



ESTABLISHING STRONG GOVERNANCE

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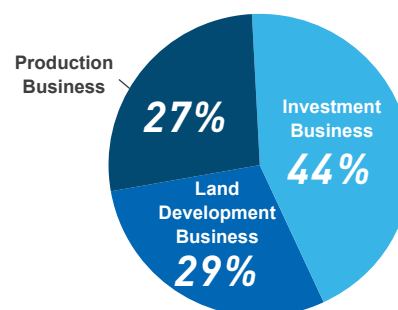
ESTABLISHING STRONG GOVERNANCE

1.1 FENC's Profile

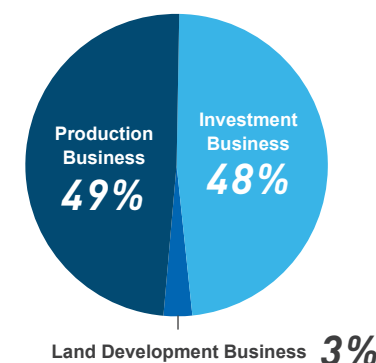
Founded in 1954, Far Eastern New Century Corporation, formerly known as Far Eastern Textile Limited and hereinafter referred to as "FENC" or "the Company", is an enterprise listed on the Taiwan Stock Exchange. Over the past 60 years, FENC has transformed from a textile business into a holding company spanning petrochemical, polyester, textiles, land development and investment business. Today, the Company has adopted proactive operational strategies to monetize our land assets and invest in a diversified portfolio of businesses to drive profitable growth.

► FENC's Assets and Revenue in 2015

Assets **NT\$ 518.8 billion**

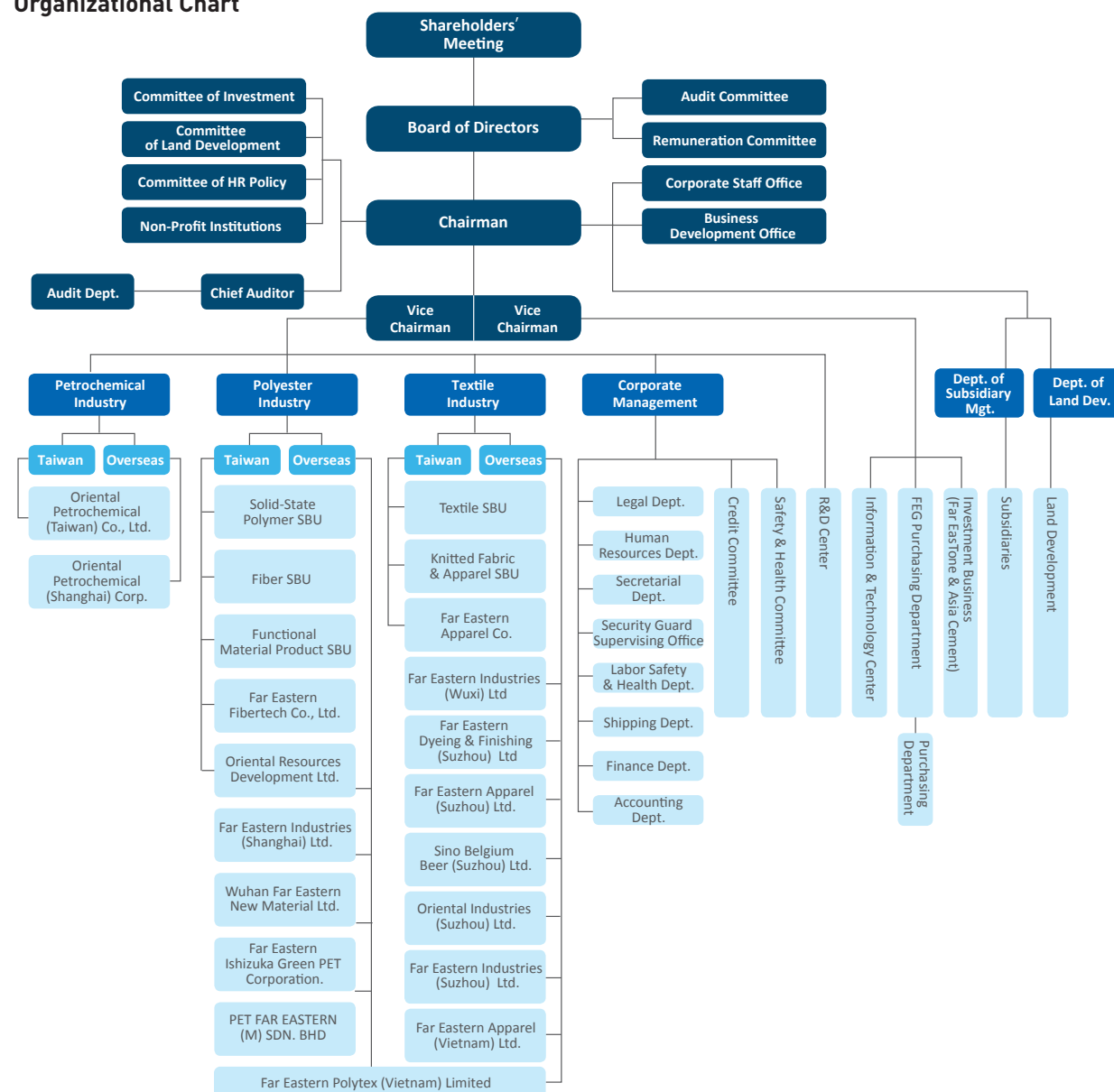


Revenue **NT\$ 217.9 billion**



FENC is the first company of Far Eastern Group, and has been the major supplier of polyester and PET bottle chips to the world. At the beginning, the Company focused only on textile-related businesses. When our business became stable, we began dedicating ourselves to the research and development of innovative technologies and ventured steadily into our upstream and downstream businesses, while strengthening our core business at the same time. Over the years, we have continued to create new values for our customers and shareholders and succeeded in many areas such as petrochemical, polymer, polyester, chemical fibers, cotton yarns and spinning, knitted fabrics, dyeing and apparel. Today, we are known for our integrated services from production to sales, which can be provided all at one stop. More importantly, we are a socially responsible company that has achieved remarkable results on the economic, environmental and social fronts.

Organizational Chart



Dept.		Affairs in Charge
Production Business	Petrochemical Industry	Production and sales of PTA
	Polyester Industry	Production and sales of polyester chips, polyester staple fibers, polyester filament, polyester films and functional materials
	Textile Industry	Printing, dyeing and finishing of yarns, fabrics and cloths; production and sales of miscellaneous natural, man-made, synthetic fiber yarns and fabrics, blended yarns and fabrics, and woven finished clothing and knitted finished clothing
Land Development Business		FENC has around 1,900,000 square meters of landholding throughout Taiwan, most of which are located in the prime areas of the north. Of all the landholding, 700,000 square meters are classified as investment properties. We have a number of land development projects in the pipeline, including Tpark and Yilan Spa Resort, which are expected to add value to our assets and generate substantial return
Investment Business		As the parent company of Far Eastern Group (FEG), FENC has invested in a broad range of high-quality businesses. FEG's listed companies are well-managed and prosperous, bringing in stable profits for the Company.

Founding Mottos and Mission

Founding Mottos

The Far Eastern Group's Founder, Mr. Yu-Ziang Hsu, has always upheld " integrity " as his guiding principle in business management. In addition to the Group Founder's commitment to constancy, honesty, and openness, he has also enshrined " Sincerity, Diligence, Thrift, and Prudence " as Far Eastern's founding mottos. FENC Chairman Douglas Tong Hsu added " Innovation " to this motto, expecting the group to embrace a spirit of innovation and reform in the face of a rapidly changing and highly competitive environment.

誠 勤 樸 慎 創新	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.

1.1.1 Financial Information

► Financial Summary

Unit : NT\$1,000

Item	2011	2012	2013	2014	2015
Total Assets	329,005,187	339,147,566	386,355,456	496,604,290	518,765,122
Total Liabilities	160,594,963	167,322,469	210,674,797	233,285,536	258,368,119
Total Equity	168,410,224	171,825,097	175,680,659	263,318,754	260,397,003
Operating Revenues	235,561,246	240,417,022	238,840,657	235,506,639	217,948,202
Net Income	17,674,403	14,988,716	14,284,539	17,188,302	14,686,369

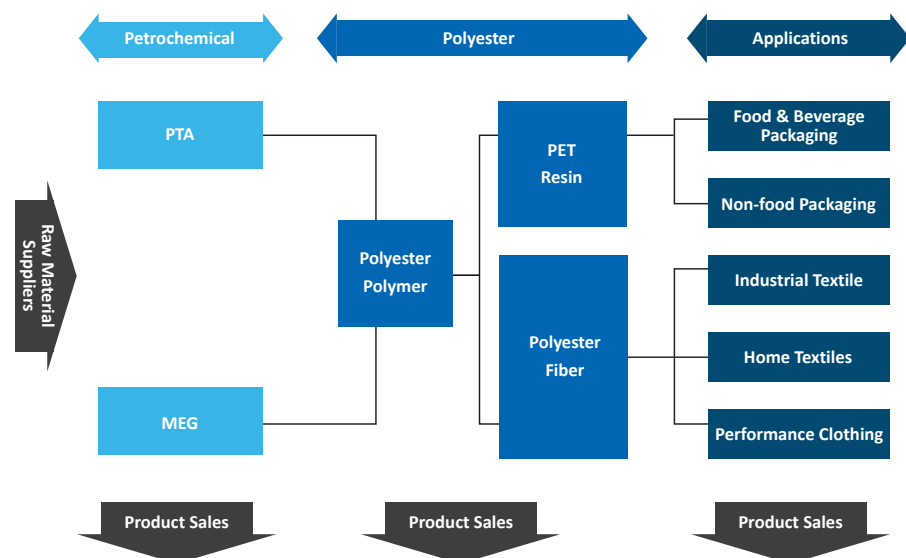
► Economic Value Distributed to Stakeholders

