



Establishing Strong Governance



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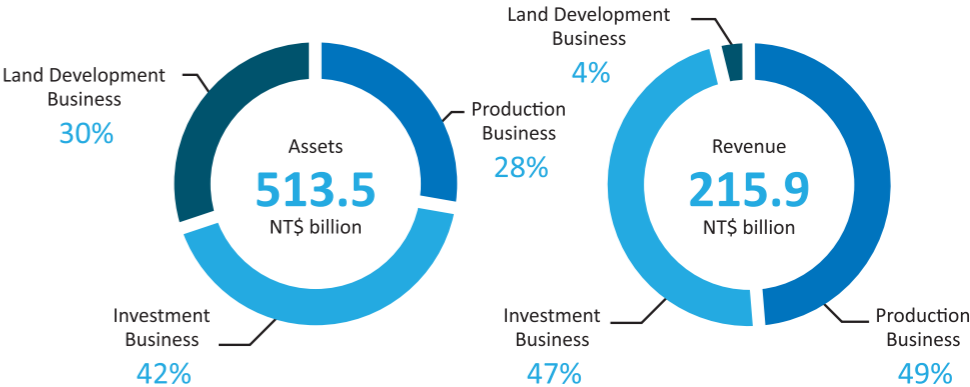
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1.1 FENC's Profile

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 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 its land assets and invest in diversified businesses to obtain profitable growth.

FENC's Assets and Revenue in 2016



FENC is the first company of Far Eastern Group, and has been the major supplier of polyester and textile products of the world. At the beginning, the Company focused only on textile-related businesses. When business became stable, the Company began dedicating to the research and development of innovative technologies and ventured steadily into upstream and downstream businesses, while strengthening core business at the same time. Over the years, it has excelled in many areas such as petrochemical, polymer, polyester, chemical fibers, cotton yarns and spinning, knitted fabrics, dyeing and apparel and has integrated upstream and downstream services from production to sales, all at one stop. More importantly, the Company has achieved remarkable results on the economic, environmental and social fronts.

For the time period covered by this report, there is no major change in organization, structure, ownership or supply chain at FENC.

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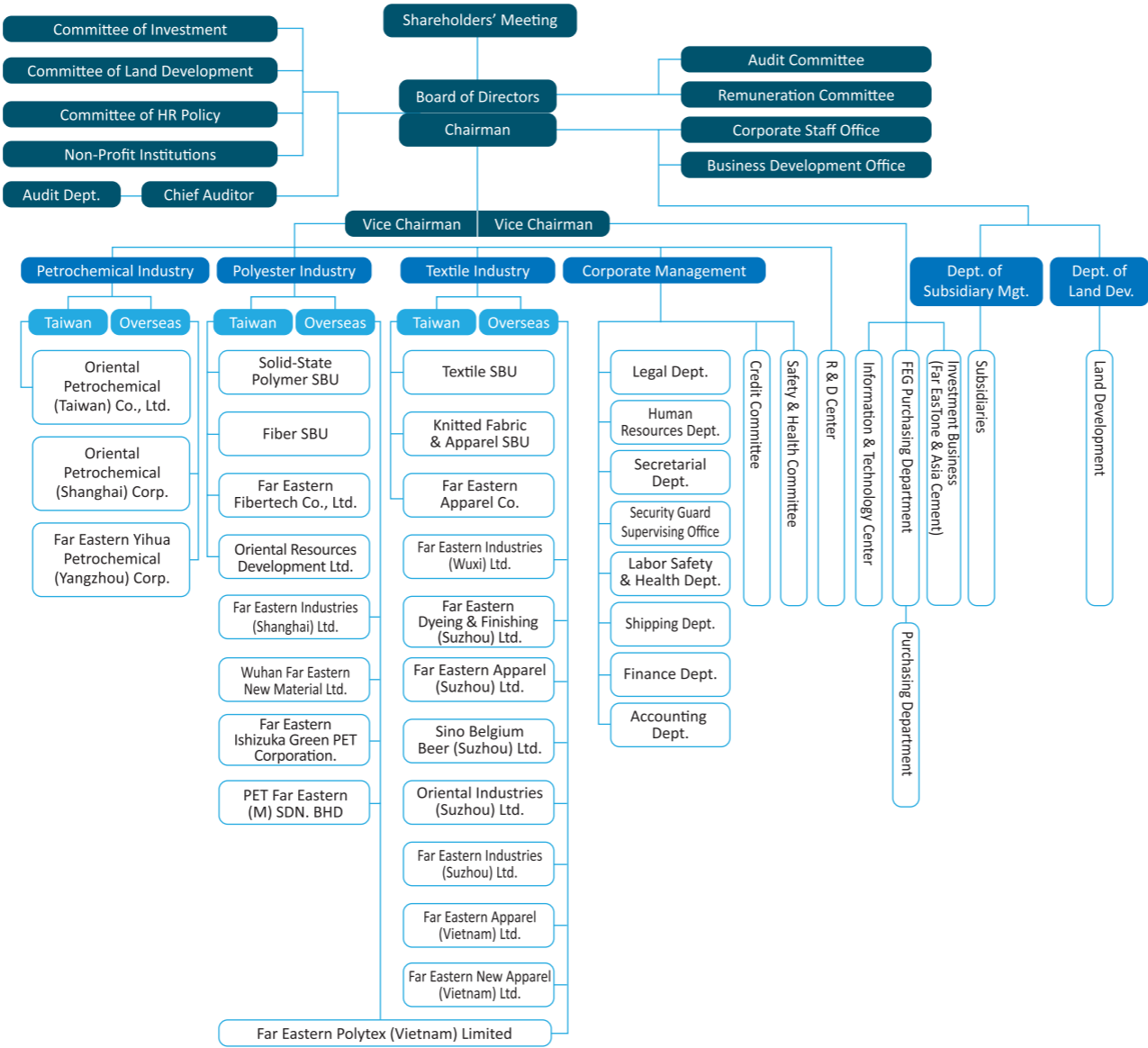
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Organizational Chart



Department		Business 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 polyester products made from recycled PET bottles
	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 in north of Taiwan. 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 returns
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 with outstanding performance, bringing in stable profits for the Company.

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Founding Mottos and Mission

The Far Eastern Group's Founder, Mr. Yu-Ziang Hsu, has always taken "integrity" as the upmost 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 Group's founding mottos. FENC's Chairman Douglas Tong Hsu further 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.


Founding Mottos




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 make progress. Diligence can make up for 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 principle is to constantly create new value for customers and shareholders. The Group's highest goal 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 Performance

FENC treasures long term profits so as to continuously create sustainable value for our customers and shareholders. We have annual budgets for operating expense and capital expenditure which are submitted to board of directors for approval. The accounting unit will report financial performance at each board meeting attended by general managers of each business sectors. Besides, all general managers will deliver reports on operating situation of each business sectors at the monthly business review meeting. All of the above ensures that the top management is in control of and can supervise the budget implementation.

Financial Summary Unit: NT\$1,000

Item	2012	2013	2014	2015	2016
Total Assets	420,341,223	472,999,472	496,604,290	518,765,122	513,460,158
Total Liabilities	172,023,425	213,362,255	233,119,979	258,368,119	261,267,506
Shareholders' Equity	248,317,798	259,637,217	263,484,311	260,397,003	252,192,652
Operating Revenues	236,792,347	238,840,657	235,506,639	217,948,202	215,855,921
Net Income (Attributable to Parent Company)	4,917,568	13,215,754	10,853,091	8,034,691	6,307,786

Economic Value Distributed to Stakeholders Unit: NT\$1,000

Item	2012	2013	2014	2015	2016
Operating Cost	192,499,242	192,237,386	187,774,546	167,464,920	164,684,799
Employee Wages and Benefits	16,837,191	17,255,894	18,626,313	19,595,339	20,434,107
Payments to Investors (Interest Expense and Dividends)	16,343,735	15,696,985	16,592,460	16,681,544	15,549,867
Payments to Government (Income Tax)	2,226,494	2,935,346	4,409,757	5,014,304	3,257,420
Investments in Community	107,664	140,430	103,095	116,813	122,664



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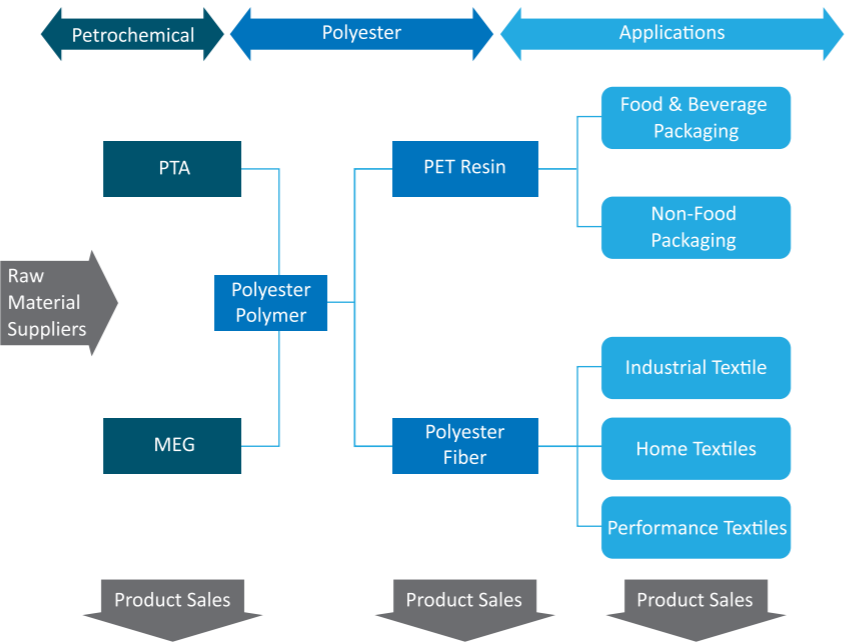
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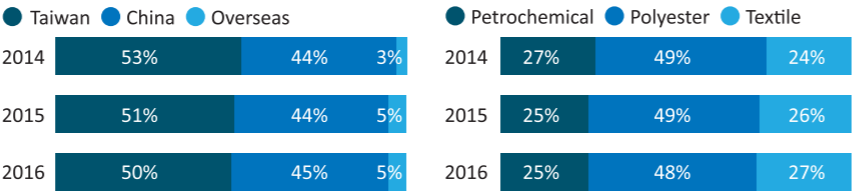
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1.1.2 Production Business

