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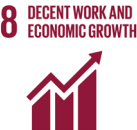
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## 4.1 Employment

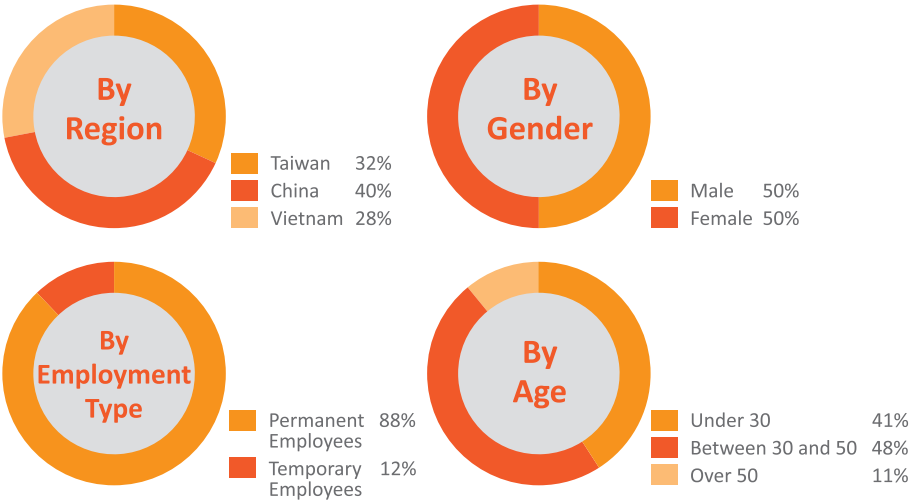
### 4.1.1 Human Resources Overview

FENC always puts the right people in the right place and allows them to play to their strengths by creating a sound internal organizational structure and human resources management system. Since Taiwan's Labor Standards Act was amended in 2016, the Legal Department, Human Resource Department and all businesses have convened a meeting each quarter to ensure each unit's compliance with related laws and regulations.

At the Company, there are 15,747 permanent employees, accounting for 88% of the total. Key positions are all assumed by permanent employees. Training and job rotation opportunities are available to everyone. In addition, we have a sound internal promotion system to single out competent employees for management positions and provide various opportunities for people to advance their career.

#### Human Resources Overview in 2016

Total Employees: 17,798



Note:

1. In Taiwan, temporary employees are foreign workers. In China, temporary employees are dispatched workers or contract workers. In Vietnam, temporary employees are those on probation.

2. Foreign workers are not considered in Taiwan's age distribution.

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◆ Human Resources by Type and Gender

		Taiwan			China			Vietnam			Total		
		2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Permanent Employees	Male(%)	71%	71%	71%	48%	51%	53%	18%	17%	19%	48%	47%	47%
	Female(%)	29%	29%	29%	52%	49%	47%	82%	83%	81%	52%	53%	53%
	Number	4,564	4,655	4,571	6,629	6,475	6,176	3,471	4,778	5,000	14,664	15,908	15,747
Temporary Employees	Male(%)	82%	76%	83%	53%	57%	57%	12%	36%	8%	60%	64%	70%
	Female(%)	18%	24%	17%	47%	43%	43%	88%	64%	92%	40%	36%	30%
	Number	1,070	1,099	1,063	1,354	974	975	317	239	13	2,741	2,312	2,051
Total	Male(%)	73%	72%	73%	49%	52%	53%	17%	18%	19%	50%	49%	50%
	Female(%)	27%	28%	27%	51%	48%	47%	83%	82%	81%	50%	51%	50%
	Number	5,634	5,754	5,634	7,983	7,449	7,151	3,788	5,017	5,013	17,405	18,220	17,798

Note: In Taiwan, temporary employees are foreign workers. In China, temporary employees are dispatched workers or contract workers. In Vietnam, temporary employees are those on probation.

4.1.2 Employment Policies

At FENC, when it comes to recruitment, selection, assignment, arrangement, evaluation, promotion, compensation, retirement, layoff, resignation, dismissal, training and welfare of an employee of any level, no discrimination is allowed based on one’s race, class, language, ideology, religion, political affiliation, place of ancestry, place of birth, gender, sexual orientation, age, marital status, appearance, facial features, handicap or membership of a labor union. There were no discriminatory incidents identified during the reporting period.

In 2016, the Company participated in 14 career fairs on campus in Taiwan to recruit local graduates-to-be and 6 job fairs to recruit overseas Chinese students to help us further expand overseas. Last year, we officially hired 359 new permanent employees, 167 or 47% of whom are mostly under 30. They are employed to replenish the workforce lost to retirement in each business. In addition, the Vietnam Investment Project was launched last year, requiring a lot of management experts and manpower to build factories, so we began to recruit people over 30 with related hands-on experience. Throughout 2016, a total of 442 people left the company, including 137 applying for retirement, accounting for 30% of the total. In Taiwan, our turnover rate was 9.7%, much lower than the 20.9% of the manufacturing sector, indicating our workforce stability.

In 2016, while 3,617 people left our operational site in China, 3,301 new recruits were hired. There is a referral mechanism in each plant to encourage local people to seek employment. Although the turnover rate of operators is very high in China, the rate of the Company has continued to drop from 80.7% in 2014 to 50.5% in 2016, suggesting that our annual increments of salary and welfare has contributed to greater workforce stability.