Unit : NT\$1,000

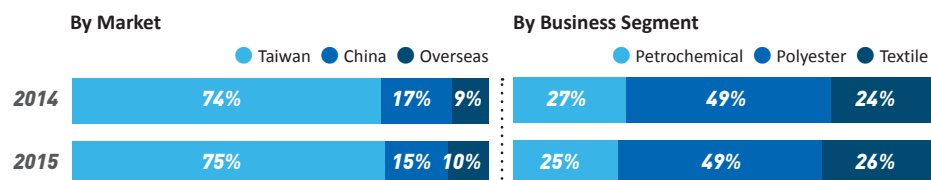
Item	2011	2012	2013	2014	2015
Operating Cost	189,250,196	192,012,536	192,356,740	187,644,142	167,464,920
Employee Wages and Benefits	14,237,011	16,682,204	16,837,191	18,445,983	19,442,680
Payments to Providers of Capital (Interest Expense and Dividends)	17,235,186	16,343,772	15,696,985	16,592,460	16,681,544
Payments to Government (Income Tax)	3,594,952	2,640,678	2,223,481	4,409,757	5,014,304
Community Investments	331,901	109,064	140,430	116,330	123,809

1.1.2 Production Business

► Main Products and Value Chain



► Sales Breakdown



► Global Position Goals



Top 1

Recycled PET
Nonwoven PSF



Top 1

Polyester Sheet

Top 3

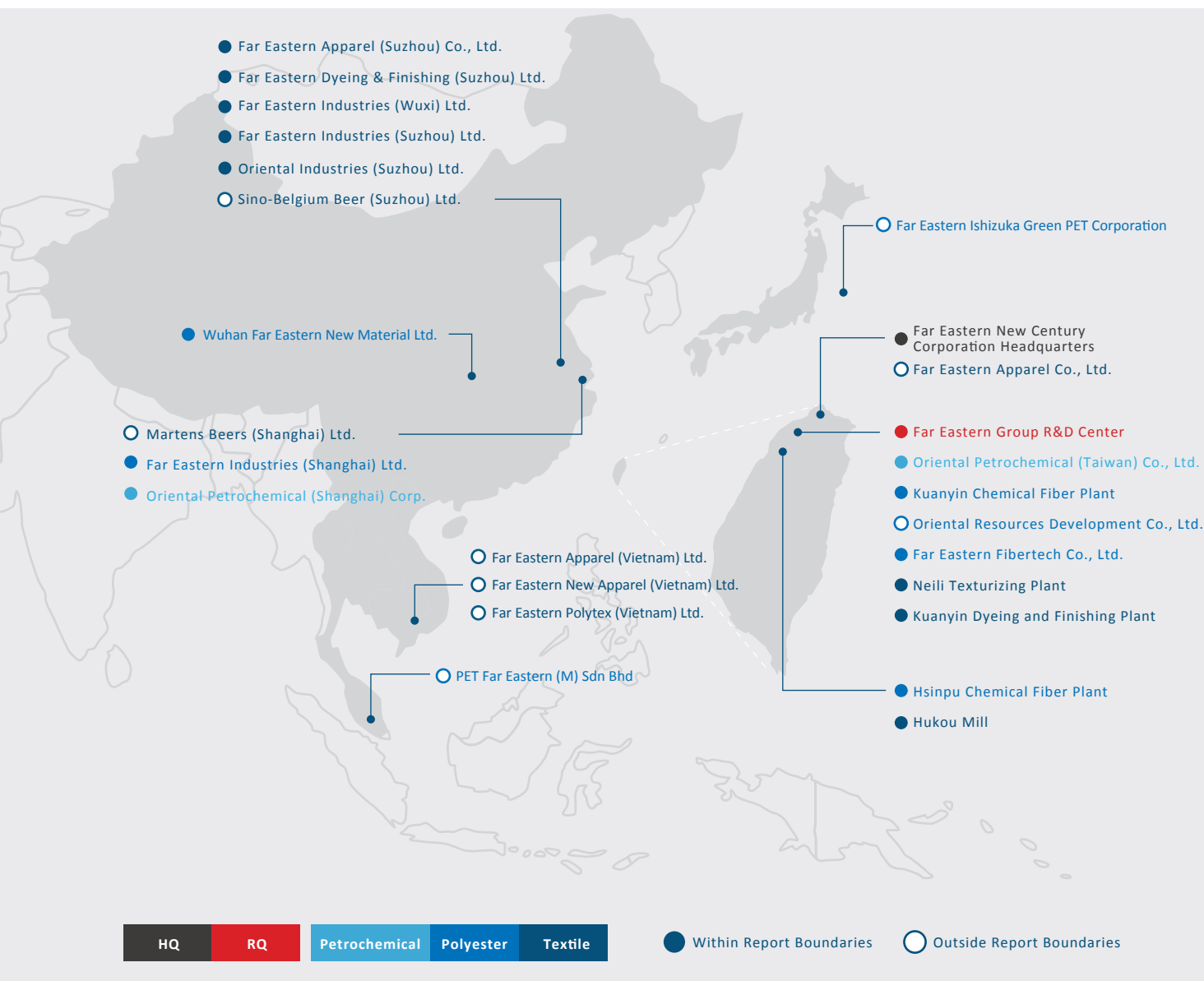
PET Resin

Nylon 66 Filament for Apparel

► Volume and Value of the Production in 2015

Business	Main Products	Unit	Production Capacity	Production Volume	Production Value (NT\$ 1,000)
Petrochemical	PTA	MT	1,610,000	1,372,561	29,352,478
Polyester	Polyester Chip	MT	1,984,000	1,527,749	45,169,090
	Solid-State Polymer	MT	1,464,648	1,076,894	32,352,598
	PET Bottle Preform	1,000 pieces	3,540,000	2,298,602	1,869,516
	PET Sheet	MT	113,500	97,181	3,691,449
	Polyester Staple Fiber	MT	489,600	322,116	12,775,819
	PET Film	MT	20,160	6,993	469,691
	Partially Oriented Yarn	MT	135,710	102,486	4,684,471
Textile	Drawn Textured Yarn	MT	45,137	36,869	2,464,537
	Yarn	Bales	513,398	449,182	6,764,388
	Knitting Fabrics	MT	23,460	19,067	5,454,957
	Industrial Fabrics	MT	20,160	19,399	1,671,578
	Industrial Yarn	MT	111,920	79,441	4,030,481
	Apparel	1,000 dozens	4,909	4,040	6,922,507

► Operation Sites



In 2015, FENC launched the Vietnam Investment Project and added Far Eastern Polytex (Vietnam) Ltd. and Far Eastern Newcentury Apparel (Vietnam) Ltd. as our subsidiaries, but they are not included in this report because these two companies are still under construction. Other than that, during the reporting period, there were no major changes in the size, structure, ownership, or supply chain of the Company.

An Overview of the Market Environment and Industry Conditions in Production Business

The Company's polyester business chain uses the polyester business as the basis to construct and integrate the operating structure for upstream petrochemical raw materials and downstream applications. This structure not only avoids operational risks inherent in raw material fluctuations, but also satisfies the customers' one-stop procurement demands. The objective is to establish competitive differentiation versus peers through low operating risks and high-quality services.

Looking ahead, the world economic growth is expected at 3.2% in 2016, including 1.9% of advanced countries and 4.1% of emerging countries (Source : International Monetary Fund). Benefiting from the gradual recovery from global economy, the polyester industry will fuel up its growth momentum. It is estimated that the polyester utilization rate will recover to 75% and the production will grow up by 5%, indicating a healthy developments for the overall polyester business chain.

In addition to focusing on its existing market, the Company is proactive in taking advantages of various business opportunities, such as proposals presented by China's 13th Five-Year Plan, the lifting of financial sanctions on Iran, and the upcoming Rio 2016 Olympics in Brazil. The Company will continue to focus on differentiation, offer high value-added and green products, strive to make itself the first priority as a partner for global brands and create greater values for the industry.

1.2 Corporate Governance

1.2.1 Outstanding Achievements



2015	Award-Winning Units	Awards	Awarding Unit
APR	FENC	Awarded as among the top 20% in the first Corporate Governance Evaluation for listed companies Received the highest A++ rating in 12th Information Disclosure Evaluation	Securities & Futures Institute
JUN	FENC	Selected in Taiwan 100 Corporate Governance Index	Taiwan Stock Exchange
SEP	Far Eastern Industries (Shanghai) Ltd.	27th place of " 50 Strongest Manufacturing Businesses in Shanghai "	Shanghai Enterprise Confederation
		76th place of " 100 Most Powerful Enterprises in Shanghai "	
	Oriental Petrochemical (Shanghai) Corp.	95th place of " 100 Most Powerful Enterprises in Shanghai "	Shanghai Enterprise Confederation

1.2.2 Shareholder Equity

FENC values our shareholders' equity and treats them equally. The shareholders can participate in the Company's decision-making process by exercising their voting rights in the annual general meeting. The proposals pending ratification, matters for deliberation and the election of directors all require voting by poll. An electronic voting system is available as an option and the voting results are disclosed immediately in the meeting. In accordance with Taiwan's Company Act, Securities and Exchange Act and other related regulations, the Company responds immediately to the suggestions and recommendations put forward by the shareholders in the meeting and keep them as a reference for our future development. In order to improve engagement with the shareholders, we have provided contact information to investors and shareholders on our website.

1.2.3 Directors and Their Remuneration

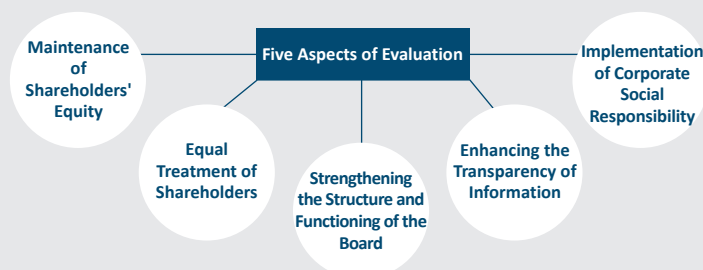
FENC conducted a re-election of directors in June 2015, and the new board consists of 12 directors, including 2 women, with extensive managerial and academic experiences. In addition to professional management competency, the board also has comprehensive and independent supervision mechanism to ensure effective management and avoidance of conflicts of interest. The two independent directors will exercise their powers in accordance to related laws and regulations, Articles of Incorporation of Far Eastern New Century Corporation, and Meeting Rules of Board of Directors (which includes rules on avoidance of conflicts of interest), and will serve a three-year term. Furthermore, FENC established the Audit Committee in 2015 as stipulated by related laws and regulations in the place of the former board of supervisors. Candidate nomination was adopted for the nomination and selection of the directors, where independent directors' opinions were valued. The candidates' academic and professional experiences were also assessed. FENC also complied with " Election Procedures of Director " and " Corporate Governance Principles " to ensure diversity and independence of the board, while also taking into consideration of the stakeholders' opinions.