Main Products and Value Chain



Sales Breakdown



Global Position Goals



Volume and Value of the Production in 2016

Business	Major Products	Unit	Production Capacity	Production Volume	Production Value (NT\$1,000)
Petrochemical	PTA	MT	1,580,000	1,504,960	30,468,944
Polyester	Polyester Chip	MT	1,970,800	1,591,933	43,718,547
	Solid-State Polymer	MT	1,360,400	1,149,462	32,029,894
	PET Bottle Preform	1,000 pieces	3,720,000	2,538,003	2,093,030
	PET Sheet	MT	130,800	93,287	3,374,014
	Polyester Staple Fiber	MT	489,600	346,637	12,996,770
	PET Film	MT	20,160	7,701	525,377
	Partially Oriented Yarn	MT	121,260	102,420	4,320,022
	Drawn Textured Yarn	MT	47,220	40,558	2,485,849
Textile	Yarn	Bales	513,398	424,342	6,369,618
	Knitted Fabrics	MT	25,140	21,199	6,787,935
	Industrial Fabrics	MT	21,360	19,140	1,491,196
	Industrial Yarn	MT	101,600	91,709	4,412,449
	Apparel	1,000 dozens	5,208	4,565	5,806,401

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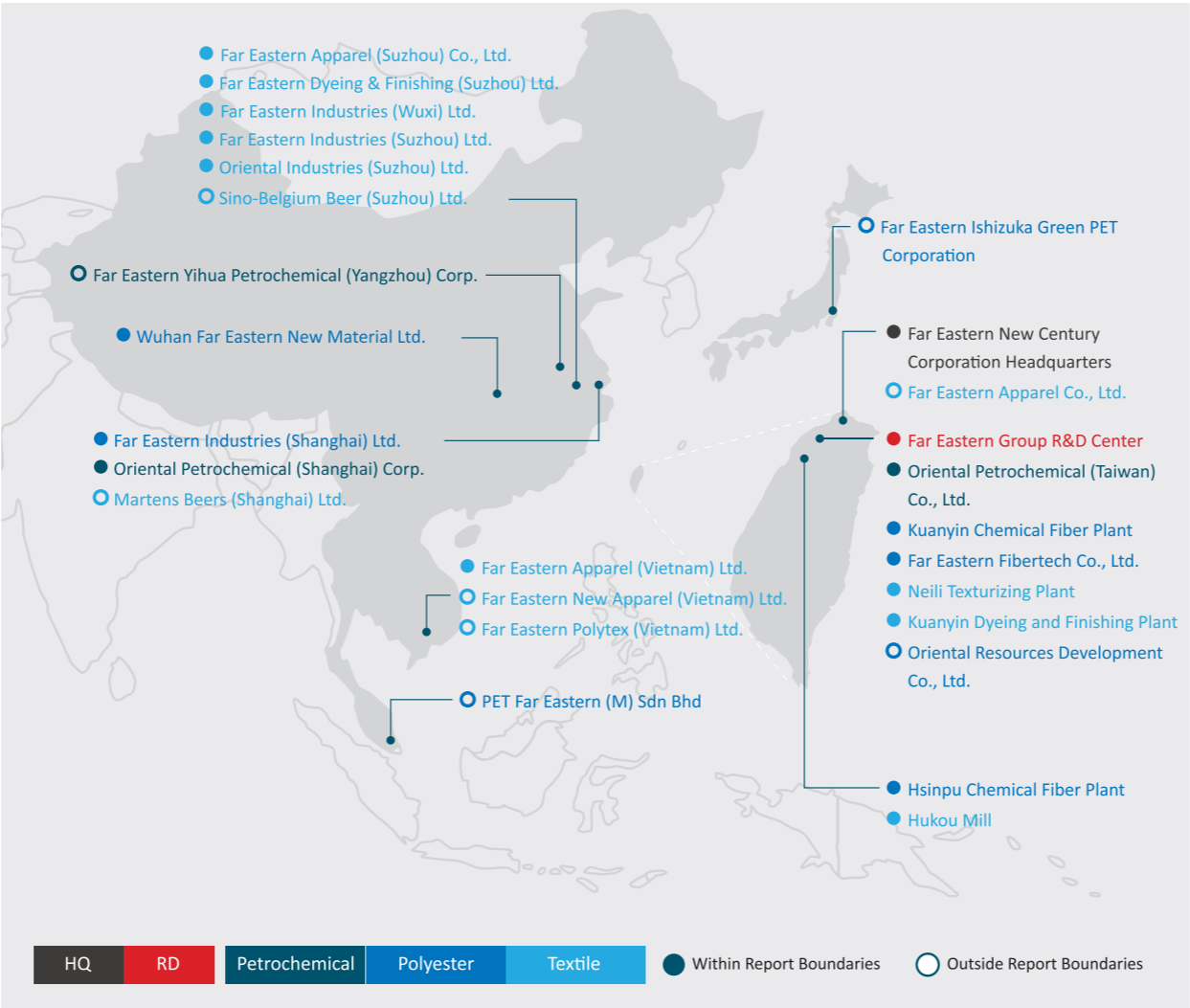
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◆ Operation Sites



Overview of Market Environment and Industry Summary in Production Business

Polyester business is in the core of FENC's business. The Company has constructed and integrated the upstream petrochemical raw materials and downstream applications amid the ever changing world business arena. This structure not only avoids operational risks inherent in raw material fluctuations, but also satisfies the customers' one-stop procurement demands, creating a leading status in related industry.

Looking ahead, the irrational expansion of PTA industry is under control. The operation rate for PTA is expected to be 85% worldwide in 2020. As to polyester industry, the worldwide production volume is expected to reach 82.46 million tons in 2020 due to world economic growth, increase of population and diversified applications. Compound annual growth rate will be 4.5% in 2016-2020, greater than the average world economic growth rate of 3.5% in the same period. Prospect for polyester industry chain is promising.

With the fast changing operational environment, FENC has adjusted the production and sales structure in each production site while maximizing profits in global market. Besides, it has made itself the first priority as a partner for global brands by focusing on differentiation, offering high value-added and green products. To create greater values for the industry, it has diversified its products and ventured into various industries.

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1.2 Corporate Governance and Sustainable Development

1.2.1 Outstanding Achievements



1.2.2 Directors and Remuneration

Board Members, Nomination System and Renumeration

There are 13 members (including 2 females) at FENC's 22th Board of Directors. All are well acquainted with corporate governance in practical or academic fields. Besides comprehensive supervising system in the Board, 3 independent Directors are there to ensure efficient management and avoid conflict of interests. The Board is guided by "Articles of Incorporations", "Meeting rules of Board of Directors" (rules on avoiding conflict of interests included) and other related rules. The selection of Directors is by nomination. Education and work experiences of nominees will be taken into consideration besides opinions of independents Directors. Under rules of "Election Procedures of Director" and "Corporate Governance Principles", diversification, independence and in alliance with stakeholders general views are all incorporated. Board of Directors meetings were held 4 times in 2016.

To strengthen Board members' ability in corporate governance, 2 seminars by external experts were conducted in 2016. The two classes are "Trend in tax reform" and "Corporate governance and operation of Board of Directors", total 16 Board attendances.

The remuneration and performance of the directors is linked to the Company's performance on the economic, social and environmental fronts and their participation in operation. 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 no higher than 2.5% of the remainder as remuneration for the Directors. The actual percentage and the amount will be evaluated and suggested by Remuneration Committee, then submitted to the Board and approved by the Shareholder meeting. The remuneration for the Board of Directors in 2016 is 1.87% of the net profit after tax.

Enhance Corporate Governance Performance

FENC has participated in Corporate Governance Evaluation since 2015 and has ranked among the top 20% of all the listed companies two years in a row. In order to do better in corporate governance and ensure openness and transparency of information to better serve interests of our shareholders, it has executed the following items in 2016:

1. Formulated "Board Performance Evaluation Rule". The result for the evaluation in 2016 is "excellent."
2. In order for investors to better understand how Audit Committee works and the role of independent director of the Board, in 2016, FENC has posted on company website the communication between audit officers and accountants.
3. The Remuneration Committee held two meetings in 2016 which were attended by all three committee members. All committee members are able to review the system and the proposals to fully fulfill their duty.
4. More information is disclosed in this report, for example, dividends for the past 3 years, to increase openness of information.

FENC's Corporate Governance Evaluation is upgraded to top 5 % in 2017, a proof of better quality in its corporate governance.



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◆ Board Members

● 30-50 years old ● Over 50

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	Male	Over 50
	Johnny Shih	Columbia University, USA, Master in Computer Science	Male	Over 50
Vice Chairman	Peter Hsu	Stanford University, USA, Master in Operation Research	Male	Over 50
	Bing Shen	Harvard University, USA, Master in Business Administration	Male	Over 50
Independent Director	Johnsee Lee	Illinois Institute of Technology, USA, Ph.D. in Chemical Engineering	Male	Over 50
	Sheng-Cheng Hu	University of Rochester, USA, Ph.D. in Economics	Male	Over 50
Director	Raymond Hsu	Australia Mining and Metallurgy College Australia	Male	Over 50
	Shaw Y. Wang	National Chung Hsing University, Taiwan, Business Administration Department National Taiwan University, Taiwan, the Executive Program in Business Administration	Male	Over 50
	Richard Yang	American Graduate School of International Management, USA	Male	30-50 years old
	Tonia Katherine Hsu	Sarah Lawrence College, USA	Female	30-50 years old
	Kwan-Tao Li	Kellogg-HKUST, MBA	Male	Over 50
	Alice Hsu	Sheridan College, Retail Management	Female	Over 50
	Champion Lee	Texas A&I University, USA, Master in Business Administration	Male	Over 50

Note: 1. There is no minority in Director Members.