In Vietnam, 99% of our employees are local people. Only some management or technical positions require foreigners. In 2016, we continued to strengthen communication with employees, organize various recreational activities and improve the work environment. The number of employees who left their job has significantly dropped from 123.7% in 2014 to 54.8% in 2016.

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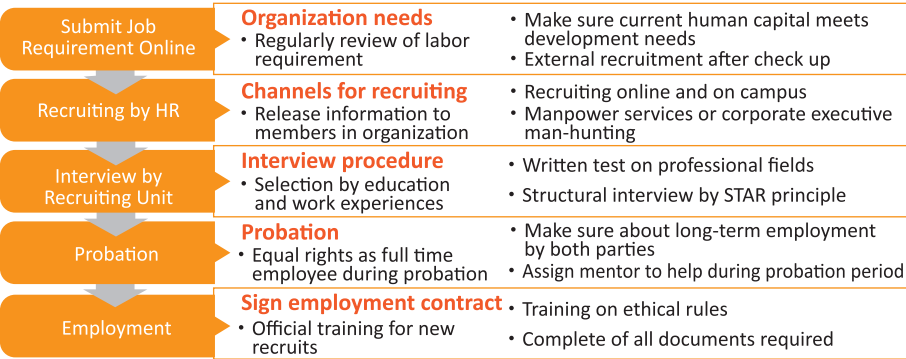
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◆ Employment Procedures



FENC Internship Programs for Students from Yuan Ze University and Oriental Institute of Technology

In order to help students to gain hands-on experience and bridge the gap between school and industry, FENC launched an internship program for excellent students of Yuan Ze university and Oriental Institute of Technology, which we established to give back to society. In 2016, 4 students from Yuan Ze university and 12 from Oriental Institute of Technology participated in the program and were assigned to different bases in Taiwan and China to do their internship. In 2017, official employment will be arranged for them based on job vacancies and their aspirations.



Collaboration Between FENC, Yuan Ze University and Vietnam National University

In response to the Company's continued expansion into Vietnam, Far Eastern Polytex (Vietnam), Yuan Ze University and Vietnam National University signed an MOU on the Joint Dual Degree Program on November 15, 2016, in the hope of joining forces to develop talent of the future. Vietnam National University is one of the only two national universities in Vietnam, making such a collaboration particularly significant.



◆ Number and Percentage of New Employees in Taiwan

		2014		2015		2016	
		Number	Percentage	Number	Percentage	Number	Percentage
Under 30	Male	201	37.9%	215	43.7%	120	27.5%
	Female	73	40.1%	73	45.3%	47	30.5%
	Subtotal	274	38.5%	288	44.1%	167	28.3%
Between 30 and 50	Male	146	8.9%	148	8.7%	120	7.2%
	Female	47	6.4%	57	7.7%	42	5.9%
	Subtotal	193	8.1%	205	8.4%	162	6.8%
Over 50	Male	8	0.8%	3	0.3%	26	2.3%
	Female	2	0.5%	2	0.4%	4	0.9%
	Subtotal	10	0.7%	5	0.3%	30	1.9%
Total		477	10.5%	498	10.7%	359	7.9%

Note:

1. The number of new employees indicates the number of new permanent employees in an area in a specific year.
2. The percentage is derived by dividing the number of the new employees of an age group by the total number of employees of the same age group.

◆ Number of Employees Who Left the Company and Turnover Rate in Taiwan

		2014		2015		2016	
		Number	Percentage	Number	Percentage	Number	Percentage
Under 30	Male	82	15.5%	88	17.9%	82	18.8%
	Female	36	19.8%	40	24.8%	27	17.5%
	Subtotal	118	16.6%	128	19.6%	109	18.5%
Between 30 and 50	Male	133	8.1%	133	7.8%	125	7.5%
	Female	49	6.7%	67	9.0%	54	7.6%
	Subtotal	182	7.7%	200	8.2%	179	7.5%
Over 50	Male	68	6.5%	54	4.9%	90	7.9%
	Female	16	3.7%	18	3.9%	64	13.8%
	Subtotal	84	5.7%	72	4.6%	154	9.6%
Total		384	8.4%	400	8.6%	442	9.7%

Note:

1. The number indicates the total number of employees who left the Company in an area in a specific year.
2. The percentage is derived by dividing the number of employees of an age group who left the company by the total number of employees of the same age group.

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◆ Number and Percentage of New Employees in China

		2014		2015		2016	
		Number	Percentage	Number	Percentage	Number	Percentage
Under 30	Male	2,338	111.2%	1,976	100.1%	1,395	79.9%
	Female	2,039	103.9%	1,425	88.3%	1,138	86.9%
	Subtotal	4,377	107.7%	3,401	94.8%	2,533	82.9%
Between 30 and 50	Male	556	33.9%	499	28.9%	359	18.8%
	Female	743	35.5%	468	24.1%	400	20.0%
	Subtotal	1,299	34.8%	967	26.3%	759	19.4%
Over 50	Male	17	10.9%	5	3.1%	5	3.3%
	Female	0	0.0%	2	6.5%	4	12.1%
	Subtotal	17	9.3%	7	3.7%	9	4.9%
Total		5,693	71.3%	4,375	58.7%	3,301	46.1%

Note:

1. The number of new employees indicates the number of new permanent employees in an area in a specific year.
2. The percentage is derived by dividing the number of the new employees of an age group by the total number of employees of the same age group.