Corporate Governance Evaluation

Taipei Exchange and Taiwan Stock Exchange (TWSE) introduced the " Corporate Governance Evaluation System " in order to accelerate the implementation of corporate governance among Taiwan's listed companies, assist companies with sound development, and boost market confidence. While the Corporate Governance Center of TWSE decided on the evaluation indicators, the Securities and Futures Institute performs the evaluation.

The results of the first and second Corporate Governance Evaluation came through in April 2015 and April 2016. FENC ranked among the top 20% of all the listed companies for both years. For the areas where we failed to meet the standards, the management has appointed a dedicated unit to develop plans to make improvement.



► Board Members

Title	Name	Education Background	Gender	Age
Chairman	Douglas Tong Hsu	National Chiao Tung University, Taiwan, Honor Ph.D in Management University of Notre Dame, USA, MS. Columbia University, USA, Post graduate study in Economics		●
Vice Chairman	Johnny Shih	Columbia University, USA, Master in Computer Science		●
	Peter Hsu	Stanford University, USA, Master in Operation Research		●
Independent Director	Bing Shen	Harvard University, USA, MBA		●
	Johnsee Lee	Illinois Institute of Technology, USA, Ph.D.		●
Director	Raymond Hsu	Australian Mining and Metallurgy College, Australia		●
	Shaw Y. Wang	National Chung Hsing University, Taiwan, Business Administration Department National Taiwan University, Taiwan, the Executive Program in Business Administration		●
	Richard Yang	American Graduate School of International Management		●
	Tonia Katherine Hsu	Sarah Lawrence College, New York, USA , BA (History, Humanities, Creative Arts)		●
	Kwan-Tao Li	Kellogg-HKUST, MBA		●
	Alice Hsu	Sheridan College, Retail Management		●
	Champion Lee	Texas A&I University, USA, Master in Business Administration		●

● 30-50 years old ● over 50 years old

Note : • None of the Board members is a member of a minority group.

• Please refer to our annual report for more information on each director's post in another company, cross-ownership and related party disclosures.

• The Board lacks one independent director, which will be elected in the annual general meeting on June 23, 2016.

The Company has in place the "Remuneration Committee" whereby an Independent Director serves as the convener to assist the Board in establishing performance evaluation and remuneration-related policies, institutions, standards, and structures for the Directors and Managers. Matters regarding performance evaluations, salaries, bonuses and the remuneration payout methods for the Directors and employees are regularly evaluated by the committee and recommendation thereof are submitted to the Board for deliberation.

The remuneration of the directors is linked to the Company's performance on the economic, social and environmental fronts. Pursuant to the regulations set forth in the Articles of Incorporation, subject to certain business conditions under which the Company may retain a portion of the divisible surplus, the Company may distribute 3% of the remainder as remuneration for the Directors. However, as Taiwan's Company Act was amended in 2015, we proposed to revise the percentage down to the maximum of 2.5% and the proposed amendment has been approved by the Board. The new percentage will take effect, once adopted by the annual general meeting.

1.2.4 Ethical Corporate Management

FENC's founder Mr. Yu-ziang Hsu and current Chairman Mr. Douglas Tong Hsu regard "integrity" as the golden rule for the Company's development. This moral principle guides every aspect of our business, such as internal processes, external procurement, management of employees and sales personnel as well as engagement with customers and stakeholders. Every employee is expected to work by the Company's core values, which are sincerity, diligence, thrift, prudence and innovation and adhere to the "Principles of Ethical Corporate Management" and the "Code of Ethics". As corruptive practices will tarnish our reputation and compromise our stakeholders' interests, we have implemented a sound remuneration system, adopted various internal control measures and operational guidelines concerning management policies, authorization system and segregation of duties, and performed internal audits to strengthen corruption risk management in all departments and divisions.

► Directors' Remuneration

Bracket	Name of Directors
Under NT\$5,000,000	Bing Shen, Johnsee Lee
NT\$5,000,000 ~ NT\$14,999,999	Representative of Far Eastern Department Stores Ltd. : Richard Yang, Tonia Katherine Hsu Representative of U-Ming Marine Transport Corp. : Alice Hsu, Kwan-Tao Li Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation : Champion Lee
NT\$15,000,000 ~ NT\$49,999,999	Douglas Tong Hsu Representative of Asia Cement Corporation : Johnny Shih, Raymond Hsu, Peter Hsu, Shaw Y. Wang

Note : Remuneration includes remuneration paid to Directors (base remuneration, severance pay and pension, Directors' remuneration from distribution of earnings, operating allowances) and relevant compensation received by directors who are also employees (salary, bonuses, allowances, severance pay and pension, employees' compensation from distribution of earnings)



When new employees report for duty, we provide them with information on "Principles of Ethical Corporate Management" and "Code of Ethics" as part of our anti-corruption campaign. During the orientation, they are required to attend a three-hour workshop on "Corporate Ethics" to receive training concerning ethical corporate management and anti-corruption. In addition, we have tailored the anti-corruption campaign and training specifically for the procurement units. The "anti-corruption clause" is specified in our procurement contract, prohibiting people from collecting kickbacks, handling fees or other charges. To prevent corruptive practices, our anti-corruption and risk assessment have been designed to target our staff who deals with government officials.

FENC has completed anti-corruption campaigns for all the Board members and the entire staff in Taiwan and China. Around 20% of employees in Taiwan and 80% of employees in China have received the anti-corruption classes. In 2015, there were 8 Directors taking the anti-corruption courses we provided for the Board members.

1.3 Sustainability Vision and Governance



1.3.1 Sustainability Vision





FENC has been advancing public interest since 40 years ago but today, the focus of CSR is not only limited to a company's contribution to the public. With the growing global awareness of sustainability, external stakeholders have become increasingly concerned with a company's governance as well as social and environmental impacts. Consequently, FENC has integrated sustainable development into our core business with the aim of fulfilling social responsibilities. With sustainability incorporated into our business philosophy, we have always considered long-term interests when developing operational strategies and make necessary changes to our corporate values, corporate culture, development roadmap and operational strategies.

We understand that only by involving the high-level decision-makers will we be able to promote sustainability in every aspect of our business. In order to help the Board and high-level management to promote corporate sustainability more effectively, the Company provided two courses, "From Creative Development to Business Innovation", and "Capital Market and Directors' and Supervisors' Responsibilities: A Perspective from Corporate Governance and Insider Trading" and invited experts to speak to directors and supervisors about sustainability and governance in 2015. The courses were well-received by the directors, supervisors and high-level managers in Far Eastern Group. 8 out of our 12 Directors took the courses.

In addition to deepening the Board's and the management team's understanding of sustainable development, FENC has formulated CSR policies that are applicable to both the Company and its subsidiaries, so as to achieve economic, social and environmental sustainability. Our efforts demonstrate our respect for social ethics, focus on stakeholders' rights and interests as well as resolve to fulfill our social responsibilities. We will strike a balance among protecting the environment, giving back to society and developing corporate governance culture.

► Our Key CSR Policies

Focus	Key Tasks	Chapter
Promote Corporate Governance	<ul style="list-style-type: none"> The Board urges every department to implement CSR policies, review its CSR performance and continue to make improvement Create a unit fully or partially dedicated to CSR matters Develop an effective governance structure and standards of ethics Create an environment conducive to fair competition by preventing unfair competition and fighting against corruption and bribery 	 Establishing Strong Governance
Promote Environmental Sustainability	<ul style="list-style-type: none"> Comply with environmental laws and regulations Enhance energy and resource efficiency Avoid polluting air, water and soil and adopt proper pollution control measures Focus on water resources management, waste treatment, resource recycling, environmental greenification, and green procurement measures Pay heed to the operation risks and opportunities generated by climate change and conduct a GHG emission inventory 	 Nourishing Sustainable Environment

Focus	Key Tasks	Chapter
Advance Public Interest	<ul style="list-style-type: none"> Comply with labor laws and regulations to safeguard the employees' rights and interests. Ensure that there is no discrimination based on gender, race, age, marital status or family status in the Company's hiring policies Create a work environment that is conducive to the employees' health and safety Create an environment that benefits the employees' career development Ensure that the quality of our products and services meets the government's regulations and industry standards Collaborate with our suppliers and partners to improve our CSR performance Facilitate community building by organizing business activities, making donations, providing corporate volunteer services or other professional services, or participating in community development, public interest groups and activities organized by local governments 	 Creating Employee Passion  Building Altruistic Society  Creating Diversified Values
Enhance the Disclosure of CSR Practices	<ul style="list-style-type: none"> Provide relevant and reliable CSR information in an open and transparent manner and in compliance with related laws and regulations Prepare an annual CSR report to disclose our CSR practices 	 Establishing Strong Governance

videoconference, in which all committee members are required to participate. The CSR committee has been established based on the corporate structure, making it easier to incorporate CSR issues into the Company's management processes. The members prepare CSR actions plans and implement related policies from top to down.