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



Board Performance Evaluation Rule (Chinese Version)



Election Procedures of Director



Meeting Rules of Board of Directors

Audit Committee

In place of supervisors, Audit Committee was established in 2015. It is consisted by all Independent Directors of FENC and holds meetings at least once per quarter. The functions of the Committee include supervising financial report of the Company, selection and evaluation of performance of Certified Public Accountants, implementation of internal control and corporate laws, corporate regulation compliance, existing or potential risk management of the Company, etc. The Audit Committee of FENC held 4 meetings in 2016.



Audit Committee Charter


Remuneration Committee

Remuneration Committee was established in 2011 at FENC. Independent Director serves as the convener who is in charge of formulating policies, system, standards and structure regarding performance, salary and compensation of Board of Directors, members of management team and employees. The Committee held 2 meetings in 2016.

◆ Directors' Remuneration

Bracket	Name of Directors
Under NT\$5,000,000	Representative of Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation: Champion Lee Bing Shen, Johnsee Lee, Sheng Cheng Hu
Over NT\$5,000,000 ~ NT\$15,000,000	Representative of Far Eastern Department Stores Ltd.: Richard Yang, Tonia Katherine Hsu Representative of U-Ming Marine Transpor Corp.: Alice Hsu, Kwan-Tao Li
Over NT\$15,000,000 ~ NT\$50, 000,000	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 and 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)



Board Performance Evaluation Rule

To implement corporate governance and enhance efficiency of the Board, FENC formulated “ FENC Board Performance Evaluation Rule” in 2016, which has used the “Self-Evaluation or Peer Evaluation of the Board of Directors of Company ” introduced by Taipei Exchange and Taiwan Stock Exchange (TWSE) in 2014.

Each year, members administrative staff and of the Board are required to fill out “Self-evaluation on Performance of the Board” and “Members of the Board Self-Evaluation”. That is, performance of the Board is conducted by internal self-evaluation with 3 results: excellent, fair and improvement needed. The Board of FENC was evaluated as “excellent” in 2016.

Five Aspects of Evaluation

Participation in Company Operation

Board Decision Quality

Organization and Structure of the Board

Selection of Board Members and Continued Learning

Internal Control

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1.2.3 Shareholders' Equity

FENC values our shareholders' equity and treats them equally. In compliance with Taiwan's Company Act, Securities and Exchange Act and other related regulations, 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 polls. An electronic voting system is available as an option and the voting results are disclosed immediately in the meeting. 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.



Meeting Rules of Stockholders

1.2.4 Corporate Sustainability

Integrity Operation and Anti-corruption

FENC honors "integrity" as its highest rule in business operation. To implement risk management and integrity operation in all business units, there are "Best Practice Principles of Ethical Corporate Management", "Code of Ethics" for employees to follow. Besides, there are remuneration system, internal control system and rules and regulations (including management policy, authorization system and labor functions and so on). Each quarter, "Self-evaluation on corruption" is conducted at each department, the result of which is submitted to the Board to prevent corruption which will damage reputation of the Company and incur loss for stakeholders.

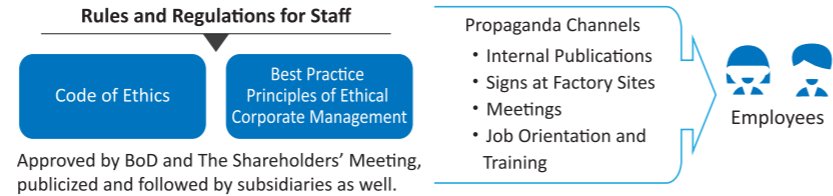


Best Practice Principles of Ethical Corporate Management



Code of Ethics

FENC has completed anti-corruption policy announcement to all Board members and full time employees in Taiwan, China and Vietnam; 83% of all employees have undertaken education training on anti-corruption.



FENC uses "Best Practice Principles of Ethical Corporate Management" and "Code of Ethics" as propaganda for anti-corruption policy. In orientation training for new recruits, there is a 3 hour long class on corporate ethics, aiming on integral operation and anti-corruption training for new recruits. For procurement department which benefits are directly involved, there's separate training on anti-corruption. To prevent staff from taking commission, fees and other valuables, there's "Bribery Prevention Provision" in the procurement agreement. For employees who will deal with government officials, anti-corruption rules and risk management evaluation were activated to prevent corruption. FENC's "Meeting rules of Board of Directors" regulates that donations to stakeholders or major donations to non-stakeholders should report to the Board to ensure supervision beforehand.

Corporate Social Responsibility Principles

FENC has taken sustainable development as corporate vision and has integrated it with the Company's core business with the aim of fulfilling social responsibilities. The Board of Directors, which is the highest management unit for sustainable governance, is in charge of implementing comprehensive sustainable governance policy by formulating Corporate Social Responsibility Principles for all subsidiaries of FENC to follow. The policies demonstrate the Company's decision to balance among environment, the society and corporate's sustainable development.



Corporate Social Responsibility Principles

Corporate Social Responsibility Principles

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 mattersDevelop an effective governance structure and standards of ethicsCreate 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 laws and regulations about environmentEnhance energy and resources efficiencyAvoid polluting air, water and soil and adopt proper pollution control measuresFocus 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 examination	Nourishing Sustainable Environment

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Focus	Key Tasks	Chapter
Advance Public Interest	• 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.	Creating Diversified Values
	• Create a work environment that is conducive to the employees' health and safety	Creating Employee Passion
	• Create an environment that benefits the employees' career development	Building Altruistic Society
	• Ensure that the quality of our products and services meets the government's regulations and industry standards	
Enhance the Disclosure of CSR Practices	• 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.	
	• Provide relevant and reliable CSR information in an open and transparent manner and in compliance with related laws and regulations.	Establishing Strong Governance
	• Prepare an annual CSR report to disclose our CSR practices	

CSR Committee

FENC has instituted a functional CSR committee supervised by the Board of Directors with the Company's four major business units under it. There are executive committee members and committee members in each business unit which are responsible for project execution, performance report and stakeholder communication. Besides, 3 staff from Corporate Staff Office is in charge of project implementation and coordination. There are a total of 153 CSR committee members, including a cross-unit Energy Task Force. As committee members work at different locations, routine communication is done by phone or email. Every year, a CSR videoconference will be held, which all committee members are required to participate in. 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 CSR members prepare CSR action plans and implement related policies from top to down.

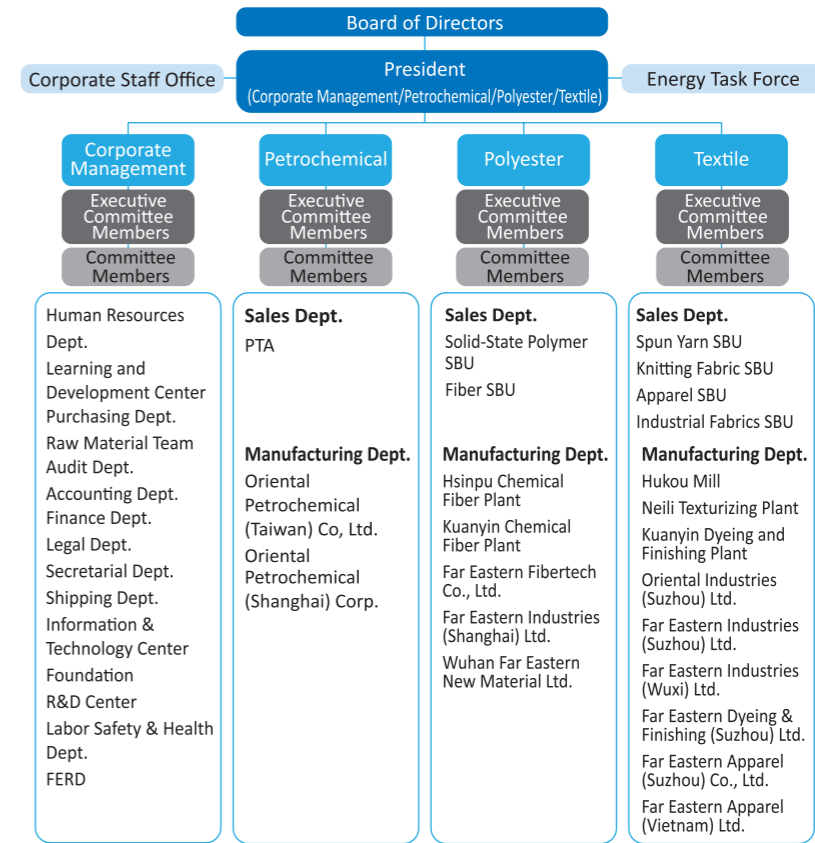
Communication of CSR Committee with the Board

The President of each business reports regularly 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. Besides, there are multiple times of meetings per month in each department which are attended by 2-3 Directors of the Board to evaluate issue impact and give instructions on related matters. (Please refer to Chapter 1.3 Risk Management.)