◆ Number of Employees Who Left the Company and Turnover Rate in China

		2014		2015		2016	
		Number	Percentage	Number	Percentage	Number	Percentage
Under 30	Male	2,588	123.1%	1,943	98.4%	1,388	79.5%
	Female	2,339	119.2%	1,596	98.9%	1,182	90.3%
	Subtotal	4,927	121.2%	3,539	98.6%	2,570	84.1%
Between 30 and 50	Male	623	38.0%	549	31.8%	472	24.7%
	Female	867	41.4%	773	39.8%	528	26.4%
	Subtotal	1,490	39.9%	1,322	36.0%	1,000	25.6%
Over 50	Male	19	12.2%	25	15.7%	25	16.7%
	Female	7	25.9%	11	35.5%	22	66.7%
	Subtotal	26	14.2%	36	18.9%	47	25.7%
Total		6,443	80.7%	4,897	65.7%	3,617	50.5%

Note:

1. The number indicates the total number of employees who left the Company in an area in a specific year.
2. The percentage is derived by dividing the number of employees of an age group who left the company by the total number of employees of the same age group.

◆ Number and Percentage of New Employees in Vietnam

		2014		2015		2016	
		Number	Percentage	Number	Percentage	Number	Percentage
Under 30	Male	414	98.8%	428	75.0%	345	60.1%
	Female	2,709	125.2%	2,603	94.6%	2,061	78.8%
	Subtotal	3,123	121.0%	3,031	91.2%	2,406	75.4%
Between 30 and 50	Male	109	47.4%	156	48.1%	114	32.4%
	Female	732	75.9%	872	64.3%	611	41.9%
	Subtotal	841	70.4%	1,028	61.2%	725	40.1%
Over 50	Male	1	50.0%	1	100.0%	3	150.0%
	Female	3	30.0%	3	25.0%	2	18.2%
	Subtotal	4	33.3%	4	30.8%	5	38.5%
Total		3,968	105.0%	4,063	80.9%	3,136	62.9%

Note:

1. The number of new employees indicates the number of new permanent employees in an area in a specific year.
2. The percentage is derived by dividing the number of the new employees of an age group by the total number of employees of the same age group.

◆ Number of Employees Who Left the Company and Turnover Rate in Vietnam

		2014		2015		2016	
		Number	Percentage	Number	Percentage	Number	Percentage
Under 30	Male	510	121.7%	210	36.8%	243	42.3%
	Female	3,124	144.4%	1,831	66.5%	1,776	67.9%
	Subtotal	3,634	140.7%	2,041	61.4%	2,019	63.3%
Between 30 and 50	Male	178	77.4%	103	31.8%	104	29.5%
	Female	866	89.8%	651	48.0%	621	42.6%
	Subtotal	1,044	87.4%	754	44.9%	725	40.1%
Over 50	Male	4	200.0%	1	100.0%	0	0.0%
	Female	4	40.0%	1	8.3%	4	36.4%
	Subtotal	8	66.7%	2	15.4%	4	30.8%
Total		4,686	123.7%	2,797	55.8%	2,748	54.8%

Note:

1. The number indicates the total number of employees who left the Company in an area in a specific year.
2. The percentage is derived by dividing the number of employees of an age group who left the company by the total number of employees of the same age group.



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4.1.3 Salary and Compensation

At FENC, variable pay is awarded as an incentive based on individual's or the organization's performance. According to our Articles of Association, part of the Company's net profits is disbursed to employees as compensation at the end of the year. Neither share-based compensation nor company policies concerning deferred or vested shares are used to reward the employees. There is no signing bonus or recruitment incentive for recruiting high-ranking executives. Every employee of the same operational base is eligible to the same severance pay, which is disbursed in accordance with the law of the country where the base is located. The same retirement and benefit plans apply to employees of the same company.

The operational bases in Taiwan participate in Towers Watson's salary survey periodically to stay on top of the salary movement in the industry and make proper adjustments. The ones in China make adjustments to the employees' payment based on the adjusted salary and percentage released by the local government. Salaries are reviewed regularly to retain talent in the Company.

FENC treats both genders equally when it comes to compensation. However, there are cases in which one gender receives higher pay than the other. For example, the bases in Taiwan and China focus more on upstream and midstream businesses. Chemistry is an area of expertise that these businesses rely heavily upon and more male employees excel at. Therefore, they generally have higher wages than their female counterparts. However, the bases in Vietnam focus on the garment industry, which requires the talent and know-how of experienced female workers. Therefore, female officers and employees generally receive higher wages for their outstanding performance than their male counterparts. These two cases indicate that at FENC an employee's promotion and compensation is decided based upon their work performance, not their gender.

Gender Salary Ratio

	Taiwan			China			Vietnam		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Director/Section Chief and above	88%	87%	89%	93%	103%	95%	122%	97%	150%
Office Clerk	100%	100%	94%	87%	85%	85%	99%	100%	107%
Factory Worker	104%	95%	100%	96%	95%	94%	98%	97%	93%

Note: The percentage is derived by dividing average female salary by average male salary for the same rank of job.

The Percentage of Entry-level Employee Salary Higher than Local Minimum Wage in 2016

Taiwan	42%
China	14%
Vietnam	47%

The Percentage of Full-year Salary Higher than Market Average in 2016

Taiwan	37%
China	108%
Vietnam	12%

Note: Taiwan's salary data is extracted from the average salary of the manufacturing sector and minimal wage released by the Directorate-General of Budget, Accounting and Statistics. China's salary data is extracted from the average and minimal wage released by Shanghai and Suzhou government. Vietnam's salary data is extracted from the average wage and District 1, Ho Chi Minh City from the General Statistics Office of Vietnam.

