents living along the marathon route, they developed an "approve and support the marathon route" program, which has been running for over a year. To encourage the participation of members of the public who enjoy running, we worked together with the forum moderators of the highly popular websites, "Runners' Plaza" and "SportsNote" to promote this year's marathon, and also set up a "fan group" on Facebook.

On the day of the marathon, we obtained the willing help of volunteers from the local community to help with the event. Thanks to support from local businesses and the community, all goods and labor needed for the preparation of the event were achieved without outsourcing, and were rather completed through co-operation among company employees. For refueling after the marathon, we took the innovative step of hosting a garden party, full of local flavor. Dozens of vendor stalls at the garden party offered runners a multitude of options, ensuring the runners could refuel with their favorites.

As the Far Eastern New Century Cup Marathon was such a success, initial planning for the 5th annual marathon on the 13th October 2013 is already underway. We will continue to host the marathon every year, attracting runners from all over the country while encouraging other companies to do the same, and promoting a culture of exercise.



Community Involvement of Factories in 2012

- When upgrading, we donate old computer equipment to indigenous communities and schools in Hualien, following cleaning and repairs.
- We donate to the Taiwan Fund for Children and Families.
- We maintain the pavement on Section 2 of Dunhua Road, Da'an, Taipei.

Headquarters



Hsinpu Chemical Fiber Plant



- 2012 Volunteer meeting
- We sponsor groups in Wenshan Community Development Association, the Environmental Protection Association, River Patrol, Housekeeping Class and Neighborhood Watch.
- We have opened basketball courts, swimming pools, gyms and a car wash facilities for members of the community to use.
- We help the community to prune trees and bushes around the factory.
- We have opened the Far Eastern Clinic, to give members of the community easy access to diagnosis, with the fees charged the same as those charged to employees

Neili Texturizing Plant



- We donate recyclables to the Tzu Chi Foundation.
- We donate to temple fairs and related activities.
- We help with neighborhood club activities and sponsor environmental protection volunteers.
- We assist in the maintenance of roadside facilities in the area around the factory.
- We help to maintain traffic safety during rush hour in the area around the plant.



Hukou Mill



- We help local residents to get rid of weeds and prune trees in the area surrounding the plant's boundaries.
- We donate to Land God Temple fairs and related activities
- We make an annual donation to the Hukou County Township Office Social Aid Fund.
- We help with the cleaning and maintenance of roads in Hukou County and with the maintenance and decoration of painted bridge supports, as well as installing reflective plates to safeguard the pedestrians.
- We help to maintain traffic safety during rush hour in the area around the plant.

Hsinpu Chemical Fiber Plant Has Established Public Welfare Group - the Hsinchu County Volunteer Services Association



The Hsinchu County Volunteer Services Association, established in 1997, is made up largely of 200 staff from the Hsinpu Chemical and Fiber Plant. It serves to train these staff in enthusiastic public welfare work, to foster an atmosphere of caring about society, to encourage an altruistic spirit of helping others, to encourage workers to jump at the chance to get involved in volunteer work, and to help to promote service skills among the staff.

The association has helped out multiple times of their own accord in areas of disaster relief and in large-scale operations organized by the county government. In doing so, they have demonstrated their considerable manpower, and both labor committees and the county government have approved of and praised the association on multiple occasions. Volunteers from the association have been praised by the County Magistrate every year.



ASSURANCE STATEMENT

SGS TAIWAN'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTERN NEW CENTURY CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2012

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan was commissioned by Far Eastern New Century Corporation (hereinafter referred to as Far Eastern New Century) to conduct an independent assurance of the Corporate Social Responsibility Report of 2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in Far Eastern New Century's operational sites in Taiwan of this report.

The information in the Far Eastern New Century's Corporate Social Responsibility Report of 2012 and its presentation are the responsibility of the the superintendents, CSR committee and the management of Far Eastern New Century. SGS Taiwan has not been involved in the preparation of any of the material included in the Far Eastern New Century's Corporate Social Responsibility Report of 2012.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all Far Eastern New Century's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006) and the AA1000 Assurance Standard (2008). These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured at a Type 1, Moderate level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G3.1 2011); and

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at headquarter and two operational sites Hu Kou and Xin Pu in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

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

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with QMS, EMS, SMS, EnMS, GPMS, SA 8000, GHG Verification Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Far Eastern New Century's Corporate Social Responsibility Report of 2012 verified is accurate, reliable and provides a fair and balanced representation of Far Eastern New Century sustainability activities in 01 January 2012 to 31 December 2012. Some statements and data within the scope were not assured due to lack of accessible records during the timescale allowed for assurance, and these are clearly marked throughout the text. The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. The report is the first to be assured by an independent assurance team and UNIMICRON has taken a bold step by offering the report to evaluation against both Global Reporting Initiative's G3.1 guidelines and the AA1000 Assurance standard. This shows a deserved confidence in their reporting process. In our opinion, the contents of the report meet the requirements of Global Reporting Initiative G3.1 Application Level B+ and AA1000 Assurance Standard (2008) type 1, moderate level.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

Far Eastern New Century has demonstrated its commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, consumers, investors, local communities, suppliers, media, NGOs and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. It is recommended to develop a stakeholder mapping process and to consider have direct involvement of stakeholders during future engagement.