In 2016, we convened 4 Board meetings, in which the 4 Presidents and key department supervisors reported on following topics:

Report Topics		
1. Risk Management	4. Major Personnel Changes	7. Financial Status
2. Operational Performance and Market Overview	5. Environment, Safety and Health	8. Sales Overview
3. Audit Report	6. Sponsorship and Donations	9. Regulatory Compliance

Organization of CSR Committee



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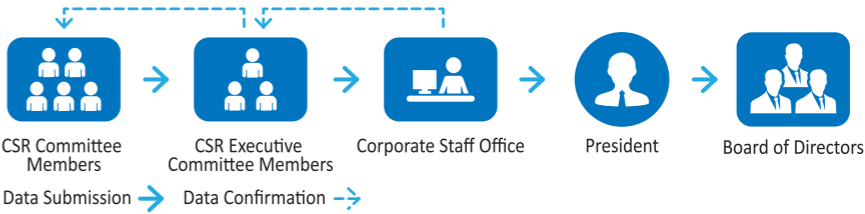
CSR Report Preparation Process

The contents of the CSR report are created by CSR 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 certified by a third party and approved by the Presidents before submitted to the Board.

CSR Committee Organization and Duties

Units	CSR Duties
Sales	Communicate and maintain amiable relationship with customers; improve product quality through customer feedbacks (such as customer satisfaction survey).
Manufacturing	Ensure product quality meets customers' expectation; apply green and recycled manufacturing process; implement environmentally friendly project, improve efficiency of energy, resources and material; take preventive measure on pollution.
R&D Center	Continued development on product and technology of green and recycled materials, high functional materials and smart materials; increase competitiveness of company products; promote a green, energy-saving, recycled and sustainable development.
Labor Safety & Health Dept.	In charge of regulation formulation, coordination and supervision of employee safety and health related issues at all manufacturing sites.
Human Resources Dept. / Learning and Development Center	In charge of employees' recruitment, salary, performance appraisal and education training. Formulating company regulations on human rights, child labor, ethical behavior and integral operation. Maintain harmonious relationship and smooth communication between employers and employees.
Purchasing Dept./ Raw Material Team	Ensure suppliers are in compliance with regulations on environment, labor, human rights and social norms. Suppliers are asked to sign commitment on social responsibility to carry out sustainable supply chain management. Stabilize raw material supply and minimize the risk of price fluctuation.
Energy Task Force	Conduct meetings regularly to review energy usage on all manufacturing sites. Formulate energy saving policy and continuously follow up on performance of energy saving projects. Hold meetings on energy saving, locate opportunities to improve and introduce energy saving technology and optimize energy efficiency on all manufacturing sites.
Accounting/ Finance Dept.	Audit financial performances, control capital expenditures for major investment, manage funds and lower financial risk.

CSR Report Preparation Process



Units	CSR Duties
Secretarial Dept.	Arrange meetings for Board of Directors and top management team to ensure smooth process of company strategy formulation. Formulating energy saving policy for Taipei Metro Building and continue to follow up on performance of energy saving project.
Audit Dept.	Audit and continued appraisal of internal control, assist in implementation and execution of internal control system by inspection and review to lower mistakes and prevent malpractice and raise operation efficiency in order to maximize profits for the Company as a whole.
Legal Dept.	Implement regulation compliance system including updating regulation changes, providing legal consultation, education training and onsite inspection of legal compliance. For violation, establish reporting channel and notify the Board, provide assistance for improvement and continue to track condition of improvement.
Shipping Dept.	In charge of importing, exporting and shipping. Require transportation carriers to comply with regulations and strive for green and low carbon emission in transportation.
Information & Technology Center	Protect information safety, integration of resources and development of information system to provide efficient management tools for all departments.
Foundation	Place resources in education, medicine, sports, environment, scientific innovation, arts and culture. Promote public interests by giving back to society and actively participate in related activities.
FERD	In charge of property development, leasing, operation and management. Increase resources efficiency and build a sustainable park which is eco-friendly, green, energy-saving and smart.
Corporate Staff Office	There are 3 full time employees in charge of coordination of CSR committee operation, implementation of CSR projects, integration of related information, results and performance report to top management team and the Board.

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Participation of CSR activities

Due to global climate change and awareness of environmental protection and lower carbon emission, investors are taking investment targets' corporate sustainable operation performance into consideration. FENC adopts higher standards in environment, society and corporate governance. Besides answering to surveys by external organizations, it also actively participated in related CSR forums and award competition. Just so that external stakeholders can understand the Company's governance performance while at the same time the Company can review its CSR policies. Through these activities, the Company can work out appropriate plans for the part needs improvement to increase the Company's ability in sustainable governance.



Participated in "Sustainable Development and CSR" Forum

A "Corporate Sustainable Development and CSR" Forum was jointly organized by Taiwan Accounting Review, KPMG and Department of Accounting, NTU on September 30, 2016. The Forum facilitated in-depth discussion between experts in the field and corporate representatives on CSR and corporate sustainable development.

Humphrey Cheng, President of Corporate Management of FENC, the only corporate representative invited at the forum, talked about the Company's CSR endeavors and performance. The discussion also covered difficulties the Company encountered in carrying out CSR projects and the solution it found, demonstrated the Company's ambition in sustainable development.



Invited to National Yunlin University of Science and Technology for a Speech on CSR

FENC's Vice Chairman Peter Hsu was invited to College of Management, National Yunlin University of Science and Technology on October 5, 2016 for a speech on CSR, shared FENC's ideas of implementing CSR with students and faculty of the College. The speech started from cases of renowned global enterprises to introduce the concept of what does CSR mean for operation of enterprises. The speech also covered the spirit of FENC's "taken from society, give back to society" and how it has internalized the concept into corporate culture. The Q&A session after the speech was widely participated. Vice Chairman Hsu also answered students' questions by email afterward.



Participated in Forum on UN Guiding Principles Organized by NBIM

Norges Bank Investment Management, or NBIM, one of FENC's major foreign investors, has inquired the Company's CSR management policy by questionnaire and has also visited our production site in Vietnam and was very impressed by our sustainable operation measures.

NBIM organized a forum on UN Guiding Principles in London in December, 2016 to encourage enterprises to establish comprehensive human rights management system. FENC was one of the ten corporates invited to the forum, among other renowned global brands in apparel, shoes, food and drinks. FENC shared its experiences in avoiding labor overtime, reducing rate of resignation and had a chance to exchange ideas on human rights and labor management policy.

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The 8th “Multi-Stakeholder Advisory Committee (MAC) Workshop” Was Held at Far Eastern Dyeing & Finishing (Suzhou) Ltd.

Far Eastern Dyeing & Finishing (Suzhou) Ltd. won “Outstanding Award” from Solidaridad Network in 2016 and was nominated as collaborating organizers of the China Multi-stakeholder Advisory Committee, or MAC, due to its outstanding performance in environment and innovation. The 8th MAC meeting was held at Far Eastern Dyeing & Finishing (Suzhou) Ltd. on July 12, 2016.

MAC is jointly convened by Business Social Compliance Initiative (BSCI), China National Textile & Apparel Council (CNTAC), Social Accountability International (SAI), Solidaridad, Worldwide Responsible Accredited Production (WRAP), Suppliers Ethical Data Exchange (SEDEX), Ethical Trading Initiative (ETI) and Global Organic Textile Standard (GOTS) to engage in improvement on supply chain performance of social responsibility. The theme of the 8th MAC meeting was “Establish transparent environment”. Far Eastern Dyeing & Finishing (Suzhou) Ltd. joined the panel discussion as model of manufacturing plant. It has shared strategies and solutions on challenges of strengthening supply chain transparency on the panel.



CSR Outstanding Achievements

CDP	MSCI	FTSE	Taiwan Stock Exchange Corporation
Climate Change	Constituent of Sustainability Index	Constituent of Sustainability Index	Constituent of Sustainability Index
Management Level	MSCI Global Sustainability Index Series	FTSE4Good Emerging Index	Corporate Governance 100 Index
May 2016	June 2016	Aug. 2016	Nov. 2016
Global Views Monthly	Enterprise Asia	CommonWealth Magazine	Taiwan Institute for Sustainable Energy Taiwan Academy of Corporate Sustainability
CSR Award	Asia Responsible Entrepreneurship Award, AREA	Corporate Citizen Award	Taiwan Corporate Sustainability Awards
Grand Prize at Traditional Manufacturing Category	Green Leadership Award	25th in Large Enterprise Category	CSR Report of the year Corporate Sustainability Awards Growth through Innovation Awards



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1.3 Risk Management

Risk is unavoidable in a company's growth process. Therefore, a comprehensive risk management system to support its operation and growth is essential to sustainable operation. FENC started risk alert system in 2016 to regularly track and review risk items in the Company and provide solutions in advance and proactively deal with potential risk challenges. Besides, to ensure employee regulatory compliance and lower the risk of regulation breaching, the Company enacted regulatory compliance system several years ago. Through education training and quarterly self-evaluation, the system helps all departments to review their regulatory compliance status. FENC will continue to expand the scope of risk management to strengthen its ability in corporate governance and sustainable development.

Furthermore, to ensure each risk items are managed in time, FENC establishes unobstructed communication channels. Multiple regular meetings (all attended by at least 2 to 3 Board members) each month enable the Company to review operation performance and attend to overall industry trend so that it can react to changes at early stage and seize business opportunity in time.

Note: For other risk management measures, please refer to other sections of this report.

FENC's Regular Meetings

Aspects		Important Meeting	Frequency	Highest Ranking Attendee
●	Special Themed Meeting	Management meeting	Once a year	Chairman
● ●		Human resources management and development	Twice a year	
● ●		Special report on R&D	Once a year	
●		Seminar on industry strategy	Twice a year	
●		Budget auditing	Once a year	
●		Energy saving	Once a year	
●	Regular Meeting	Operation review meeting	Once a month	Presidents of Petrochemical, Polyester and Textile
●		Sales meeting	Twice a month	

Note: ● Environmental ● Social ● Governance

Risk Alert System

Corporate Management Department of FENC started "Risk Alert System" in 2016. All departments review risk items covered by their business and prioritized the most influential 53 items. After identification of risks, 159 concise and trackable leading indexes and 215 corresponding measures were formulated accordingly. There's review frequency for each corresponding measure with assigned staff. Corporate Management Department will hold risk management meeting every month for operation performance and improvement.