Comparison of the Highest Salary and the Median Salary

	Taiwan	China	Vietnam
Ratio of the Highest Salary vs Median Salary in 2016	8.33 : 1	4.74 : 1	1.22 : 1
The Highest Individual Salary Adjustment vs Median Salary Adjustment in 2016	0.29 : 1	0.90 : 1	1.40 : 1

Note: The numbers in China are the average of each production base.

On August 19th, 2011, the Board passed the resolution to establish the Remuneration Committee whereby an independent director serves as the convener. The committee examines employees' remuneration system and the remuneration payout methods for the Board members, compares the Board's remuneration and managers' bonus with their counterpart in other companies, assesses issues concerning long-term compensation, year-end bonus, annual salary adjustment and enforcement rules of performance evaluation.

At FENC, we have a system to periodically evaluate individuals' performance against project goals every year. The results serve as the basis for salary adjustment. (Please refer to Chapter 4.4.1 Performance Evaluation.) In addition, there are special programs for high achievers to receive raised salaries and gain internal promotion.

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4.2 Care for Employees

4.2.1 Human Rights Protection

At FENC, employees are critical to our business development. Therefore, the Company has observed all laws and regulations related to human rights protection and developed policies and procedures to safeguard our employees' human rights. Our human rights protection measures cover all employees at the Company and require our suppliers to comply with all related laws and regulations. Our commitments to protecting employees' human rights are described below:

- The Company ensures employment is voluntary.
- The Company prohibits child labor.
- The Company ensures an employee's wage is not lower than the minimum wage of local area and benefits are provided.
- The Company ensures that employees do not work overtime and that working for additional hours must be voluntary and compensated.
- The Company ensures an employee has 24 hours of rest every 7 working days.
- The Company respects an employee's decision to select, organize, join or refuse to join a labor union or other types of employee groups.
- The Company ensures there is no sexual, mental or verbal harassment, abuse or threat in the workplace.
- The Company ensures respect and non-discrimination in the workplace.
- The Company protects female employees.

In order to safeguard employees' human rights, we provide a 4-hour training on human rights and labor laws to new recruits and arrange repeated training periodically to ensure everyone understands the conducts expected of them and our corporate values. Every month, we inspect and report on working overtime and working hours at all bases and launch investigations if there is anything suspicious. In addition, we enforce legal compliance each quarter at all bases to ensure laws and regulations regarding human rights are observed. If there is any violation, we will launch an investigation and track the improvement progress.

Gender Equality

Dedicated to protecting maternity rights, FENC has created a system and an environment which are friendly to both genders. The Company adheres to the Act of Gender Equality in Employment by establishing nursing rooms and granting parental leave. After their return, all female employees worked for the Company for at least a year.

In China, we have developed Regulations Concerning the Labor Protection of Female Staff and Workers to protect the rights of female employees. The regulation prevents pregnant women from working overtime or doing work that might be dangerous to their pregnancy. Female employees will receive the same amount of pay after returning from maternity leave.

At FENC, measures against sexual harassment are put in place. The complete procedures concerning filing a complaint or administering a disciplinary action are made public to all employees. A person can lodge a complaint to the head of a department or Human Resource Department, which has to organize an investigation team, in which at least 50% of the members should be female, within 5 days upon receiving the complaint. The investigation should be completed within two months. All related information should be kept confidential during the investigation and opportunities should be provided to the accused to respond in their own defense. In addition, we provide training to officers and employees in accordance with Sexual Harassment Prevention Act to prevent violations.

In 2016, there were no violations of employees' human rights at our production bases, nor complaints thereof. All production sites passed their customers' inspections on human rights, child labor and labor conditions.

Application of Parental Leave and Returning Statistics in Taiwan

		2014	2015	2016
Entitled to Parental Leave	Male	185	256	212
	Female	118	106	124
	Total	303	362	336
Number Applied	Male	1	3	4
	Female	13	21	26
	Total	14	24	30
Number Returned	Male	1	2	2
	Female	7	13	21
	Total	8	15	23
Return Rate	Male	100%	67%	67%
	Female	88%	87%	91%
	Total	89%	83%	88%
Returned over One Year	Male	1	0	0
	Female	6	7	12
	Total	7	7	12
Retention Rate	Male	100%	0%	0%
	Female	100%	100%	100%
	Total	100%	88%	92%

Note:

1. Return Rate = Number Returned / Number Should Return

2. Retention Rate = Returned over One Year / Number Returned Last Year

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#### 4.2.2 Employee Welfare

FENC places great emphasis on the welfare of employees. At both Taiwan and China's production bases, employees have organized the Employee Welfare Committees to discuss the payout methods and options of their benefits. In Taiwan, all corporate benefits are set aside in accordance with the law and used at the discretion of labor union and Employee Welfare Committee of each production base for various welfare activities, including outings, movie screenings, hiking, club activities, health checkups, scholarships, various bonuses and insurance for both native and foreign workers. In addition, the Company has developed the employee compensation regulation and enrolled all employees, both native and foreign, in a life insurance plan and level 2 to 11 accident insurance plan. We have also negotiated with the insurer on insurance plans with preferential premium rates for individual diseases or cancer. Employees can enroll the plans at their own discretion.