The President of each business reports periodically on CSR-related matters to the Board, including safety, hygiene and environment (SHE), market overview, research and development, internal audits, risk management, financial and business statuses. In 2015, we convened 5 Board meetings, in which the 4 Presidents and key department supervisors reported on the topics below :

Report Topics

- | | |
|---|--------------------------------|
| 1 · Risk management | 6 · Donations to the community |
| 2 · Operational performance and market overview | 7 · Financial status |
| 3 · Audit report | 8 · Sales overview |
| 4 · Major personnel changes | 9 · Regulatory compliance |
| 5 · Environment, safety and hygiene | |

CSR Actions in 2015

- Implemented the GHG inventory and verification project
- Implemented the climate change risk identification and adaptation program
- Set targets to reduce energy consumption and implemented policies to reach the targets
- Amended the supplier code of conduct and procurement protocol
- Conducted a stakeholder survey
- Conducted a customer satisfaction survey
- Participated in more activities to advance public interest
- Adopted mechanisms to implement CSR projects

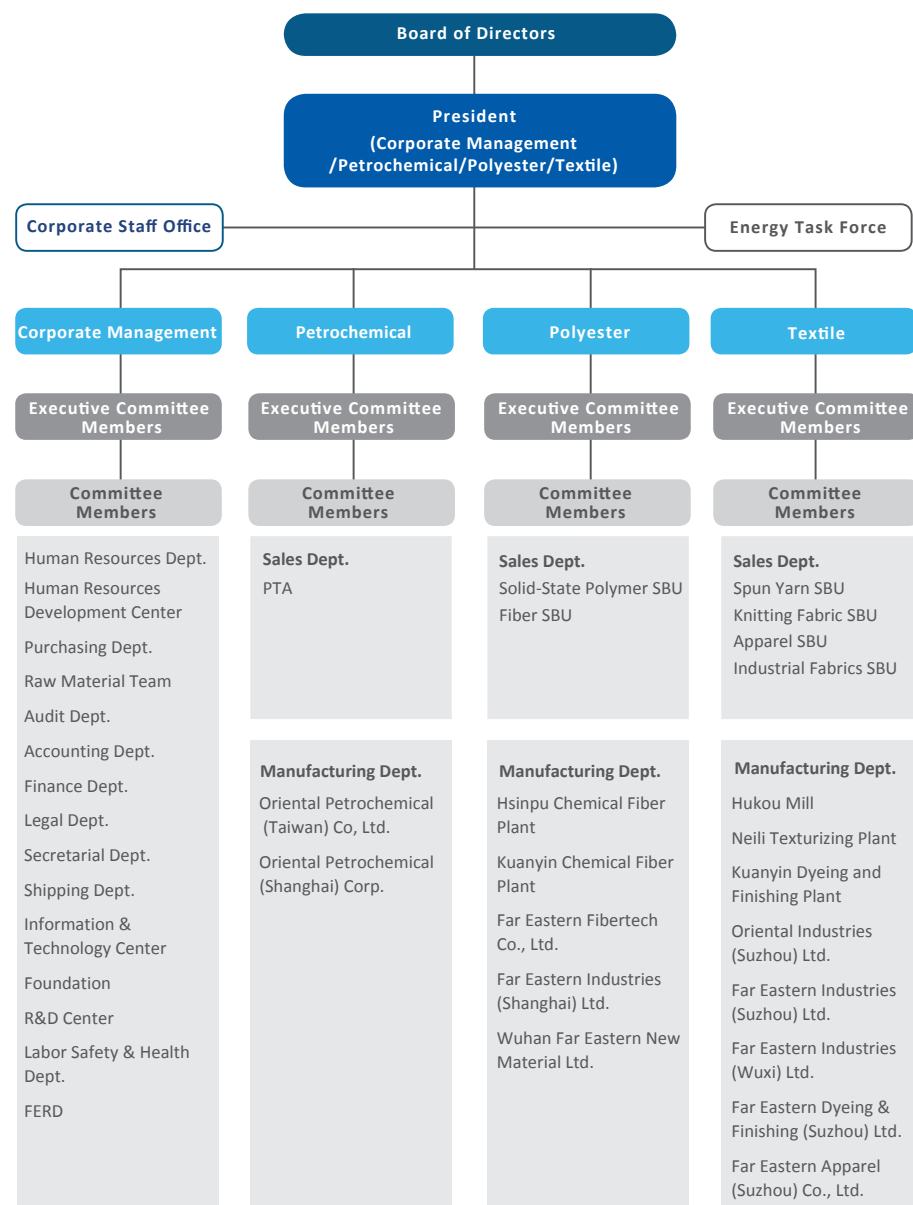
1.3.2 Outstanding Achievements

2015	Award-Winning Units	Awards	Awarding Unit
AUG	FENC	Won the "Corporate Citizenship Awards" – 30th place for large company group	CommonWealth Magazine
NOV	FENC	Won a gold medal for the "Taiwan Top 50 Corporate Sustainability Report Awards"	Taiwan Institute for Sustainable Energy
	FENC	Won the "Growth through Innovation Awards" of "Taiwan Corporate Sustainability Awards"	
		Selected as Benchmark Enterprise in 2015 Corporate Social Responsibility Yearbook	Economic Daily News

1.3.3 Sustainability Governance

FENC has instituted a functional CSR committee supervised by the Board of Directors. The committee consists of four units, which mirror Company's four major businesses, with unit members from different departments. The members can be divided into executive committee members and committee members. While there are three dedicated officers from the Corporate Staff Office who plan and promote CSR projects, the executive committee members and committee members execute the projects, report on sustainability performance and communicate with stakeholders. There are a total of 151 CSR committee members, including a cross-unit Energy Task Force. As there are a lot of committee members working at different locations, they communicate with one another by phone or email. Every year, we hold a CSR

► FENC CSR Committee



In addition, communication channels have been put in place in each department to ensure that the sustainability issues can be managed immediately and comprehensively. We have held periodic meetings, with the attendance of at least 2 or 3 directors each time, to review our performance and discuss the industry and market trends, so that we can respond promptly to various changes and take advantage of the opportunities available to us.

► FENC's Periodic Meetings

● Environmental ● Social ● Governance

Aspect	Type of the Meeting	Frequency	Highest-Level Participation
●	Management reporting	Once a year	 Chairman
● ●	HR management and development	Twice a year	
● ● ●	R&D topics	Twice a year	
● ●	Strategizing for major businesses	Twice a year	
● ●	Budget deliberation	Once a year	
● ● ●	Energy conservation	Once a year	 Presidents of the petrochemical, polyester and textile businesses
● ●	Business review meeting	Once a month	
● ●	Sales meeting	Twice a month	

Every year, the CSR committee holds a meeting to discuss the preparation of the CSR report, including assigning tasks to each member and planning a work schedule. The contents of the report are created by the committee members from each department and organized by the executive committee members before being sent to the Corporate Staff Office for compilation. The dedicated staff in the office audits and verifies the submitted data and requests the CSR committee members to make changes in case of missing or incorrect data to ensure accuracy. The report is then submitted to the Board when it is completed, assured by a third party and approved by the Presidents.

► CSR Report Preparation Process



1.4 Risk Management

1.4.1 Regulatory Compliance

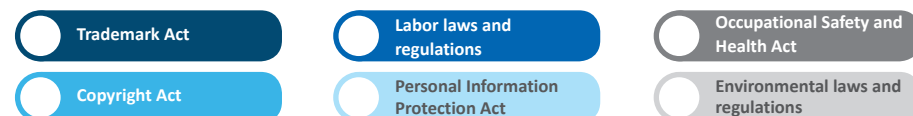
In 2014, the regulatory compliance system was implemented at FENC under the supervision of the President of the Corporate Management. At the initial phase, the program was intended for the Production Business and the Corporate Management. We collected self-evaluation reports from different departments and introduced inspection mechanisms, so as to achieve effective management and address operational risks.

The Scope of the Regulatory Compliance System

In order to implement the regulatory compliance system, we have identified and prioritized the areas for inspection, including those concerning the legal liabilities of the directors, supervisors and managers, issues that can damage our corporate image or interests, as well as the activities to which important civil and administration laws and regulations are applicable. In addition, the system lists our shortcomings in the past as the focus of compliance inspection.



► The Focus of Compliance Inspection in 2015



The Implementation and Promotion of the Regulatory Compliance System

► Approaches To Promoting Regulatory Compliance



At FENC, we have developed various approaches to promoting regulatory compliance such as keeping track of changes in applicable laws and regulations, offering legal consultation, providing legal training and conducting on-site compliance inspections. There are different channels to report violations, such as the emails of the regulatory compliance system, the Audit Committee and the Audit Department. Standards of procedure have also been established to address violations. The Legal Department provides guidance to all other departments for completing their self-evaluation on compliance, assists the Audit Department to conduct on-site inspections and compiles a report to the Board. If there are any shortcomings, the

Legal Department will provide advice on improvement and keep track of the follow-up actions.

In order to enhance knowledge of compliance, the Legal Department organized 9 legal training workshops for factory workers, new employees and sales staff in 2015. The workshops covered various topics, such as Taiwan's Trade Secrets Act, Intellectual Property Act, labor laws and regulations, credit risk management, negotiable instruments, anti-corruption and personal information protection. We also invited professional lawyers to give keynote speeches to the Legal Department and high-level management.



Regulatory Compliance Performance in 2015

1 · Expanded the culture of regulatory compliance

In order to strengthen corporate governance, refine the regulatory compliance system and enhance the staff's understanding of laws concerning the environment and consumer protection, FENC has expanded the scope of the system to cover the subsidiaries that have factories or engage directly with consumers, such as Oriental Petrochemical (Taiwan) Co., Ltd, Far Eastern Fibertech Co., Ltd, Oriental Resources Development Co., Ltd, and Far Eastern Apparel Co., Ltd.

2 · Built an online platform for self-evaluation on compliance

With the online platform, the self-evaluation survey can be completed by each department and reviewed by the department supervisor on the internet. Similarly, the compliance staff can send their feedback to the department supervisor for acknowledgement without wasting any paper. The platform enables immediate review of each department's performance and makes it easier to track improvement on compliance for each quarter.

► Major Violations in 2015

Company / Business Unit	Shortcoming	Fine in NTD / Other Disciplinary Actions	Improvement Plan
Social Aspect (issues related to corruption, monopoly, fraud, discrimination, etc)			
None			
Product and Service Aspect (issues related to marketing communications and labeling)			
None			
Environmental Aspect			
Kuanyin Dyeing and Finishing Plant	Air pollution prevention facilities malfunctioned	NT\$100,000	<ul style="list-style-type: none"> • Purchase additional spare parts for the facilities • Conduct daily inspections and keep exact records
Hsinpu Chemical Fiber Plant	Neighboring communities complained of stench from the wastewater treatment plant	NT\$100,000	<ul style="list-style-type: none"> • Strengthen source management by closely monitoring and inspecting the discharge of wastewater from different units • Increase the airtightness of each wastewater treatment unit to prevent the emanation of the stench
Oriental Petrochemical (Taiwan) Co., Ltd.	Wastewater control facilities malfunctioned	NT\$140,000 and an required attendance of a 2-hour workshop on environmental protection	<ul style="list-style-type: none"> • Utilize emergency backup facilities • Conduct daily inspections and keep exact records
Total		NT\$340,000	

Note : NT\$100,000 worth of fine is the threshold for violation disclosure in this report.