"Risk Alert System" enables management of major risks from all departments under a common structure; and the risks can be reviewed systematically. It also allows staff experience to pass down to fellow colleagues for capability improvement.

Risk Alert System Procedure



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FENC's Risk Assessment Project at Domestic and Overseas Plants

For the safety of operation assets, on top of risk assessment project in 2011, FENC conducted an 8-month long damage control and review project from December 2015 to July 2016 at all its domestic and overseas plants. It covered 23 plants located in Taiwan, China, Vietnam, Japan, and Malaysia with a cost over USD\$200,000.

The review includes manufacturing process risk, procedure risk, protection system, construction structure, plants layouts, equipment maintenance, contingent plans, personnel management and so on. Experts in damage control reviewed risk at plants, located risk factors and provided suggestions for improvement to maintain safety of business assets and working environment at manufacturing sites.

229 risk items were located after the review. Improvement of which were under management team each month. Up until March, 2017, 179 items, or 78%, have been completed.

Major Risk Assessments

Review on Improvement after 2011 Risk Assessment

Quantification and Identification of Risk Category in Various Plants

Assessment on the Greatest Possible Loss

Provide Risk Assessment and Improvement Suggestion

Regulatory Compliance

Regulatory compliance system is under the supervision of President of Corporate Management at FENC. To manage efficiently and respond to operational risk, the system integrates operation of regulatory compliance at all departments and establishes review mechanism.

Issues involving Board members and management team, issues damaging corporate image or causing capital loss or breaching civil or administrative laws are listed as top priorities for regulatory compliance system. Recurring mistakes will be listed as focus of annual review.

Scope of Regulatory Compliance System

Shareholders	Customers and Competitors	Company Property	Employees	Society
<ul style="list-style-type: none">Securities and Exchange ManagementInvestment in China	<ul style="list-style-type: none">Fair TradeImport and Export	<ul style="list-style-type: none">Commercial AccountingTax ManagementIPR Protection	<ul style="list-style-type: none">Labor Laws and RegulationsSafety and Health	<ul style="list-style-type: none">Environmental ProtectionAnti-CorruptionPolitical Contributions

FENC's Regulatory compliance system includes 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 designated email accounts for regulatory compliance system, the Audit Committee and the Audit Department. Standard procedure has also been established to address violations. The Legal Department assists all other departments for completing their self-evaluation on compliance, conduct on-site inspections and compiles a report to the Board with the Audit Department. The Legal Department will provide advice on improvement for mistakes and keep track of the follow-up actions.

In order to enhance employees' legal knowledge, the Legal Department organized 2 legal training workshops for internship students and new employees in 2016. The workshops covered Intellectual Property Act and labor laws and regulations.

Major Violations in 2016

Company/Unit	Shortcoming/Mistakes	Fine(NTD) / Other Penalty	Improvement Plan
Hsinpu Chemical Fiber Plant	Coal water slurry furnace dust collector depression failed to meet permit standards	NT\$100,000	Filed for change permission to EPA as the original upper limit of the equipment is higher than that which the permit allows.
Kuanyin Chemical Fiber Plant	Operation of coal water slurry boiler before getting operation permission	NT\$100,000 and 2hr lecture on environment	Operation permission included in review items, no operation allowed before getting the permission.
Hsinpu Chemical Fiber Plant	Used pressure vessel before passing examination	NT\$120,000	<ul style="list-style-type: none">Find out numbers of dangerous equipment which are not regularly examined.Dangerous equipment not regularly examined will need to apply for completion check up.
Far Eastern Resources Development Co. Ltd.	Started construction before Tpark completed the application procedure	NT\$300,000	Supervision on completion of construction procedure.
Far Eastern Fibertech Co. Ltd.	Installation and trial run before getting license	NT\$770,000	To avoid use of equipment before getting license, equipment is included in construction review.
Total		NT\$1.39 million	

Note: Above-listed are cases with fines over NT\$100,000 in Taiwan.

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1.3.1 Financial Risks

Risk of Financial Management

There are risks in 4 aspects: combination risk (multiple channels of raising funds), liquidity risk (long/short term allocation), interest rate risk (fixed/floating), exchange rate risk (foreign currency management). The operation rules are as follows:

At FENC, capital management consists of day-to-day cashier operations and the short-term financing management. While our cashing operations focus on 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. Interest rate and exchange rate will be taken into consideration when with deal with banks or bills finance company for loans or disbursement. For mid-term or long-term financing management, financing in capital market will depend on interest rate for large amount of investment or long-term liabilities due within one year.

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.

Financial Management Measures

Cash Flow Management	Cash flow management is closely linked to every aspect of our business. We conduct periodic analyses on operations, investments and financial management to effectively forecast 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 responsiveness, diversify 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.

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.

Credit Risks

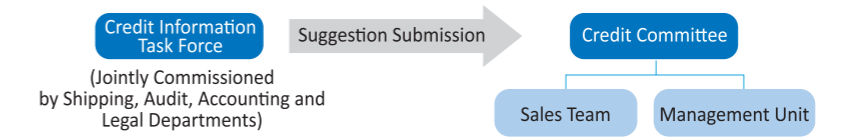
As FENC's sales markets and customers are in every part of the world, open account trading is a common practice for our domestic and export sales. In order to ensure consistent production, operations and quality of transaction, it is essential to manage the risks associated with open account transactions 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. Currently there are 3 Credit Committees which are located in Taipei, Shanghai and Suzhou respectively.

Credit risk management is divided into 2 parts: micro-customer and macro-national. In order to ensure zero non-payments, we have adopted three management principles at different stages: prevention, inspection and control.

Credit Risks Management Measures

Micro-Customers	According to different risk characteristic of domestic sales and export sales, 12 risk indexes are established for fundamental, financial, transactional and informational consideration. Review and corresponding measures are done accordingly.
Macro-Nationwide	For export customers' systematic risk of account collection due to unexpected national risk factors (such as political, economic or nonhuman), we will take corresponding actions according to the 3-step risk alert system.

Credit Risk Management Procedure



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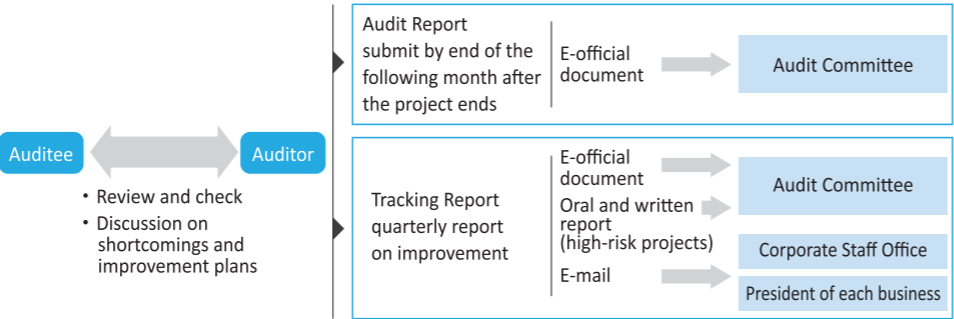
1.3.2 Non-Financial Risk

Internal Control Management

All departments at FENC conduct internal control management which is carried out by audit department. Through supervision and assessment, audit department checks reviews and strengthens the system implementation of internal control with the goal to minimize mistakes, prevent malpractice, increase operation efficiency and increase overall profits for the Company.

The audit operation at FENC is composed of 4 sections: purchase audit, operation audit, accounting, finance and administration audit, and computer & information audit. The audit department has to reach the regulated training hours each year, there are also business related education training and seminars and annual internal audit meetings to enhance professional ability and risk management awareness.

Audit Project Workflow



Management of Information safety

Given the importance of information safety, FENC started "ISO27001" project in 2014 to construct a management system on information safety and enhance its operation and protection, upgrade technique and strengthen personnel's professional abilities. The Company passed BSI verification in September 2016 and received ISO27001:2013 certificate.

1.3.3 Climate Change Risk

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. Measures on climate change from all departments and production sites:

		Opportunity
Aspect	Extreme Weather	Others
Event	<ul style="list-style-type: none">TyphoonFloodDroughtChange of average temperature <ul style="list-style-type: none">Change of average precipitationChange of pattern of precipitationAir pollution	<ul style="list-style-type: none">Company reputationChange of customer behaviorFluctuation of economic projectionScarcity of resourcesUnstable of market
Influence	Sales <ul style="list-style-type: none">Sales increase of bottled waterIncrease of preform, polyester film and PET chipIncrease demand of functional cloth and yarn (such as thermal shirts or fast cooling shirts)Increase demand of filtering material and masks	Management <ul style="list-style-type: none">Supply of material was abundant, cost was therefore down Sales <ul style="list-style-type: none">Increase opportunity to collaborate with global brands
Response	Sales <ul style="list-style-type: none">Adjust product structureInvest in product innovation, develop functional productInstall more equipment to increase productivityStrengthen R&D in filter fiber	Management <ul style="list-style-type: none">Closed watch fluctuation of material price Sales <ul style="list-style-type: none">Place more focus on R&D of green productExchange of know-how with customers, develop new product through collaboration
Action Taken in 2016	<ul style="list-style-type: none">Far Eastern Fibertech Co., Ltd. purchased functional master batchesR&D of thermal clothing and quilt, invest in product innovation and develop laminated fabric	<ul style="list-style-type: none">Continue upgrade in waterless dyeing and R&D in dyeing technique
Total Expenses in 2016	NT\$25.6 million	NT\$2 million