In China, benefits are disbursed by the labor union and available to all permanent employees. There are various types of benefits, including monetary gifts (for birthday, wedding, childbirth, hospitalization, funeral, etc.), holiday benefits (e.g. red envelopes, gift vouchers, etc.), healthcare benefits (physical checkups, maternity checkups, single child healthcare) and other benefits for transportation, meals, lodging and traveling.

At Far Eastern Apparel (Vietnam), welfare activities are organized by labor union, factory office and human resource office every year and well-received by Taiwanese, Chinese and Vietnamese employees.

As some of the production bases are located in remote industrial districts and requires employees to work in shifts, they deserve more care and attention. Every year, FENC improves the work environment and the amenities of employees' dormitories and carries out evaluations on dormitories and cafeterias to better understand employees' needs and make improvements accordingly.

#### Oriental Industries (Suzhou) Raised Funds for an Employee with Critical Illness

On March 1, 2016, an employee of Oriental Industries (Suzhou) had cerebral hemorrhage at home. His exorbitant medical expenses placed a huge strain on his family. Upon knowing his difficulties, his supervisor began to raise funds, asking people from Oriental Industries (Suzhou) and Sino-Belgian Beer (Suzhou) to help their financially strained colleague. Before long, the sick employee received a donation of 28,600 RMB.



#### Employees at Kuanyin Chemical Fiber Plant Receive an Allowance for Breakfast

Kuanyin Chemical Fiber Plant is located within Guanyin Industrial Park, which is a 40-minute drive from downtown. As there is no healthy breakfast to come by in the park, the company decided in 2016 to take care of its employees by giving them an allowance of NT\$30 for breakfast and providing both Chinese and Western breakfast for them to choose on line from, so as to increase their satisfaction with meals at work.

#### Far Eastern Apparel (Suzhou) Established a Sports Center and Organized Recreational Activities Every Month

All employees of Far Eastern Apparel (Suzhou) have free access to the new sports center, which was open in June, 2016. The center includes badminton courts, table tennis tables, pool tables and various fitness equipment. Last year, table tennis and badminton matches, dancing competitions and fun games were held in order to enrich people's life after work and boost their health. Every month, each department takes turn to organize recreational activities, including singing competitions, photography contests, tea-picking outings, fashion shows, ball games, power walking, dances and volunteer work.



#### Far Eastern Apparel (Vietnam) Organized Flower Arrangements, Cooking and Soccer Matches

Far Eastern Apparel (Vietnam) encourages employees to develop an interest after work, become more cohesive as company and find a balance between work and family life. In 2016, various competitions were organized, including flower arrangements, cooking and soccer matches. Winners received a cash prize from the company.



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Caring for Foreign Workers

At FENC, there are more than 1,000 foreign workers in Taiwan. Their base salaries are paid in accordance with the law. In order to help them adapt and work comfortably in Taiwan, we organize various activities, including ball sports, group tours, fun games, birthday parties and Christmas parties for them. In addition, we hold meetings on an ad hoc basis to develop a good rapport with them.

4.2.3 Retirement Plan

FENC has developed retirement plans in accordance with the laws and regulations of different countries. In Taiwan, FENC has made contributions into a pool of funds set aside for a worker's retirement pension since the 1980 and established Employee Retirement Fund Committee. With more than half of its members being labor representatives, the committee convenes meetings regularly to oversee the management of pension funds. Every year, we commission Towers Watson to provide actuarial services and each company's contribution to employees' pension fund falls between 4% and 15% of their full salaries. In July, 2005, the Ministry of Labor launched the new pension scheme. New recruits and employees who adopted the new scheme are required to pay 6% of their full salaries into their pension plan and their seniority based on the old scheme remains unaffected despite their transition to the new one. Employees begin to receive their pension when they retire. FENC's retirement plan covers every permanent employee in the Company.

Our subsidiaries in China enroll all employees in a social insurance plan in accordance with the Social Insurance Law. The source of their retirement pension is their endowment insurance plan. Each company's contribution falls between 19% to 21% of employees' full salaries and their retirement plans cover all employees. According to Vietnam's Social Insurance Law, every employee is entitled to receive retirement pension. Since 2016, Far East Apparel (Vietnam) has paid for its workers' social insurance, which is 18% of workers' salaries and allowances combined.

4.3 Communication Between Labor and Management

4.3.1 Labor Union

FENC observes the conventions of the International Labor Organization and applicable laws of the countries where our operational bases are located. All of our employees are entitled to form and join a labor union and engage in collective bargaining in accordance with related laws and regulations. We do not intervene in the formation, operations and management of any employees' organization, nor their collective bargaining. There was no violation to freedom of association or collective bargaining during the reporting period.

Currently, labor unions have been organized in most of our production bases to ensure members' freedom of association and collective bargaining. The members all have signed the collective bargaining agreement with the unions. The unions convene labor meetings regularly and publish meeting minutes. Heads of departments are required to attend the meetings and respond to or address workers' concerns, relay related information or conduct negotiations.