Materiality

Far Eastern New Century has established and implemented appropriate process for determining issues that are material to the organization. The report has addressed the great majority of Far Eastern New Century's material issues at an appropriate level to reflect their importance and priority to the stakeholders. Far Eastern New Century may consider direct engagement to its stakeholders and formalized the engagement process as well as documented in future reporting.

Responsiveness

The report covered responsive to stakeholders and their concerns. Future reporting may focus on how the contribution is made to sustainable development outcomes.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (2006) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Principles, Standard Disclosures and Indicators

The report, Far Eastern New Century Corporate Sustainability Report 2012, is adequately in line with the GRI G3.1 Application level B+. Contents of Disclosure on Management Approach may have more clearly defined policies and goals for each aspect. It is also recommended to have more disclosure on the performance of sustainability strategy and material impacts.

Signed:

For and on behalf of SGS Taiwan

Dennis Yang, Chief Operating Officer
Taipei, Taiwan
27 May, 2013



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Licensed Assurance Provider
000-8

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GRI G3.1 Compliance Checklist

| Indicator category | Article/ Indicator | Description | Disclosure level | Comment | Page |
|---|---|--|---------------------------|---|-------------|
| Organizational Profile | 1.1 | Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy. | ● | | 4,5 |
| | 1.2 | Description of key impacts, risks, and opportunities. | ● | | 4,5 |
| | 2.1 | Name of the organization. | ● | | 1 |
| | 2.2 | Primary brands, products, and/or services. | ● | | 13 |
| | 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | ● | | 16 |
| | 2.4 | Location of organization's headquarters. | ● | | 1 |
| | 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | ● | | 14,15 |
| | 2.6 | Nature of ownership and legal form. | ● | | 17 |
| | 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | ● | | 14, 15, 19 |
| | 2.8 | Scale of the reporting organization | ● | | 18, 19 |
| Report Parameters | 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | ● | No significant changes | |
| | 2.10 | Awards received in the reporting period. | ● | | 20 |
| | 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | ● | | 1 |
| | 3.2 | Date of most recent previous report (if any). | ● | First time issued | |
| | 3.3 | Reporting cycle (annual, biennial, etc.) | ● | | 1 |
| | 3.4 | Contact point for questions regarding the report or its contents. | ● | | 1 |
| | 3.5 | Process for defining report content | ● | | 42 |
| | 3.6 | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). | ● | | 1 |
| | 3.7 | State any specific limitations on the scope or boundary of the report. | ● | | 1 |
| | 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | ● | | 1 |
| Governance, Commitments, and Engagement | 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | ● | Calculated according to international standards; for details, see the table calculation explanation for each section. | |
| | 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods). | ● | First time issued | |
| | 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | ● | First time issued | |
| | 3.12 | Table identifying the location of the Standard Disclosures in the report. | ● | | 130 |
| | 3.13 | Policy and current practice with regard to seeking external assurance for the report. | ● | | 128, 129 |
| | 4.1 | Governance structure of the organization | ● | Chairman does not concurrently hold an administrative post | 16, 25 |
| | 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer | ● | | |
| | 4.3 | For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members. | ● | | 25 |
| | 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | ● | | 27, 80 |
| | 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance). | ● | | 26 |
| Economic | 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | ● | | 26 |
| | 4.7 | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity. | ● | | 25 |
| | 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | ● | | 12 |
| | 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | ● | | 40 |
| | 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | ● | | 26, 40 |
| | 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | ● | | 30-37 |
| | 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | ○ | | 123 |
| | 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations | ● | | 43 |
| | 4.14 | List of stakeholder groups engaged by the organization. | ● | | 41 |
| | 4.15 | Basis for identification and selection of stakeholders with whom to engage. | ● | | 41 |
| Environmental | 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | ● | | 41 |
| | 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | ● | | 41 |
| | EC | Economic Performance Indicators | ● | | 18 |
| | EC1 | Direct economic value generated and distributed | ● | | 18, 115 |
| | EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | ● | | 32 |
| | EC3 | Coverage of the organization's defined benefit plan obligations. | ● | | 85 |
| | EC4 | Significant financial assistance received from government. | ● | | 21 |
| | EC5 | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. | ● | | 77 |
| | EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | ○ | | 104-105, 66 |
| | EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | ● | | 76-78 |
| Environmental | EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | ○ | | 116 |
| | EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | ● | | 121 |
| | EN | Environmental Performance Indicators | ● | | 58 |
| | EN1 | Materials used by weight or volume. | ● | | 66 |
| | EN2 | Percentage of materials used that are recycled input materials. | ● | | 66 |
| | EN3 | Direct energy consumption by primary energy source. | ● | | 60, 61 |
| | EN4 | Indirect energy consumption by primary source. | ● | | 60, 61 |
| | EN5 | Energy saved due to conservation and efficiency improvements. | ● | | 62-65 |
| | EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | ● | | 52 |
| | EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | ● | | 62-64 |
| | EN8 | Total water withdrawal by source. | ● | | 68 |
| | EN9 | Water sources significantly affected by withdrawal of water. | ● | No relevant issues | |
| EN10 | Percentage and total volume of water recycled and reused. | ● | | 68 | |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | ● | No relevant issues | | |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | ○ | No information at present | | |