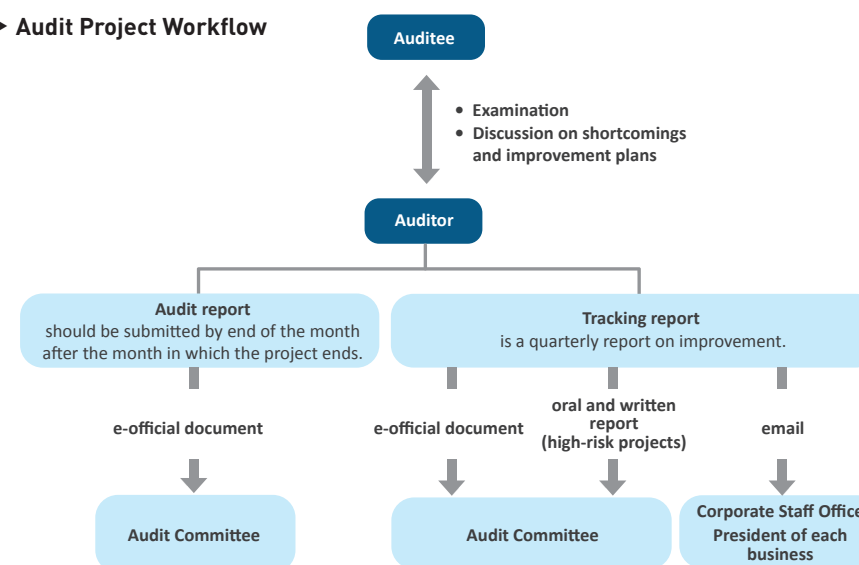
1.4.2 Internal Controls and Audit Management

The Audit Department oversees and evaluates the implementation of internal controls in all departments, assists the Board and the management in examining and re-evaluating their effectiveness and seeks to strengthen the Company's internal control system, in order to minimize errors, prevent corruption and increase operational efficiency. The measures taken by the department are aimed at advancing the Company's overall interests.

► Different Sections of the Audit Department

Section	Description
Purchase Auditing Section	The section audits the collection cycle, production cycle, R&D cycle and PP&E cycle and plays a supervisory role in price negotiation, visiting suppliers, reviewing requisition orders, purchase orders and payment orders, conducting incoming quality inspection and ad hoc re-inspections on construction projects.
Operation Audit Section	The section audits the sales and collection cycle, production cycle, R&D cycle and PP&E cycle of the sales teams, the Shipping Department and the Production Business.
Finance Auditing Section	<ul style="list-style-type: none"> • The section focuses on payroll cycle, financing cycle, investment cycle, derivatives trading, providing loans to others, endorsements and guarantees, related party transactions, rules of procedure of the board and the Remuneration Committee and the Audit Committee and regulatory compliance-related processes. • The section requires each department and subsidiary to evaluate the effectiveness of its internal control regularly within the fiscal year. • The section refines the internal control system based on the changes to the regulations or the implementation process.
MIS Auditing Section	The section examines the effectiveness of information and communications security and uses computer audit software as an aid to conduct data analyses.

► Audit Project Workflow



Material topics pertaining to internal controls in 2015 are outlined below :



In 2015, there were 23 projects related to the material topics covered in this report, such as the management of the Board meetings, the operation of the Remuneration Committee and the waste management of the Production Business. Overall, the Company's internal controls were effectively implemented. There was no indication of any major alarming issues.



Internal Control Performance in 2015

1 · Refined internal control system and self-evaluation guidelines

We revised our internal control implementation rules in accordance with the amended " Procedures for Lending of Capital to Others ", " Procedures for Endorsements and Guarantees ", and " Procedures for Acquisition and Disposition of Assets ", which had been adopted in the Annual General Meeting. We also assisted related departments in refining their respective internal control system and implementation rules.

In addition, we made changes to our internal control evaluation process, related forms and procedures based on the internal control self-evaluation sheet and methods updated by the Taiwan Stock Exchange. We organized a seminar to explain the new self-evaluation process, the new items for evaluation, how to build implementation teams to conduct evaluation, as well as the new forms and submission methods. A total of 21 business units of the Company and 59 companies of Far Eastern Group attended the seminar. Representatives of the companies in Shanghai, Yangzhou and Vietnam also participated in the event via videoconferencing.

2 · Reviewed the internal control mechanisms of the Purchasing Department

FENC's Audit Department and Far Eastern Group's Auditing Department sent representatives to attend the meeting of the risk control team established by the Group's Purchasing Department, in order to discuss the risks arising from various procurements, examine the Department's procurement process and internal control mechanisms, and develop measures for improvement. In addition, new procedures concerning evaluating and selecting suppliers were established to refine our internal control mechanisms and processes.

3 · Issued internal audit guidelines

The Audit Department issued internal audit guidelines each quarter for the reference of each department's supervisor and audit managers. The guidelines included the design and implementation of the internal control system, audit practice and the regulatory compliance risks facing the Company. We used different cases to increase the management's understanding of the risks facing our operations and provide suggestions for improvement.

1.4.3 Financial Risks

At FENC, capital management consists of day-to-day cashier operations and the short-term financing management. While our cashing operations focus on the daily forecast of the incoming and outgoing funds, collections and disbursements as well as stock-related processes, the short-term financing management deals with the balances in New Taiwan Dollar or foreign currencies every day and take out or repay loans based on the market interest rates and exchange rates

We work with different financial institutes, including local and foreign banks and bills finance companies. Bank loans and commercial papers are the major financing instruments. Time deposits, commercial papers with repurchase agreements, money market fund are utilized when the Company has a surplus in funds.

Given the cost of capital, we apply for bank loans or issue commercial papers for short-term or mid-term financing (less than 3 years) but for mid-term or long-term financing (more than 3 years), we use various corporate bonds as our chief instrument to raise funds.

Cash Flow Management

Cash flow management is closely linked to every aspect of our business. We conduct periodic analyses on our operations, investments and financial management to effectively forecast our future cash flows.

Exchange Rate Management

FENC has foreign exchange export proceeds. If the net foreign exchange positions exist after foreign currency liabilities are deducted, we use spot and forward exchange contracts to hedge against the impact of exchange rate fluctuations on the Company.

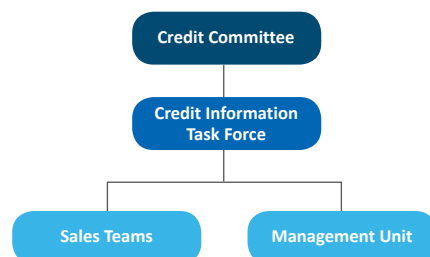
Financing in Capital Markets

In order to increase our responsiveness, diversify our sources of funds and manage the risks associated with interest rate hikes, the Finance Department issues long-term fixed interest bonds, when appropriate, at home or abroad depending on the dynamics of the capital market and capital flows, such as straight bonds, convertible bonds or exchangeable bonds. This approach is aimed at strengthening our financial structure and reserve funds in response to various needs down the road.

1.4.4 Credit Risks

As FENC's sales markets and customers are in every part of the world, open account trading is a common practice for our domestic and export sales. In order to ensure consistent production, operations and quality of transaction, it is essential to manage the risks associated with open account transactions and improve the quality of our corporate assets. Therefore, the Shipping Department, Accounting Department, Audit Department and Legal Department have comprised the Management Unit and established the Credit Information Task Force and the Credit Committee in a joint effort to manage open account trading risks. In order to ensure zero non-payments, we have adopted three management principles at different stages : prevention, inspection and control.

► The Structure of Open Account Trading Management



Prevention

- Commission credit information service providers at home and abroad to gain insight into the operations of our customers to which we consider extending credit.
- Sign contracts with multiple accounts receivable insurance companies to diversify open account trading risks.
- Conduct on-site inspections regularly in the areas where our customers are located or commission credit information service providers to run credit checks on our customers, in order to gain first-hand market information and the updates of our customers' operations.
- Issue " National Risk Report " periodically to assist the sales unit in risk assessment beforehand and risk control afterwards when expanding into foreign markets.
- Provide internal training courses on credit risk management regularly to enhance the sales teams' and Corporate Management's understanding of related issues.
- Amend open account trading guidelines and credit rating standards regularly in response to external risks.

Examination

- Convene meetings with the Credit Information Task Force and the Credit Committee regularly and assess customers' credit rating and manage open account trading risks.
- Develop measures to select customers for open account trading to prevent non-performing loans and minimize the cost of recovering losses.





Control

- Create a watch list concerning customers with credit issues and reduce or freeze the credit extended to them, whenever appropriate, to minimize risk exposures.
- Assemble an ad hoc task force across departments to forcefully dun the customers who have severely overdue payments or are likely to default on payment obligation, so as to ensure the Company's money can be collected.
- Implement a three-level risk alert system in response to the unexpected credit risks incurred by the significant political or economic changes in our export markets.

1.4.5 Climate Change and Environmental Pollution Risks

FENC attaches great importance to long-term operational performance. In the face of climate change and environmental pollution, we are driven to turn the associated risks into business opportunities.