◆ Update on FENC's Labor Unions

Location	Production Sites	Year of Establishment	Number of Members	Employee Participation Percentage
Taiwan	Hsinpu & Kuanyin Chemical Fiber Plant	1978	2,374	93%
	Kuanyin Dyeing & Finishing Plant	1956	421	67%
	Neili Texturizing Plant	1977	257	91%
	Hukou Mill	1989	414	96%
	Oriental Petrochemical (Taiwan)	1997	394	78%
China	Oriental Petrochemical (Shanghai)	2009	211	96%
	Far Eastern Industries (Shanghai)	2004	1,400	100%
	Wuhan Far Eastern New Material	2014	190	95%
	Oriental Industries (Suzhou)	2007	1,607	100%
	Far Eastern Industries (Suzhou)	2007	188	100%
	Far Eastern Industries (Wuxi)	2007	717	49%
	Far Eastern Dyeing & Finishing (Suzhou)	2008	1,091	98%
	Far Eastern Apparel (Suzhou)	2004	1,716	99%
Vietnam	Far Eastern Apparel (Vietnam)	2007	5,013	100%

Note: At Far Eastern Fibertech Co.,Ltd, there is no labor union in, but the relationship between labor and management is harmonious. Labor and management meetings are convened quarterly and meeting minutes are published.



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4.3.2 Communication Channels

FENC values employees’ participation in corporate affairs and uses various mechanisms to facilitate communication between labor and management and to instill into every member of the Company our core values, which are “Sincerity, Diligence, Thrift, Prudence and Innovation”. In 2017, we collaborate with Yuan Ze University to develop and conduct the new employee satisfaction survey.

After major operational changes are discussed and resolutions are passed in a Board meeting, operation review meeting, performance evaluation meeting or HR Policy Committee meeting, related information shall be communicated to employees and their representatives in plant meetings periodically. Before any major change that may affect employees’ rights take effect, information shall be communicated to employees in accordance with employee collective bargaining agreement and related laws and regulations. If the major change affects employees’ work, it shall be discussed through the agreement or in the labor union, recorded in the meeting minutes and made public within the notice period. During the reporting period, there were no major changes that affected employees’ rights.

At FENC, there are diverse ways for employees to effectively make a comment or lodge a complaint on human rights or labor practice to the Company. Information concerning orientation training or internal guidelines and procedures are also communicated to the employees in different ways. (Please refer to Chapter 1.4.4 Complaint Registering for more information on various ways to register a complaint and how complaints are processed at FENC.)

◆ Regulations for Layoff Notice Period

**Taiwan**

Notice will be given in advance prior to termination of employment contract in accordance to the Labor Standards Act and the Protective Act for Mass Redundancy of Employees. Related regulations have all been included in the company’s internal governance documents.

**China**

A written notice is given 30 days prior to the layoff day pursuant to regulations of the Labor Law of the People’s Republic of China. All related regulations have been included in the company’s internal governance documents.

**Vietnam**

For employees with open-ended contracts, a notice is given at least 45 days in advance in accordance to the Labor Code of Vietnam; for definite term employee contracts, a notice shall be given at least 30 days prior to the termination. Related regulations have been included in the company’s internal governance documents.



### Far Eastern Apparel (Vietnam) Holds a Biweekly Meeting Between Management and Employees

Far Eastern Apparel (Vietnam) holds management-employees meeting every two weeks. The president attends the meeting every quarter and the meetings address real issues in all aspects of employees’ life. A total of 26 meetings were held in 2016, and the issues raised by employees immediately got responses and promises from the management. Also, the company continues to improve work environment, and thus enjoys sound labor relations.



4.4 Career Development

4.4.1 Performance Evaluation

At FENC, there are four types of evaluation, namely, probation evaluation, regular evaluation, project evaluation and annual evaluation. The employees are required to evaluate their own performance before talking with their supervisors. Work performance is linked to annual performance bonuses and annual salary adjustment percentage and serves as main reference for promotion or dismissal.

At the production bases in Taiwan and Vietnam, all employees who have worked for more than one year, except part-timers and foreign workers, are subject to annual performance evaluation, while in China, annual evaluation applies to every permanent employee. After evaluation, salary is adjusted regardless of gender. In 2016, all employees were evaluated, except those left the Company or were on maternity leave.

◆ FENC’s Performance Evaluation System



#### Work Performance

In 2016, KPI evaluation was conducted at FENC.



#### Competencies

An employee’s competencies are evaluated by their supervisor.



#### Personal Development Plan

The in-depth discussion with the supervisor can help the employee develop learning plans to improve their skills.

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4.4.2 Training

The staff is the most important assets of the Company. Having high-caliber talent is critical for us to stand apart from our competition. Therefore, we have pooled resources to nurture skilled workers and help them strengthen their expertise. Since the inception of FENC, we have provided training on business management and factory management. In order to further expand our businesses, we have also opened courses on professional skills to help our employees develop the expertise the Company needs. Faced with the challenge of developing and improving human capital, the Learning and Development Center has invested a great deal in transforming the Company into a learning organization, so that and every member can grow together with our businesses. In March, 2017, the center relocated to a new site where the state-of-art training facilities and flexible learning space makes high-quality education possible without geographic constraints.

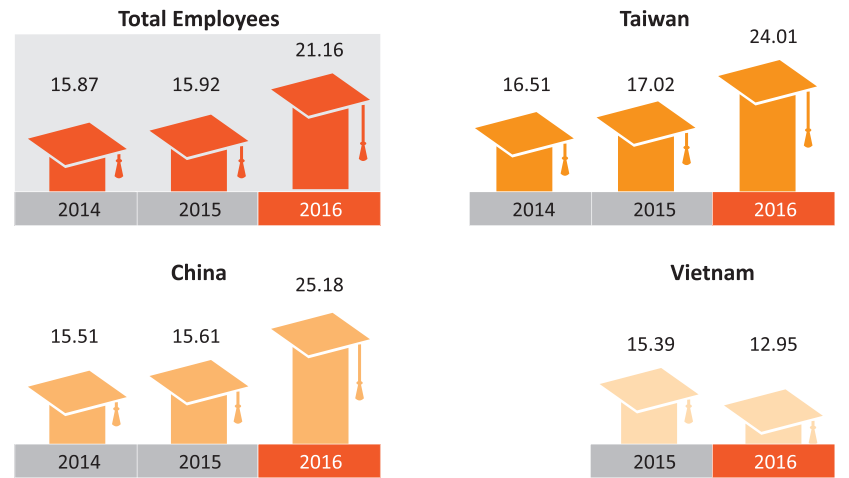
In addition to providing training in response to the Company's operational strategies, the staff of the center attends senior management meetings to identify the needs of the Company for further growth. Moreover, they have been promoting the mentorship program to train our people more effectively.