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Risk			
Aspect	Extreme Weather	Policy Change	Others
Event	<ul style="list-style-type: none"> • Typhoon • Floods • Drought • Change of average temperature • Change of average rainfall • Change of rainfall pattern and rate • Lightning strikes 	<ul style="list-style-type: none"> • Air pollution control • Regulations on environmental protection • GHG reduction regulations • Renewable energy regulations • Carbon tax 	<ul style="list-style-type: none"> • Company reputation • Change of customer behavior • Fluctuation of economic projection • Unstablensess of market
Influence	<p>Management</p> <ul style="list-style-type: none"> • Difficulty in funding due to unexpected typhoon leave • Expense increase in air conditioning <p>Manufacturing</p> <ul style="list-style-type: none"> • Increase in maintenance fee due to damage of equipment • Impact on production due to unstable power supply caused by flooding in plant area • Purchase water from other sources due to water supply shortage <p>Sales</p> <ul style="list-style-type: none"> • Increase of goods return risk caused by moistened product • Damage of goods left outdoors • Change of sales plan, delay of shipping, increased difficulty in production and stock adjustment, unable to deliver on time 	<p>Management</p> <ul style="list-style-type: none"> • Implementation of Taiwan GHG Reduction and Management Regulation • China plans to develop national Emissions Trading System in 2017 <p>Manufacturing</p> <ul style="list-style-type: none"> • Taoyuan City Government released “Regulations of Stationary Pollution Source Control and Real Time Monitor Facilities” which mandates upload of operation items of facilities via the internet. • Volatile organic compounds (VOC) control of Taiwan’s petrochemical industry • “Air Pollution Compounds Emission Standard” enacted in Shanghai with a much stricter standard in 2017 than before. • Shanghai City Government requested implementation of VOC governance to reduce exhaust emission • Enhance control of dangerous waste • Raise waste water discharge index standard 	<p>Management</p> <ul style="list-style-type: none"> • Customers of renowned brands are getting more demanding about CSR • Increase of overdue accounts and bad debts risk • Consumer good price fluctuation <p>Sales</p> <ul style="list-style-type: none"> • Change in consumer product demand and increase of transportation cost due to urgent orders • Revolution of supply and fierce market competition
Response	<p>Management</p> <ul style="list-style-type: none"> • Maintain relationship with major banks • Replace old freezers and air conditioning equipment to increase operation efficiency <p>Manufacturing</p> <ul style="list-style-type: none"> • Enhance personnel education training • Implement regular inspection • Adjust device parameter to allow auto start after instant decompression to eliminate loss by power off • Increase equipment against typhoon and floods, increase storage tanks, strengthen drainage measures • Regularly maintain grounding for lightening equipment <p>Sales</p> <ul style="list-style-type: none"> • Use of external packaging to prevent product moistening • Coordination of customers to maintain proper stock • Pay attention to weather condition and prepare stock accordingly, sales in advance 	<p>Management</p> <ul style="list-style-type: none"> • Conduct GHG review and verification each year <p>Manufacturing</p> <ul style="list-style-type: none"> • Organizing task force to conduct energy control, establish monitoring equipment and upload information • Oriental Petrochemical (Shanghai) Corp. and Far Eastern Industries (Shanghai) Ltd. established LDAR (Leak Detection and Repair) System and conduct examination each year. • Install lids to waste water storage; seal sludge drying room. • Install cleaning tower. • Upgrade equipment for air pollution • Install recycling equipment for cobalt and manganese in waste water. • Install sludge-drying equipment in sewage treatment plant 	<p>Management</p> <ul style="list-style-type: none"> • Implementation of regulatory compliance and CSR • Pay attention to customer risk and the national risk in export area • Closely watch price fluctuation and market status <p>Sales</p> <ul style="list-style-type: none"> • Closely watch downstream customers status and increase visits • Adjust production structure and increase product differentiation and production procedure and technology
Action Taken in 2016	<ul style="list-style-type: none"> • Purchase of waterproof equipment and storage tanks by Far Eastern Industries (Shanghai) Ltd. • Install 6 protection rim to the cooling tower wind shield by Oriental Petrochemical (Taiwan) Co., Ltd. • Generator maintenance, purchase of drainage pump and maintenance of plant, installation of air conditioning to electricity cabinet, test of grounding lightning system, preventive use of power supply equipment by Far Eastern Dyeing & Finishing (Suzhou) Ltd. • Plant roof waterproof measure, drainage system improvement, extra storage tanks, modification of pipelines and renewal of warehouse metal insulation and waterproof equipment by Kuanyin Dyeing and Finishing Plant • Purchase of outer bags by Hsinpu Chemical Fiber Plant • Flood prevention gate by Hukou Mill • Purchase of shelter from rain device by Oriental Industries (Suzhou) Ltd. 	<ul style="list-style-type: none"> • LDAR system, lids to the water storage, ventilation and washing equipment replace burning catalyst and VOC online examination equipment in Oriental Petrochemical (Shanghai) Corp. • Installation of 2 washing towers and recycling equipment in Oriental Petrochemical (Taiwan) Co., Ltd. • Equipment upgrade in Kuanyin Dyeing and Finishing Plant • Installation of stibium-filtering equipment in Far Eastern Dyeing & Finishing (Suzhou) Ltd. 	<ul style="list-style-type: none"> • Develop automation in Kuanyin Dyeing and Finishing Plant • Operation of Credit Committee
Total Expenses in 2016	NT\$8.266 million	NT\$106.08 million	NT\$20 million

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1.4 Stakeholders and Material Issues

1.4.1 Identification of 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 collected.



1.4.2 Identification and Responses of Material Issues

To identify material issues, FENC takes into consideration the materiality principle of the GRI G4, and also significant sustainability issues in the world, such as material issues from WEF (World Economic Forum), WBCSD (World Business Council for Sustainable Development), SASB (Sustainability Accounting Standards Board). We also reviewed the material issues listed by global flagship enterprises and domestic peers in the same industry, material social events on the news and identified 27 material issues relevant to the company.

The differences of the material issues covered in this and last report are described below:

1. Given that greater emphasis was placed on safety issue at production site and that Far Eastern Resources Development Co., Ltd. started material projects of Taipei Far Eastern Telecom Park (Tpark) and Spa Resort in Yilan in 2016, the issue of "Contractor health and safety management" was included.
2. "Environmental pollution prevention" has been renamed as "Environmental pollution management" to demonstrate the company's decision to proactively manage environmental pollution related issue.
3. "Supply chain management" has been renamed as "Supply chain sustainable development" to cope with the trend of international supply chain management and help in its sustainable development.
4. FENC takes "Integrity" as most treasured value. Therefore, the company has combined "Corporate governance" and "Ethical corporate management" into "Corporate governance"

In order for the information in this report to be more up to expectation of our stakeholders, the company designed 2 sets of questionnaires in 2016; one was for impacts of the 27 material issues to the company (financial, nonfinancial, strategic integration and opportunity and competition), one was for the impacts to stakeholders (degree of the impact, expectation of response and action and expectation of transparency). The company would like to locate material issues of the company through these assessments by stakeholders.

The first questionnaire was for internal stakeholders (members of CSR Committee) on the impact of material issues on the company, 100% of the 128 sent out copies returned. The second questionnaire was on how the material issues impact on the stakeholders. The subjects of the questionnaire were customers, partners (suppliers and contractors), government/competent authorities, employees, shareholders/investors, local residents in the vicinity of plant areas, industry associations. 288 copies were returned at 98%.

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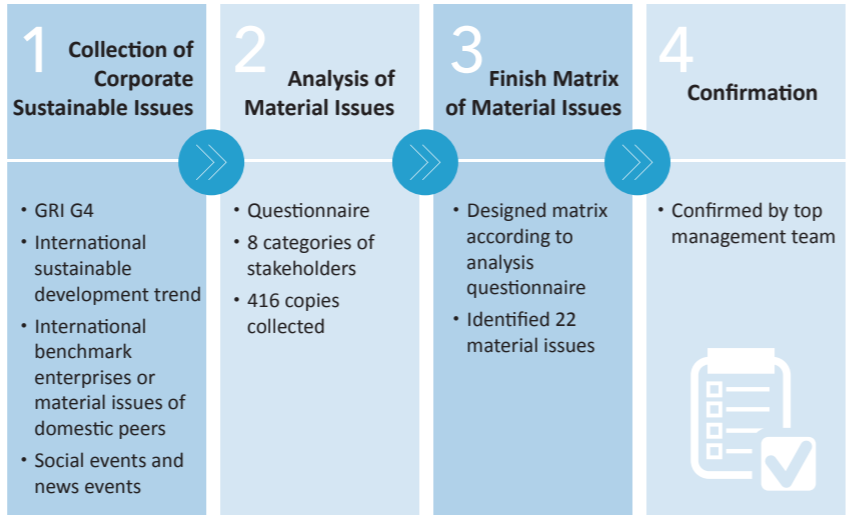
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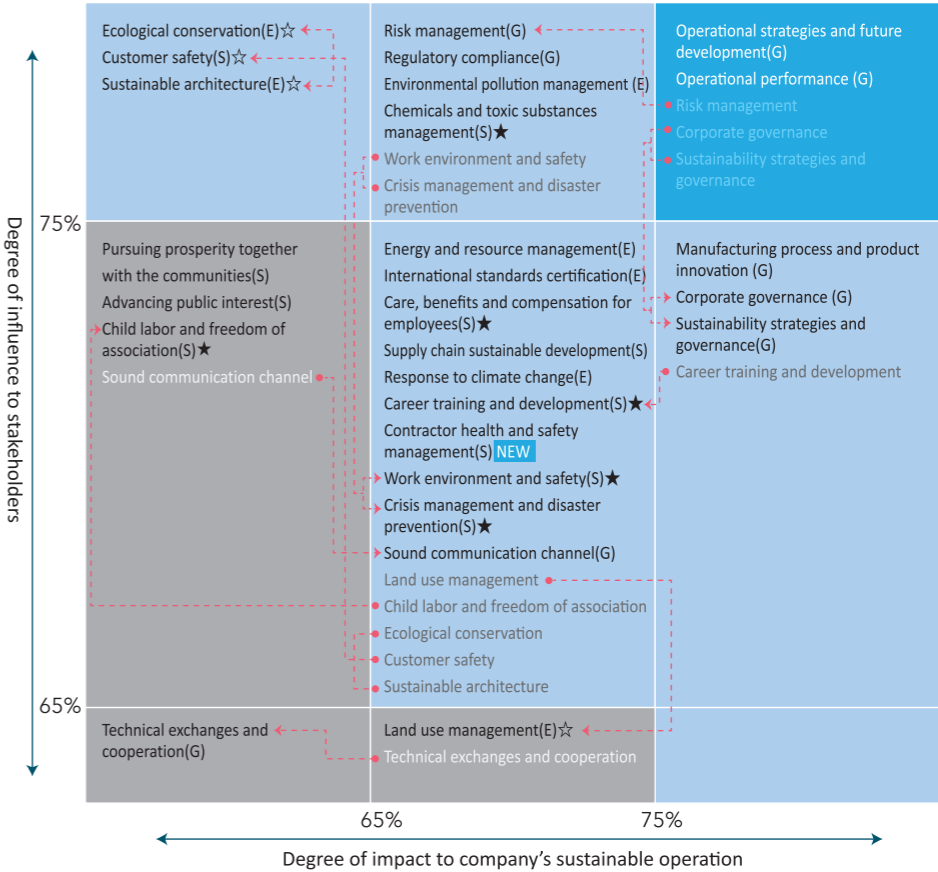
A total of 22 material issues were identified through the 416 copies returned questionnaires.