Risks	Aspect	Event	Response
	Extreme Weather Conditions	<ul style="list-style-type: none">• Transportation cost will increase• Production and shipment will be affected• As the differences between high and low seasons have become smaller, it has been more difficult for the Company to adjust our production capacity to maximize profits• The operation of the facilities in the factories will be affected• Water supply will be unstable• Power supply will be unstable	<ul style="list-style-type: none">• Use early warning mechanisms to prepare essential materials and make transportation arrangements• Arrange production staff's transportation, accommodation and meals in advance• Pay heed to weather changes and keep an adequate supply of products• Plan production and sales ahead of time to ensure normal supply of raw materials• Optimize manufacturing processes to minimize environmental impact• Reduce the damage to the equipment by improving its waterproof and insulation capabilities• Build additional reservoirs, filtering systems, river water treatment facilities and wastewater recycling systems• Increase the reutilization rate of water resources to reduce water usage and wastewater discharge• Secure insurance protection against natural disasters• Adopt precautionary measures against typhoons
	Changes in Policies	<ul style="list-style-type: none">• Taiwan adopted the Greenhouse Gas Emission Reduction and Management Act• Taiwan began to collect water pollution control fees• China adopted Law on Air Pollution Prevention and Control• China began to implement clean energy policies and exercise tight control on companies' wastewater discharge and exhaust emissions• China is likely to impose carbon taxes• Banks began to adopt equator principles	<ul style="list-style-type: none">• Promote the use of renewable energy• Implement plans to conserve energy and reduce emissions• Adjust product structure and manufacture eco-friendly products• Far Eastern Industries (Shanghai) Ltd. introduced "2015 Air Pollution Prevention and Emergency Measures" to cut emissions• Oriental Petrochemical (Shanghai) Corp. and Far Eastern Industries (Shanghai) Ltd. began to implement the LDAR management program

Opportunities	 <ul style="list-style-type: none">• Develop products using recycled materials or bio materials to reduce our reliance on petrochemical materials and reduce GHG emissions	 <ul style="list-style-type: none">• Develop new functional products to satisfy the needs of garments with warming, cooling or anti-ultraviolet effects	 <ul style="list-style-type: none">• Develop energy-saving products based on the requirements of customers to reduce energy consumption across our value chain and minimize environmental impact	 <ul style="list-style-type: none">• Continue the R&D and promotion of eco-friendly products
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Climate Change Risks Identification and Adaptation Plan

In order to better respond to the impact of climate change and ensure our proper operations and sustainable development, FENC registered for the "2015 Adaptation Pilot Program" launched by the Industrial Development Bureau. Hukou Mill was selected as the only factory guided by the bureau.

Under the guidance of Taiwan Green Productivity Foundation, we assembled an adaptation task force for the mill and appointed the head of the mill as the leader of the task force. The first step we took was to take stock of the mill, examine the impact of the weather events on the mill's operations and collect various graphs, charts and maps of the area. The second step was to identify, analyze and sort risks associated with climate change. Lastly, we formulated an adaptation action plan based on the first two steps and conducted an opportunity analysis.

Aspects of Impact Assessment

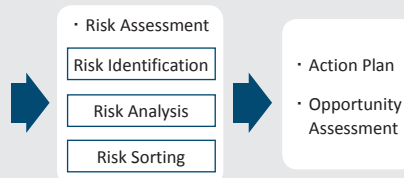
- Manufacturing process
- Assets
- Personnel
- Supply chains
- Finances

Climate Risks

- Lightning strikes
- Floods
- Rising temperatures
- Gales
- Salt damage and erosion
- Droughts

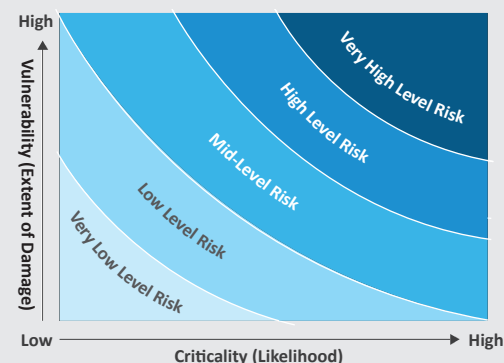
Climate Change Risks Identification and Adaptation Workflow

- Review the Impact of Climate Change in the Past
- Assess the Impact of Climate Change in the Future



Vulnerability (extent of damage) and criticality (likelihood) are assessed in our risk analysis. Hukou Mill faces two high-level risks. Higher risk level indicates higher probability and greater damage and requires an adaptation plan that considers different aspects such as management, response and strategy to minimize impact.

Hukou Mill Climate Change Risks Identification



Risk Level	Impact
Very High	none
High	Rainstorm – asset – dorm basement Lightning strikes – manufacturing process – transmission lines of Taiwan Power Company
Mid	Rainstorm – manufacturing process – power supply facilities at ultra-high-voltage stations Drought – manufacturing process – air compressor and water chiller cooling system Gale – manufacturing process – power supply facilities at ultra-high-voltage stations
Low	Rainstorm – supply chain – dorm basement Severe salt fog – manufacturing process – cap and pin insulators for power supply equipment at ultra-high-voltage stations High temperature – finance – air compressor and water chiller cooling system Rain storm – supply chain – unloading areas for cotton containers Rainstorm – supply chain – weighbridge system Rainstorm – personnel – three shifts of manpower Lightning strikes – asset – facilities in the mill
Very Low	none

The rainstorm is the first high-level risk. The intensity of the rainstorm has increased in the area where Hukou Mill is located. As some transformer substations are installed in the basement, floods caused by the rainstorm can take a huge toll on the operation of the mill. In order to minimize damage of the potential storms, it is important to establish an SOP, increase flood control and water pumping facilities and move the transformer facilities to areas of higher elevation. The second high-level risk is lightning strikes that can damage the transmission facilities, thereby causing voltage drop or power outage. To address this risk, our action plan includes preparing backup power in case of emergency, maintaining lightning protection and interruptible power supply systems, and requiring the staff to familiarize themselves with the SOP for power outage emergencies.

Adaptation Action Plan

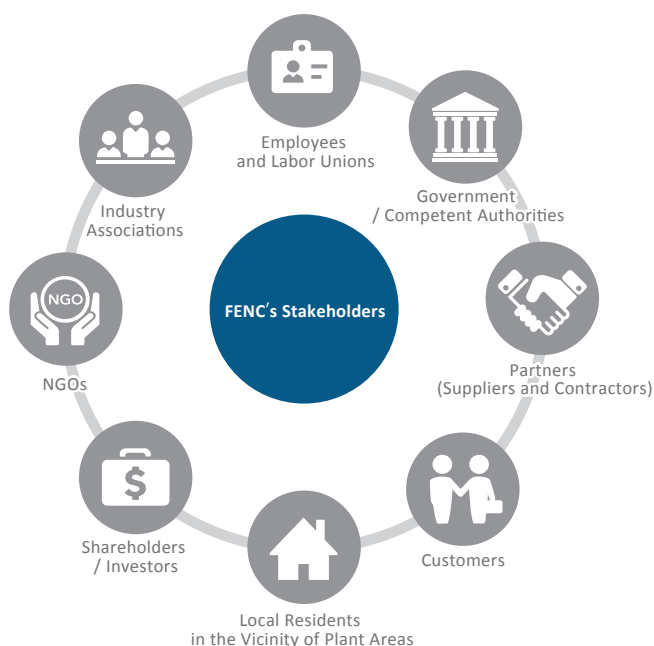
Response	Strategy	Management
<ul style="list-style-type: none"> • Utilize the equipment for disaster prevention and relief in response to the impact of climate change • Adjust manufacturing operations and mobilize resources when necessary 	<ul style="list-style-type: none"> • Plan ahead for adding protection facilities and improving the functions of disaster prevention equipment • Set up an off-site emergency backup system or insure the mill to diversify the risks 	<ul style="list-style-type: none"> • Inspect the maintenance of equipment and facilities regularly • Reallocate human resources for contingencies • Establish and review SOPs for emergencies

All the FENC's factories sent representatives to learn from this pilot program. We intend to extend the risk identification and adaptation program to all our production sites and improve the Company's capabilities to manage the risks associated with climate change.

1.5 Stakeholders and Material Topics

1.5.1 Identifying Stakeholders

In 2014, FENC sent out questionnaires to employees at different levels to identify our stakeholders. The questionnaire was designed based on the 5 principles set out in AA1000 Stakeholder Engagement Standard 2011, which are dependency, responsibility, influence, diverse perspectives and tension. Our subjects were employees from Taiwan, Suzhou, Wuxi, Shanghai and Wuhan who are the CSR committee members from different departments of our businesses covered in the scope of the report. A total of 135 questionnaires were filled out and collected.



1.5.2 Identifying and Responding to Material Topics

To identify the material topics, FENC not only considered our employees' opinions and the materiality principle of the GRI G4, but took into account the significant sustainability issues in the world, such as the United Nations' 17 Sustainable Development Goals and the Paris Agreement adopted at COP21. We used questionnaires and interviews to assess how the topics affect the Company (financial and non-financial implications, impacts on the integration of our strategies, as well as impacts on opportunities and competitiveness), different groups of stakeholders' assessments and decisions (significance of the impact, the expectation of the Company's response and actions, as well as the expectation of transparency). We asked our subjects to rate on each assessment item for further analysis and the management to share their perspectives in order to determine the 23 material topics in the matrix below.

In this matrix, the up-right block represents the material topics defined in this report, while topics in other blocks have less significant impact or influence.

The differences between the material topics covered in this and last reports are described below :

- In 2015, there were a couple of chemical accidents in the industry, so this year, we have included "chemicals and toxic substances management" as a material topic.
- "Employee training and career development" has been renamed "career training and development".
- We care about human rights issues and focus on "child labor and freedom of association", with which our customers and investors are more concerned.
- Last year, we had the topic "response to urbanization" because an increasing number of communities emerged in close proximity to the industrial areas. As "crisis management and disaster prevention" also concerns the communities, the topic "response to urbanization" has been merged into "crisis management and disaster prevention" in this report.
- As the Company's Production Business sells intermediate products to our downstream corporate customers, "customer service" has been incorporated into "manufacturing process and product innovation" and "international standards certification."

Influence on stakeholder assessments and decisions		Ethical corporate management Regulatory compliance Environmental pollution prevention Work environment and safety ☆ Crisis management and disaster prevention ☆ Chemicals and toxic substances management ☆	Corporate governance Risk management Sustainability strategies and governance Operational strategies and future development Operational performance
	Sound communication channels Pursuing prosperity with the communities Advancing public interest	Energy and resource management International standards certification Care, benefits and compensation for employees ☆ Supply chain management Response to climate change Child labor and freedom of association ☆ Customer safety ★ Sustainable architecture ★ Land use management ★ Ecological conservation ★	Manufacturing process and product innovation Career training and development ☆
		Technical exchanges and cooperation	
Significance of the organization's economic, environmental and social impacts			

Note : ★ indicates that the topic is only applicable to Far Eastern Resources Development Co., Ltd.
 ☆ indicates that the topic is only applicable to the Production Business

"Work environment and safety", "crisis management and disaster prevention", "chemicals and toxic substances management", "career training and development", "child labor and freedom of association", and "care, benefits and compensation for employees" are only applicable to the Production Business. As Far Eastern Resources Development Co., Ltd is included in this report, we have interviewed the management of this subsidiary in particular, to gain an in-depth understanding of the nature of their business and the related issues that our stakeholders are more concerned with. There are four additional material topics that are specific to this company, which are "sustainable architecture", "land use management", "ecological conservation" and "customer safety". As the company has many construction projects, issues pertaining to contractor training and site safety management are incorporated into "supply chain management".