FENC provides various training platforms to our employees. For example, we have launched online training courses in 2017, which are convenient and flexible for employees to improve their skills. In addition, we invite experts to talk about finance and health management, commission third parties to provide training or send our employees for external training, in the hope of helping our employees to continue to learn and grow. In addition, each plant provides labor safety training periodically. (For more information, please refer to Chapter 4.5 Occupational Safety and Health Management.)

Training Work List



Average Number of Training Hours Unit: hours/ person



		2014	2015	2016
Director/Section Chief and above	Male	25.06	28.54	48.07
	Female	13.38	26.88	68.84
	Subtotal	25.07	28.10	53.66
Office Clerk	Male	17.55	19.81	18.32
	Female	9.94	14.90	17.45
	Subtotal	20.50	17.89	17.98
Factory Workers	Male	11.15	15.26	26.38
	Female	3.17	12.04	14.40
	Subtotal	11.01	13.18	18.75
Total Employees	Male	15.71	18.85	25.38
	Female	5.58	13.33	17.32
	Total	15.87	15.92	21.16

Note:

1. Total training hours at Suzhou headquarters in 2014 did not take gender into consideration. The training hours of the year were directly added to the total.

2. There is no data of training hours from Vietnam in 2014; due to high number of new employees in 2015, there was a higher number of training hours.

3. In response to ISO regulations, needs to enhance workplace safety management and demand for new production lines at new factories, training sessions were increased for the managerial team in Taiwan.

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We focus on the quality of training as much as the comprehensive training system. In order to ensure the trainees to put what they learn into practice, some courses require them to use an action log to keep track of their practice. The center keeps records of our staff's training as an important reference for evaluation.

Different types of training are described below:

**Orientation Training**

The aim of the orientation training is to help newcomers to understand our corporate culture, values and goals, as well as to gain an overview of the organization, human resource regulations and products of different businesses. This will familiarize them with their work environment and help them quickly fit in the organization, thereby increasing their retention rate. In 2016, we provided 20 orientation training sessions with the total attendance of 486.

**Multi-competency Training**

In order to diversify our colleagues' competencies, we provide a wide range of courses for them to choose from. The courses, taught by excellent lecturers, focus on both theory and practice. In 2016, we provided 76 multi-competency training sessions with the total attendance of 1,651.

**Commissioned Training**

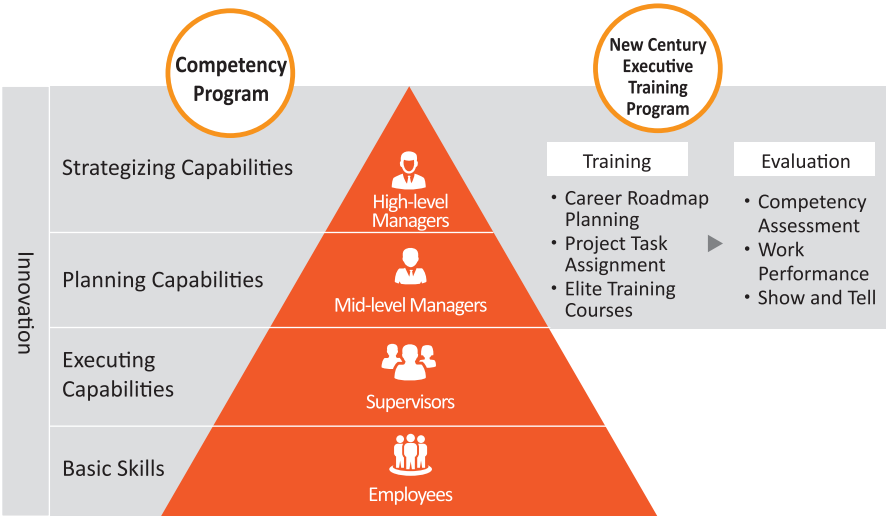
To meet the needs of each department, we select and commission the right teacher for this project-based training. In 2016, we had only one commissioned training session with the total attendance of 106.

**Competency Program**

In 2013, the Company updated its performance evaluation system. We analyzed and identified the key competencies required of different levels of employees and decided on the key focuses of training for different levels.

The center and Yuan Ze University have jointly developed 23 competency training courses that focus on 13 competencies for different levels of employees. Currently, the courses have been provided with assessments to ensure the trainees effectively acquire the knowledge and know-how for work. In 2016, we provided 19 training sessions with the total attendance of 542. In China, there were 6 competency training courses for 216 executives.