● Full disclosure ○ Partial disclosure ○ None disclosure

| Indicator category | Article/ Indicator | Description | Disclosure level | Comment | Page |
|---------------------------------|---|--|--------------------|---|-----------|
| Environmental | EN13 | Habitats protected or restored. | ○ | No information at present | |
| | EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | ○ | No information at present | |
| | EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | ● | None | |
| | EN16 | Total direct and indirect greenhouse gas emissions by weight. | ● | | 60, 61 |
| | EN17 | Other relevant indirect greenhouse gas emissions by weight. | ● | | 60 |
| | EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | ● | | 62-64 |
| | EN19 | Emissions of ozone-depleting substances by weight. | ○ | No information at present | |
| | EN20 | NO ₂ , SO ₂ , and other significant air emissions by type and weight. | ● | | 60 |
| | EN21 | Total water discharge by quality and destination. | ○ | | 68 |
| | EN22 | Total weight of waste by type and disposal method. | ● | | 71 |
| Labor Practices and Decent Work | EN23 | Total number and volume of significant spills. | ● | No relevant issues | |
| | EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | ● | No relevant issues | |
| | EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | ● | No relevant issues | |
| | EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | ● | | 50-53, 65 |
| | EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | ● | | 70 |
| | EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. | ● | | 73 |
| | EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | ● | | 65 |
| | EN30 | Total environmental protection expenditures and investments by type. | ○ | | 62 |
| | LA | Labor Practices and Decent Work Performance Indicators | ● | | 76 |
| | LA1 | Total workforce by employment type, employment contract, and region, broken down by gender. | ● | | 78-79 |
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender, and region. | ○ | | 79 | |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation. | ● | | 82-89 | |
| LA4 | Percentage of employees covered by collective bargaining agreements. | ● | | 80-81 | |
| LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. | ○ | | 93 | |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | ● | | 98 | |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender. | ● | | 98 | |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | ● | | 96-97 | |
| LA9 | Health and safety topics covered in formal agreements with trade unions. | ○ | | 80 | |
| LA10 | Average hours of training per year per employee by gender, and by employee category. | ● | | 91 | |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | ● | | 91-93 | |
| LA12 | Percentage of employees receiving regular performance and career development reviews, by gender. | ● | 100% | 101 | |
| LA13 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity. | ● | | 79 | |
| LA14 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation. | ● | | 77 | |
| LA15 | Return to work and retention rates after parental leave, by gender. | ● | | 84 | |
| Human Rights | HR | Human Rights Performance Indicators | ● | | 77 |
| | HR1 | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. | ○ | No information at present | |
| | HR2 | Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken. | ○ | No information at present; future implementation of supply chain CSR management planned | |
| | HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | ○ | | 24 |
| | HR4 | Total number of incidents of discrimination and corrective actions taken. | ● | No relevant issues | |
| | HR5 | Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights. | ● | | 80 |
| | HR6 | Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. | ● | Use of child labor prohibited in line with the Labor Standards Law | |
| | HR7 | Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | ● | No relevant issues | |
| | HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | ○ | | 100 |
| | HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | ● | No relevant issues | |
| Society | HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | ○ | Operating activities are all applied for, examined and evaluated in accordance with the law, and meet the requirements of local human rights laws | |
| | HR11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms. | ● | No relevant issues | |
| | SO | Society Performance Indicators | ● | | 112, 114 |
| | SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | ● | No relevant issues | |
| | SO2 | Percentage and total number of business units analyzed for risks related to corruption. | ○ | No information at present | |
| | SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | ○ | No information at present | |
| | SO4 | Actions taken in response to incidents of corruption. | ● | No relevant issues | |
| | SO5 | Public policy positions and participation in public policy development and lobbying. | ○ | No information at present | |
| | SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | ○ | No information at present | |
| | SO7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | ○ | No information at present | |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | ● | | 73 | |
| SO9 | Operations with significant potential or actual negative impacts on local communities. | ● | No relevant issues | | |
| SO10 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | ● | No relevant issues | | |
| Product Responsibility | PR | Product Responsibility Performance Indicators | ● | | 50 |
| | PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | ● | | 50-53 |
| | PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | ● | No relevant issues | |
| | PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | ● | | 51, 110 |
| | PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | ● | No relevant issues | |
| | PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | ○ | | 108 |
| | PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications. | ● | | 110 |
| | PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | ● | No relevant issues | |
| | PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | ● | No relevant issues | |
| PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. | ● | No relevant issues | | |

● Full disclosure ○ Partial disclosure ○ None disclosure



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