► Material Topics and Their Significance to FENC

Sustainability Topics	Significance to FENC	Sustainability Topics	Significance to FENC
Corporate governance/Risk management/Sustainability strategies and governance/Operational strategies and future development/Operational performance/Ethical corporate management/Regulatory compliance	► Integrity is the golden rule that guides FENC's management and development. We believe it is the key to the long-term success of our corporate governance and operations. Risk management and long-term strategic planning are the cornerstones of sustainable development and are indispensable for the Company to achieve our sustainability goals.	Work environment and safety/Child labor and freedom of association Care, benefits and compensation for employees/Career training and development	► Employees are valuable assets at FENC. We must ensure their safety and health at the workplace and safeguard their basic human rights. We promote respect for our employees in the Company and help them develop their expertise and advance their career. These efforts are essential to our corporate sustainability.
Environmental pollution prevention/Energy and resource management/Response to climate change	► The Company complies with the laws and regulations regarding environmental protection not just because we are required to, but because we value the natural environment and the communities in proximity to our production sites. We are determined to manage resources effectively to reduce production costs, enhance operational performance and, more importantly, minimize environmental impact.	Chemicals and toxic substances management	► As the use of chemicals is critical to the operations and development of the petrochemical industry, the Company must manage chemicals in a systematic way to prevent accidents or disasters caused by the misuse of chemicals and to prevent chemical exposure from jeopardizing our people's health.
Crisis management and disaster prevention	► It is our duty to minimize our negative impact on the neighboring communities, manage crises effectively and prevent disasters.	Customer safety/Sustainable architecture/Land use management/ Ecological conservation	► While increasing its efficiency in using land resources, Far Eastern Resources Development Co., Ltd has focused on developing the blueprint for urban planning and assessing the severity of land contamination, so as to carry out proper restoration work. "Ecological sustainability" and "smart life" are the key to our approaches to land development. We have improved our measures against various accidents and disasters to ensure people's safety.
International standards certification /Manufacturing process and product innovation/Supply chain management	► We provide high-quality products and services and create additional values to cement our relations with customers and to gain international certifications that ensure the high standards of our internal process and the quality of our products. In addition to our innovative approaches to sustainable development, we use supply chain management to encourage our partners to fulfill their social responsibilities.		





This report provides detailed accounts of various material topics. Please see the table below for more information on the topics, the significant aspects and boundaries defined by GRI G4, and the corresponding chapters.





Materiality Issue	Relevant G4 Material Aspects	Internal			External			Management Approaches and Relevant Information	
		FENC	Subsidiaries of Production Business	Far Eastern Resources Development Co., Ltd.	Suppliers	Customers	Communities and Environment	Chapter	Page
Corporate governance	General Standard Disclosures : Governance, Organizational Profile, Strategy and Analysis	★	★	★				1.2	17
Risk management	General Standard Disclosures : Strategy and Analysis Economic : Economic Performance	★	★	★	★	★		1.4	22
Sustainable development strategy and governance	General Standard Disclosures : Governance	★	★	★	★			1.3	19
Operational strategies and future development	General Standard Disclosures : Strategy and Analysis	★	★	★	★	★		Chairman's Message / 1.3	5 / 19
Operational performance	Economic : Economic Performance	★	★	★	★	★		1.1	12
Manufacturing process and product innovation	Environmental : Products and Services	★	★	★				2.1 / 2.2 / 3.5 6.2.1 / 6.2.2	36 / 38 / 62 / 100 / 101

Materiality Issue	Relevant G4 Material Aspects	Internal			External			Management Approaches and Relevant Information	
		FENC	Subsidiaries of Production Business	Far Eastern Resources Development Co., Ltd.	Suppliers	Customers	Communities and Environment	Chapter	Page
Career training and development	Labor Practices and Decent Work : Training and Education	★	★					4.4.2 / 6.2.1 / 6.2.4	75 / 100 / 107
Ethical corporate management	General Standard Disclosures : Ethics and Integrity Society : Anti-corruption, Anti-competitive Behavior	★	★	★	★	★		1.2.4	18
Regulatory compliance	Environmental, Society, and Product Responsibility : Compliance	★	★	★	★			1.4.1	22
Environmental pollution prevention	Environmental : Emissions, Effluents and Waste, Supplier Environmental Assessment Society : Local Communities	★	★	★	★			2.4.1 / 3.4 / 3.6 6.2.2 / 6.2.5	45 / 59 / 64 / 101 / 109
Work environment and safety	Labor Practices and Decent Work : Occupational Health and Safety	★	★		★			4.5	79
Crisis management and disaster prevention	Society : Local Communities	★	★				★	3.6 / 6.2.5	64 / 109
Chemicals and toxic substances management	Labor Practices and Decent Work : Occupational Health and Safety	★	★					4.5.1	79
Energy and resource management	Environmental : Materials, Energy, Water	★	★	★	★			3.2 / 3.3 / 6.2.2	49 / 58 / 101
International standards certification	Environmental : DMA of relevant aspects (i.e. Energy, Water, etc.), Products and Services	★	★	★	★			2.2.3 / 3.2.1 / 6.2.2	39 / 49 / 101
Care, benefits and compensation for employees	Labor Practices and Decent Work : Employment, Labor/ Management Relations	★	★		★			4.1 / 4.2 / 4.3	66 / 70 / 73
Supply chain management	Economic : Procurement Practices Environmental : Supplier Environmental Assessment Labor Practices and Decent Work : Supplier Assessment for Labor Practices Human Rights : Supplier Human Rights Assessment Society : Supplier Assessment for Impacts on Society	★	★	★	★			2.4 / 6.1.2	44 / 98
Response to climate change	Environmental : Energy, Emissions, Products and Services	★	★	★	★	★		1.4.5 / 2.2 / 3.2 / 3.4 / 6.2.2	26 / 38 / 49 / 59 / 101
Child labor and freedom of association	Human Rights : Freedom of Association and Collective Bargaining, Child Labor	★	★		★			4.2.1 / 4.3.1	70 / 73
Customer safety	Product Responsibility : Customer Health and Safety			★		★		6.2.3	106
Sustainable architecture	Environmental : Energy, Water, Biodiversity, Effluents and Waste, Products and Services			★		★		6.2.2	101
Land use management	Environmental : Land Degradation, Contamination and Remediation			★			★	6.2.4	107
Ecological conservation	Environmental : Biodiversity			★			★	6.2.4	107

1.5.3 Stakeholder Engagement

FENC engages with our stakeholders on an ongoing basis. The table below shows the channels through which the Company communicates with our stakeholders, our communication frequency and some instances in 2015.

Type of Stakeholder	Area of Focus		Communication Channel		Communication Frequency and Some Instances in 2015
 Employees and Labor Union	<ul style="list-style-type: none"> Corporate governance Ethical corporate management Operational performance Care, benefit and compensation for employees Career training and development 	<ul style="list-style-type: none"> Child labor and freedom of association Work environment and safety Crisis management and disaster prevention Energy and resource management 	<ul style="list-style-type: none"> Various work meetings (factory affairs, SHE, production, sales, etc) Various employee welfare meetings (accommodation, meals, wages, benefits, employee representatives meeting, etc) Labor union meeting Annual performance evaluation Employee satisfaction survey Employee training 	<ul style="list-style-type: none"> Fire drills Safety Promotion Month at Far Eastern Fibertech Co. (electric appliances safety, driving safety, fire safety) Production Safety Month at Oriental Petrochemical (Shanghai) Corp. (SHE management) Email for SHE issues Email for complaints 	<ul style="list-style-type: none"> Each meeting takes place periodically. Employee survey, employee training and fire drills take place many times per year. Safety Month promotional activities take place once per month. Production Safety Month activities takes place once per year.
 Government / Competent Authority	<ul style="list-style-type: none"> Crisis management and disaster prevention Environmental pollution prevention Work environment and safety Sustainability strategies and governance 	<ul style="list-style-type: none"> Chemicals and toxic substances management Regulatory compliance Risk management Care, benefit and compensation for employees 	<ul style="list-style-type: none"> Community security meeting Site inspection meetings Examination meetings Negotiation meetings Forums Regulation explanation/ seminars / symposia 	<ul style="list-style-type: none"> Labor welfare forum Visit by the government officials Joint fire drill Official audit regulations Internal audits Internal control self-evaluation 	<ul style="list-style-type: none"> We participate in community security meeting every month. Ad hoc meetings such as examination meeting, seminars and forums take place many times per year. The labor welfare meeting takes place once per year. Government representatives visit on an irregular basis. The Joint fire drill takes place once per year. Audits are conducted on an irregular basis. Internal control self-evaluation takes place once per year.
 Partners (Suppliers / Contractors)	<ul style="list-style-type: none"> Corporate governance Ethical corporate management Regulatory compliance Risk management Supply chain management 	<ul style="list-style-type: none"> Manufacturing process and product innovation Work environment and safety Crisis management and disaster prevention Chemicals and toxic substances management 	<ul style="list-style-type: none"> Work meetings Tpark maintenance and operation work meetings Contractor management meeting Transporter safety and quality review meeting Internal communication meetings Annual price negotiations Annual supplier/contractor meeting 	<ul style="list-style-type: none"> Supplier evaluation Visiting suppliers Suppliers' visits Supplier safety training Contractor training Phone calls, emails 	<ul style="list-style-type: none"> Work meetings and transporters safety and quality examination meetings take place on an irregular basis. (In 2015, there were 12 Tpark urban design work meetings and 9 environmental impact assessment meetings) Tpark maintenance and operation work meeting and contractor management meeting take place every month Supplier evaluation is carried out once per year. We visit suppliers and they visit us on an irregular basis. Supplier training and contractor training take place many times per year. communication via phone call or email on an irregular basis
 Customers	<ul style="list-style-type: none"> Customer safety Regulatory compliance Risk management Manufacturing process and product innovation 	<ul style="list-style-type: none"> International standards certifications Sustainability strategies and governance Sound communication channels Technological exchanges and cooperation 	<ul style="list-style-type: none"> Customer service center, service hotline Customer visits/ sales interviews Customers' onsite evaluation Questionnaires and satisfaction survey 	<ul style="list-style-type: none"> External certification Carbon foot print inventory Phone calls and emails 	<ul style="list-style-type: none"> We visit customers, conduct sales interviews and welcome customers' onsite evaluation many times per year. We use questionnaires to conduct a survey many times per year. We conduct a customer satisfaction survey once per year. We conduct a carbon footprint inventory once per year. communication by phone or email on an irregular basis