According to the result of the questionnaire, "Sound communication channel" was included as material issue; "Child labor and freedom of association" and "Land use management" are classified as non- material issues.

◆ Identification Procedure of Material Issues



Questionnaire on Issues Related to Corporate Sustainability for Far Eastern New Century



E: Environmental S: Social G: Governance ☆ Applicable to Far Eastern Resources Development Co., Ltd. only ★ Applicable to Production Business only

Note: 1. Blue blocks are the material issues of this CSR report; grey blocks are issues with comparatively lesser impact or influence.

2. ☆--☆ Represent the difference and the changes from last year.

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◆ **Material Issues Mean for FENC**

Sustainable Issues	Meaning for FENC
Corporate governance Risk management Sustainable strategies and governance Operational strategies and future development Operational performance 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.
Environmental pollution management 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 impact to the environment.
Crisis management and disaster prevention	It is our duty to minimize negative impact on the neighboring communities, manage crises effectively and prevent disasters.
International standards certification Manufacturing process and product innovation Supply chain sustainable development	We provide high-quality products and services and create added values to cement our relations with customers and pass 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.

Sustainable Issues	Meaning for FENC
Work environment and safety Care, benefits and compensation for employees Career training and development	Employees are valuable assets at FENC. We 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 professional competency and advance in their career. These efforts are essential to our corporate sustainability.
Chemicals and toxic substances management	As the use of chemicals is critical to the operation 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 employees' health.
Contractor health and safety management	It is our responsibility to ensure safety of work environment. FENC provides comprehensive safety and health management and training to both our employees and contractors. Contractors are required to meet the company's standards to carry out our goal of zero work accident.
Sound communication channel	FENC values each and every of its stakeholders. By establishing a comprehensive communication channel, the Company can listen to voices from outside and provide prompt response to safeguard stakeholders' rights and interests.
Customer safety Sustainable architecture Ecological conservation	In order to increase efficiency in land resources use, Far Eastern Resources Development Co., Ltd has sketched out a comprehensive blueprint for urban planning, taking "Ecological sustainability" and "smart life" as keys to our approaches to land development. We have improved our measures against various accidents and disasters to ensure tenants' safety.

This report provides detailed accounts of various material issues. Please see the table below for more information on the issues, 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	●	●	●	●	●		1.3	24
Sustainability strategies and governance	General Standard Disclosures: Governance	●	●	●	●			1.2.4	19
Operational strategies and future development	General Standard Disclosures: Strategy and Analysis	●	●	●	●	●		Chairman's Message, 1.2	5, 17
Operational performance	Economic: Economic Performance	●	●	●	●	●		1.1	12
Regulatory compliance	Environmental, Society, and Product Responsibility: Compliance	●	●	●	●			1.3	24

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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
Environmental pollution management	Environmental: Emissions, Effluents and Waste, Supplier Environmental Assessment Society: Local Communities	●	●	●	●			2.4, 3.4, 3.6, 6.2.3, 6.2.5	51, 66, 70, 102, 104
Energy and resource management	Environmental: Materials, Energy, Water	●	●	●	●			3.2, 6.2.2	54, 100
Response to climate change	Environmental: Energy, Emissions, Products and Services	●	●	●	●	●		1.3.3, 2.2.3, 3.2, 3.3, 3.5, 6.1.1, 6.2	27, 42, 54, 64, 69, 97, 99
Crisis management and disaster prevention	Society: Local Communities	●	●				●	3.6, 6.2.5	70, 104
International standards certification	Environmental: DMA of Energy and water, Products and Services	●	●	●	●			2.2, 3.2, 3.3, 3.5, 6.2	41, 54, 64, 69, 99
Manufacturing process and product innovation	Environmental: Products and Services	●	●	●		●		2.2, 3.5, 6.1.1, 6.2	41, 69, 97, 99
Supply chain sustainable development	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	51, 98
Work environment and safety	Labor Practices and Decent Work: Occupational Health and Safety	●	●		●			4.5	83
Care, benefits and compensation for employees	Labor Practices and Decent Work: Employment, Labor/Management Relations	●	●		●			4.1, 4.2, 4.3	71, 76, 78
Career training and development	Labor Practices and Decent Work: Training and Education	●	●					4.4	79
Chemicals and toxic substances management	Labor Practices and Decent Work: Occupational Health and Safety	●	●					4.5	83
Contractor health and safety management	General Disclosures: Organizational Profile. Labor Practice and Decent Work: Occupational Health and Safety	●	●	●	●			4.5, 6.1.2	83, 98
Sound communication channel	Environmental: Environmental Grievance Mechanisms Labor Practices and Decent Work: Labor Practices Grievance Mechanisms Society: Grievance Mechanisms for Impacts on Society	●	●	●	●		●	1.4.4	37
Customer safety	Product Responsibility: Customer Health and Safety			●		●		6.2.4	103
Sustainable architecture	Environmental: Energy, Water, Biodiversity, Effluents and Waste, Products and Services			●		●		6.1.1, 6.2	97, 99
Ecological conservation	Environmental: Biodiversity			●			●	6.2.1	100

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1.4.3 Stakeholder Engagement

FENC engages with our stakeholders on an ongoing basis. Means and channels of communication include

Talks





Meetings

Questionnaires

Various Appeal Channels

Activities and Seminars

Visits

Stakeholders	Issues Concerned	Communication Channels	Communication Frequency/Outcomes in 2016
 Employees and Labor Unions	<ul style="list-style-type: none">• Work environment and safety• Crisis management and disaster prevention• Care benefits and compensation for employees• Career training and development• Operational performance	<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• Propaganda activities on safety and education training• Cultural activities for employees• Email for SHE issues• Email for appeal	<ul style="list-style-type: none">• All regular meetings are weekly, monthly, quarterly or annually• Union meetings, employee satisfaction survey, employee training and fire drills take place many times per year.• Production Safety Month activity take place once a year• Cultural activities are held throughout the year• Far Eastern Fibertech Co., Ltd. held "Safety Promotion Activity" every month. Twelve subjects include electrical safety, driving safety, fire safety and health improvement, etc.
 Government / Competent Authorities	<ul style="list-style-type: none">• Work environment and safety• Environmental pollution management• Crisis management and disaster prevention• Regulatory compliance• Risk management	<ul style="list-style-type: none">• Business related meetings (reviews, seminars, forums, etc.)• Community security meeting• Meetings by various levels of local governments or communities• Visit by the government officials• Joint fire drill• Official audit regulations	<ul style="list-style-type: none">• Ad hoc meetings on various subjects multiple times a year• Community security meeting every month• Nonscheduled visits to government representatives• Joint fire drill once a year• Nonscheduled audits by government
 Partners (Suppliers and Contractors)	<ul style="list-style-type: none">• Supply chain sustainable development• Contractor health and safety management• Work environment and safety• Risk management• Corporate governance	<ul style="list-style-type: none">• Contractor management meetings• Transporter safety and quality review meetings• Negotiating organization communication and announcement meetings• Annual price negotiations• Annual supplier/contractor meetings• Supplier evaluation• Visit suppliers and visits by suppliers• Supplier/contractor safety training• Review on partners• Phone calls and emails	<ul style="list-style-type: none">• Transporters safety and quality examination meetings once a month• Negotiating organization communication and announcement meeting once a month• Supplier evaluation once a year• Nonscheduled visits of suppliers and visits by suppliers• Supplier and contractor training multiple times a year• Nonscheduled evaluation• Nonscheduled communication by phone calls or emails
 Customers	<ul style="list-style-type: none">• Regulatory compliance• Risk management• International standards certification• Manufacturing process and product innovation• Sound communication channels	<ul style="list-style-type: none">• Meetings (production management, sustainable development management, risk management, etc.)• Customer visits/ sales interviews• Customers' onsite evaluation• Questionnaires and satisfaction survey• Phone calls and emails	<ul style="list-style-type: none">• Regular meetings on various topics are held weekly, monthly, quarterly or yearly• Customers' onsite evaluation many times per year• Questionnaire surveys many times a year• Customer satisfaction survey once a year• Nonscheduled communications by phone calls or emails