Type of Stakeholder	Area of Focus		Communication Channel		Communication Frequency and Some Instances in 2015
 Local Residents in the Vicinity of Plant Areas	<ul style="list-style-type: none"> Ecological conservation Crisis management and disaster prevention Work environment and safety Environmental pollution prevention Chemicals and toxic substances management 	<ul style="list-style-type: none"> Regulatory compliance Sound communication channels Pursuing prosperity with communities Advancing public interest 	<ul style="list-style-type: none"> We provide ecological experience and guided tours at Tpark. We provide security services at Tpark. We provide a hotline for Tpark. We organize community activities 	<ul style="list-style-type: none"> Oriental Petrochemical (Shanghai) Corp. organizes the Open House Day. We attend the community meetings. We organize crisis reporting training. We hold seminars. We provide complaints mailbox at our plants. 	<ul style="list-style-type: none"> We organize community activities many times per year. Oriental Petrochemical (Shanghai) Corp. organizes the Open House Day once per year. We visit people in the neighborhood and attend the community meetings on an irregular basis. We organize crisis reporting training and seminars many times per year.
 Shareholders / Investors	<ul style="list-style-type: none"> Corporate governance Operational performance Ethical corporate management Regulatory compliance 	<ul style="list-style-type: none"> Risk management Management strategies and future development Sustainability strategies and governance 	<ul style="list-style-type: none"> Board meetings Annual general meeting The Company's website 	<ul style="list-style-type: none"> Investors' visits We attend the forums and seminars held by brokerage firms Investor Relations Department's email 	<ul style="list-style-type: none"> Board meetings are held many times per year. The annual general meeting is held once a year. We are visited by investors many times per year. We are invited to the investment forums held by brokerage firms many times per year.
 NGO	<ul style="list-style-type: none"> Environmental pollution prevention Response to climate change 	<ul style="list-style-type: none"> Energy and resource management Advancing public interest 	<ul style="list-style-type: none"> Opinion exchange meetings Seminars Technical exchanges with the Institute for Information Industry and Industrial Technology Research Institute 	<ul style="list-style-type: none"> Environmental management information on our website We offer ecological education at Tpark. Phone calls and emails 	<ul style="list-style-type: none"> The National Information and Communications Initiative Committee convened a meeting on building smart communities and promoting industrial innovation at Tpark. We participate in local seminars on an ad hoc basis. We update information on environmental management on our website every year. We offer ecological education on an irregular basis. Phone calls and emails on an irregular basis
 Industry Associations	<ul style="list-style-type: none"> Regulatory compliance Risk management Work environment and safety 	<ul style="list-style-type: none"> Crisis management and disaster prevention Chemicals and toxic substances management Technical exchanges and cooperation 	<ul style="list-style-type: none"> Industry annual convention Industry meeting Forums held by the industry associations Members meeting 	<ul style="list-style-type: none"> Seminars Training Guided tours 	<ul style="list-style-type: none"> We participated in the 2015 China PTA association annual convention. We participate the industry meeting once a month. We participate in the forums held by industry associations on an irregular basis. Member meeting is held once a year. Seminars are held many times per year. Training takes place many times a year. Tpark was selected as the real demo sites in the 2015 smart city exhibition. We provided four guided tours.

Participation In External Organizations

In 2015, FENC participated in a total of 65 external industry associations. In 36 of them, we played an important governance role, took part in their projects or committees, provided large sum of funding or benefited from the associations' substantial and strategic assistance. The organizations that we participated in are described in the table below :

Type	Taiwan	China
Industry Associations	<ul style="list-style-type: none"> • Taiwan Nonwoven Fabrics Industry Association • Taiwan Silk & Filament Weaving Industrial Association • Taiwan Man-Made Fiber Industries Association • Taiwan Spinner's Association • Taiwan Weaving Industry Association • Taiwan Textile Printing Dyeing& Fining Industry Association • Taiwan Textile Federation • Better Cotton Initiative (BCI) 	<ul style="list-style-type: none"> • International Cotton Association (ICA) • Guanyin Industrial Park Manufacturers Association • Industrial Safety and Health Association of the R.O.C. • Northern Taiwan Association for Promotion of TOSHMS, Occupational Safety and Health Administration, Ministry of Labor • Petrochemical Industry Association of Taiwan • Taiwan Knitting Industry Association • Guanyin Industrial Park Association for Safety & Health • The Real Estate Development Union of New Taipei City
R&D Association and Society	<ul style="list-style-type: none"> • Cradle to Cradle Taiwan 	<ul style="list-style-type: none"> • NIKE Northern Factory Association for Improving of Corporate Social Responsibility • NIKE Lean Forum Association in China • China Dyeing and Printing Association
Other Associations	<ul style="list-style-type: none"> • Chinese Human Resource Management Association • Association of Industrial Relations, R.O.C. • Chinese National Association of Industry and Commerce, Taiwan • Supply Management Institute, Taiwan 	<ul style="list-style-type: none"> • Society for Environmental Sciences, Fengxian District , Shanghai City • Suzhou Society For Environmental Sciences • Suzhou Energy Conservation and Emission Reduction Association • Wuxi Association of Energy Conservation and Resource Comprehensive Utilization • Shanghai Association of Enterprises with Foreign Investment • New Area Taiwanese Businessmen Association • Council of Shanghai City Work Safety • Wuxi Taiwanese Businessmen Association • Wuxi New Area Taiwanese Businessmen Association

Participation in International CSR Activities

Due to the impact of climate change, environmental protection has been a topic of concern around the world. While people have begun to take actions to conserve energy and reduce carbon emissions, investors have focused on selecting their targets for investment based on a company's performance in sustainability and associated its operational performance with sustainable development. There has been an increasing expectation of the business world to disclose their CSR practices. To better inform our external stakeholders of our performance in sustainability and governance, FENC has filled out questionnaires designed by various external organizations. In so doing, the Company can examine the soundness and effectiveness of our CSR policies and formulate concrete plans to make improvement and enhance our corporate sustainability.

In 2015, FENC completed questionnaires of 4 international organizations, MSCI, CDP, Global 100 Ranking and Sustainalytics, and was selected for inclusion in MSCI Global Sustainability Index Series. Our CDP's disclosure score improved from 45 in 2014 to 92 in 2015. Our Sustainalytics score ranks first among the companies of the same scale.



Gave a Keynote Speech at 2015 International Forum on Sport and Environment

The Sports Administration, Ministry of Education and Chinese Taipei Olympic Committee held 2015 International Forum on Sport and Environment in September, 2015. As a forerunner in Taiwan's textile industry and a major supplier of jerseys made from recycled plastic bottles for two FIFA World Cups, FENC was invited to give a keynote speech on " The Champion of World Cup : Soccer Jerseys Made out of Plastic Bottles by Taiwan ", to discuss our research and development of eco-friendly PET fibers and our innovative products. Our aim was to promote sports and environmental protection from a different angle and strengthen the partnerships between the textile and sports industries.

Registering A Complaint

At FENC, various channels are available for stakeholders to file a complaint about corruption, social and environmental impacts, or issues concerning labor welfare and human rights. Independent investigation mechanisms have been in place for us to look into the problems and report the outcome to the higher level.

Aspect	Channel	Procedure	Outcome
Regulatory Compliance and Anti-corruption	<ul style="list-style-type: none"> Email of the Audit Committee : auditcommittee@fenc.com Email of the Audit Department : feaudit@fenc.com 	The Audit Department audits the areas to which a complaint is possibly related and submits a report afterwards. If there are shortcomings in internal controls and management issues, the department provides advice on improvement. If there is gross negligence or misconduct, the department proposes disciplinary actions to the management.	There was no complaint about corruption or social impact in 2015.
Environment	<ul style="list-style-type: none"> The SHE department of each production site The security service of each production site Public Relations Department, Oriental Petrochemical (Taiwan) Co., Ltd. 	Upon receiving a complaint, the points of contact will notify the units concerned of the issue, report the issue to the management of the Company and update the person who filed the complaint on our follow-up actions.	<p>There were 12 complaints about the environmental impact during the reporting period. 8 of the complaints were lodged against our production sites. Most of them were related to noise or stench from the sites. We communicated with the people who live close by and addressed the issues.</p> <p>The other 4 complaints concerned Far Eastern Resources Development Co., Ltd, 3 of which were addressed. The other 1 complaint was related to the design of the curbs. In response, we spent almost NT\$300,000 to hire an architect to re-design the curbs to improve pedestrian safety.</p>
Labor and Human Rights	<ul style="list-style-type: none"> Employee opinion mailbox Emails (the President's email, the department email, etc.) Confidential hotline Employee representatives meeting Oral complaint Written complaint 	We investigate each complaint and escalate the issue to the higher levels and update the person who filed the complaint on our follow-up actions. The complaints and the investigation records are properly kept in the Company.	During the reporting period, we received 17 complaints concerning labor practices and addressed them all. There were no complaints about human rights issues.



Guidelines for Reporting Ethical Violations and Disciplinary Actions

As our corporate culture is defined by integrity, we have zero tolerance for corruption at FENC. In order to ensure the managers and employees behave ethically and adhere to the principles of ethical corporate management and that preventive, corrective and disciplinary measures are in place, we adopted the Guidelines for Reporting Ethical Violations and Disciplinary Actions in 2015. Anyone can report a suspected misconduct through our reporting channel without fearing that his or her identity will be revealed. We have imposed stringent regulations on the actions of the investigation team. The guidelines set out the remedies available for the breach of the Company's Code of Ethics, as well as the subsequent penalties and internal control measures for the violators. In 2015, there was no complaint concerning ethical violations.