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Stakeholders	Issues Concerned	Communication Channels	Communication Frequency/Outcomes in 2016
 Local Residents in the Vicinity of Plants Areas	<ul style="list-style-type: none">• Environmental pollution management• Crisis management and disaster prevention• Sound communication channels• Pursuing prosperity together with the communities• Advancing public interest	<ul style="list-style-type: none">• Organize activities for local communities• Pay visits to neighboring residents• Attend community meetings• Hold meetings for communication• Crisis reporting training• Mailbox for complaints at manufacturing plants• 24 hour hotline at Tpark	<ul style="list-style-type: none">• Organize community activities many times a year• Visit neighboring residents and attend community meetings on an irregular basis• Organize crisis reporting training and seminars many times a year
 Shareholders / Investors	<ul style="list-style-type: none">• Operational performance• Corporate governance• Operational strategies and future development• Risk management• Sustainability strategies and governance	<ul style="list-style-type: none">• Board meetings• Shareholders meeting• Official website• Email of IR Department• Investors' visits• Attend the forums and seminars held by brokerage firms	<ul style="list-style-type: none">• Board meetings 4 times a year• Shareholders' meeting once a year• Visits by investors many times a year• Invited to the investment forums held by brokerage firms many times a year (5 times in 2016)
 NGOs	<ul style="list-style-type: none">• Risk management• Energy and resource management• Advancing public interest	<ul style="list-style-type: none">• Seminars and meetings for opinion exchange• Environmental management information on our website• Offer ecological education at Tpark	<ul style="list-style-type: none">• Nonscheduled local seminars• Update information of environmental management on official website each year• Far Eastern Dyeing & Finishing (Suzhou) Ltd. released company information on environmental management via IPE (Institute of Public Environment)• Visits of Tpark by a Japanese NPO for rainwater storage and Canada cities alliance• Tpark received 8 school excursions by high school, university or graduate school in 2016
 Industry Associations	<ul style="list-style-type: none">• Work environment and safety• Crisis management and disaster prevention• Chemicals and toxic substances management• Regulatory compliance• Risk management	<ul style="list-style-type: none">• Periodic industry meeting• Participation in industry meeting and seminars• Members meeting of industry associations	<ul style="list-style-type: none">• Industry meeting once a month• Forums and seminars by industry associations on an irregular basis• Each member meeting once a year

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Practical Experience Sharing with Shareholders and Investors

FENC shared its management experience with Norges Bank Investment Management (NBIM) in London on December 2, 2016. For details, please refer to Chapter 1.2.4 Corporate Sustainability.



Acknowledgement from Local Communities-Tpark



Jien Xing Chou / Head of Jen-Ai District, Banqiao

I am so pleased to see the original manufacturing plant turned into an ecological environment by Far Eastern Resources Development Co., Ltd. Residents in the neighborhood and beyond are all looking forward to the becoming of this place into a new landmark of Banqiao area.

Dien Fang Wang / Head of Hua-Dong District, Banqiao

Thanks to Far Eastern Resources Development Co. for their dedication in water retention and reuse of water resources by using state-of-the-art technology. Their care of the neighborhood has contributed greatly to the prosperity of local communities.



Show Er Hsieh / Head of Xian-Yun District, Banqiao

We have the best environment here in Taiwan. Thanks to Far Eastern Resources Development Co., Ltd. Great!



Oriental Industries (Suzhou) Ltd. Has Helped Establish National Standards and Appraisal of Product Technology

FENC has always been willing to take the responsibility to maintain a friendly and smooth engagement with its stakeholders, including helping the industry to establish production standards. "Dipped aramid paper by straight weft canvas" is the core material for rubber industry, widely used in the conveyor belt for cement, steel and mining industries. As there is no national standard for this product in China, it is entrusted to "National Rubber and Rubber Products Standardization Committee Dipped aramid Committee", which belongs to "National Standardization Management Committee" to establish the national standard of technical criteria and appraisal for "Dipped aramid paper by straight weft canvas".

Oriental Industries (Suzhou) Ltd. is not only experienced and with comprehensive R&D technology, but also enjoys good reputation. The Committee invites Oriental Industries (Suzhou) Ltd. along with Qingdao University of Science and Technology to establish "technical criteria and appraisal for Dipped aramid paper by straight weft canvas". The drafting group was organized in October, 2015. It will regulate product categories, technical criteria, appraisal, evaluation, packaging, labeling, storage and transportation for "Dipped aramid paper by straight weft canvas", which can be used in the quality evaluation for conveyor belt in cement, steel and mining industries. The establishment of national standard can more precisely evaluate products' technical standard and thus increase product competitiveness. This standardization draft has been complete and submitted for official review and is expected to finish the process and go into effect at the end of 2017.

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Type	Taiwan	China	Vietnam and Others
Industry Associations	<ul style="list-style-type: none">Taiwan Nonwoven Fabrics Industry AssociationTaiwan Silk & Filament Weaving Industrial AssociationTaiwan Man-Made Fiber Industries AssociationTaiwan Spinner's AssociationTaiwan Knitting Industry AssociationTaiwan Textile Printing Dyeing& Fining Industry AssociationTaiwan Textile FederationTaiwan Synthetic Resin & Adhesives Industrial AssociationTaiwan Packaging AssociationTaiwan Biomass Industry AssociationNorthern Taiwan Association for Promotion of TOSHMS, Occupational Safety and Health Administration, Ministry of LaborPetrochemical Industry Association of TaiwanGuanyin Industrial Park Manufacturers AssociationGuanyin Industrial Park Association for Safety & HealthTaiwan Technical Textiles Association	<ul style="list-style-type: none">China Cotton Textile AssociationChina Chemical Fibers AssociationChina PTA AssociationChina Chemical Fibers AssociationChina Nonwoven and Industrial Textiles AssociationChina Rubber Industry Association Reinforcement Materials Committee	<ul style="list-style-type: none">Supima Cotton Association (USA)Better Cotton Initiative (BCI) (Switzerland)International Cotton Association (ICA) (UK)
R&D Association and Society	<ul style="list-style-type: none">Cradle to Cradle TaiwanThe Polymer Society, TaipeiAssociation of Bio-based Material Industry (Industrial Technology Research Institute)Fabric Coating Research Center, National Taipei University of TechnologyTaiwan Supercritical Fluid AssociationTaiwan Institute of Chemical Engineers	<ul style="list-style-type: none">Society for Environmental Sciences, Fengxian District , Shanghai CityEnvironmental Science Association of Fengxien District, ShanghaiSuzhou Society For Environmental SciencesSuzhou Energy Conservation and Emission Reduction AssociationWuxi Association of Energy Conservation and Resource Comprehensive UtilizationTechnical Industrial Textiles Council, Donghua UniversityNatural Resources Defense Council (NGO)—Clean by Design	
Other Associations	<ul style="list-style-type: none">Chinese National Association of Industry and Commerce, TaiwanIndustrial Safety and Health Association (ISHA) of the R.O.CSupply Management Institute, TaiwanTaiwan RatingsThe Institute of Internal Auditors, R.O.CTaiwan Responsible Care AssociationLabor Safety & Health Management Society R.O.CChina Safety & Health ManagementTaiwan Stock Affairs Association	<ul style="list-style-type: none">Council of Shanghai City Work SafetyShanghai Association of TaiwanFengxian Fire Protection AssociationFengxian Safety Protection AssociationFengxian Production Safety AssociationSuzhou Association of Work SafetyWuxi Taiwanese Businessmen AssociationWuxi New Area Taiwanese Businessmen AssociationThe Society of Socio-Informatics	<ul style="list-style-type: none">Vietnam Singapore Industrial Park Fire Protection Mutual Aid Committee (Vietnam)Taiwanese Businessmen Association (Vietnam)

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1.4.4 Complaint Registering

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.

Regulatory Compliance and Anti-corruption

Channel


- Email of the Audit Committee: auditcommittee@fenc.com
- Email of the Audit Department: feaudit@fenc.com
- Email of the Regulatory Compliance: legalcompliance@fenc.com

Procedure

- The person accused will be asked to stop the accused behavior and be subjected to appropriate action after the Audit Department receives a complaint.
- The investigation, outcome and the procedure will be communicated by documents or email and will be kept for 5 years.
- If the accused matter is found to be true, internal controls and management will see to improvement to prevent recurrence of the same mistakes.

Outcome

There was no complaint about corruption or social impact in 2016.



Environment

Channel

- The SHE department of each production site
- The security service of each production site
- Department for complaint on environment of each production site

Procedure

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.

Outcome

There were 10 complaints about the environmental impact during the reporting period. 4 of the complaints were lodged against Oriental Petrochemical (Taiwan) Co., Ltd. for the inefficiency of cleaning of washing tower, spreading of washing liquid to neighboring plants and pollution of powder from tankers. Environmental impact meetings were held by related department and improvement operation implemented. Washing tower upgrade operation was scheduled in March 2017. Besides, additional 8 dust recycling equipments were installed for reduction of tanker dust pollution to moderate environment impact. There are 6 complaint cases on noise and odor about Hsinpu Chemical Fiber Plant from neighboring residents. The plant personnel paid visits to local residents upon receiving of complaints and had finished the communication job successfully.

Labor and Human Rights

Channel


- Employee opinion mailbox
- Emails (the President's email, the department email, etc.)
- Confidential hotline
- Employee representatives meeting
- Oral complaint
- Written complaint

Procedure

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.

Outcome

There were no complaints about labor practices or human rights issues in 2016.





Contact List of FENC Stakeholders