**Lifelong Learning**



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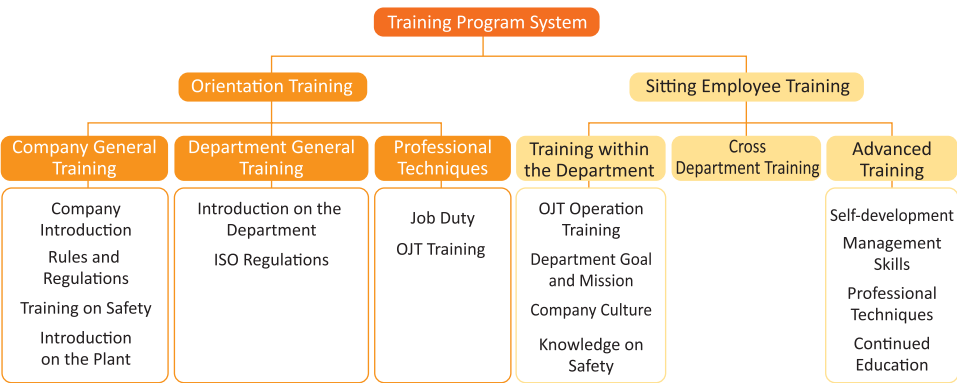
New Century Executive Training Program

In July 11, 2014, FENC launched the New Century Executive Training Program that focuses on four areas, namely, “Visionary Leadership”, “Growth Driver”, “Customer First” and “Living to Deliver”. The comprehensive training, including theories, experience sharing and case analyses, can help high-performing employees to grow even faster and become the leaders of different businesses. The program is aimed at creating the talent pool for the Company.

The program consists of four modules and 16 courses to help trainees to develop the competencies expected of a senior vice president. The courses focus on both theory and practice. We hire famed professors to teach theories and their applications through cases studies and experts in the industry to share their experience. The candidates for this program are recommended by the head of each business. The candidate list is reviewed by Far Eastern Talent Selection Committee and approved by the Chairman and Vice Chairman. At the beginning, the program targeted Taiwanese employees but has later been provided to employees in China as well. A condensed version of the program is offered to executives who have limited time for training. In 2016, the training program was organized twice. There were 41 trainees for the first section and 51 for the second. A total of 30 courses were provided.

The center also provides various training courses at the production bases in China to help employees improve their skills and facilitate exchanges among employees across the strait.

The Training System in China





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4.5 Occupational Safety and Health Management

4.5.1 Ensuring Safety and Health Management at Work Policies and Goals

Policies and Goals

In order to create a healthy and comfortable work environment and continue to reduce occupational hazards, the Company has formulated occupational safety and health policies as the highest guiding principle in safety and health management at FENC.

Safety at work is of paramount importance to the Company. Legal compliance, continued improvement, all-out participation, risk management and public disclosure are our commitments to safety and health at FENC. We have spared no efforts to strengthen our capabilities in this regard and incorporated safety and health into our corporate culture.

The Safety and Health Committee

Chaired by the Vice President of Corporate Management, FENC’s Safety and Health Committee is the highest organization to review and deliberate on safety and health management. The committee members include occupational safety and health personnel, head of each business, supervising and commanding personnel and technical specialists and medics. One third of the members are labor representatives.

Each of our operational sites has a committee that holds quarterly meetings, develops policies, coordinates efforts and oversee the management of safety and health at work.

Focusing on Safety and Health Issues

Health and safety management is one of the most important topics that the management and workers discuss. The collective bargaining agreement, management-labor meetings and the committee meetings all address the following safety and health issues.

- Provide personal protection equipment
- Establish health management and safety committee
- Labor representatives participate in health and safety review, examination and accident investigation

- Provide job related training education
- Labor grievance mechanism
- Right to refuse unsafe work
- Provide regular health check
- Abide by international labor organization regulations
- Map out procedures or system to solve safety and health related problems
- Map out goal for safety and health and how to achieve the goal

By the end of 2016, 11 production bases have obtained Occupational Health and Safety Assessment Series (OHSAS 18001:2007) certification. Every year, the bases pass the third-party auditing every year to keep the certification valid.

◆ The Occupational Safety and Health Committee at Different Operational Sites

Location	Operational Sites	Number of Committee Members	Percentage of Labor Representatives
Taiwan	Headquarters	9	33%
	Hsinpu Chemical Fiber Plant	57	33%
	Kuanyin Chemical Fiber Plant	30	53%
	Kuanyin Dyeing and Finishing Plant	32	44%
	Neili Texturizing Plant	22	45%
	Hukou Mill	12	33%
	Oriental Petrochemical (Taiwan) Co., Ltd.	17	35%
	Far Eastern Fibertech Co., Ltd.	12	33%
China	Oriental Petrochemical (Shanghai) Corp.	25	80%
	Far Eastern Industries (Shanghai) Ltd.	28	64%
	Wuhan Far Eastern New Material Ltd.	14	36%
	Oriental Industries (Suzhou) Ltd.	29	52%
	Far Eastern Industries (Suzhou) Ltd.	29	48%
	Far Eastern Industries (Wuxi) Ltd.	20	65%
	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	50	96%
	Far Eastern Apparel (Suzhou) Co., Ltd.	25	72%
Vietnam	Far Eastern Apparel (Vietnam) Ltd.	123	76%

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Remarkable Feats in 2016



Far Eastern Fibertech Achieved the Milestone of No Lost Days Caused by Occupational Hazards over the Past 20 Years

Far Eastern Fibertech has placed great emphasis on every employee's health and safety and aimed to achieve no hazard in the workplace. In order to raise risk awareness and promote safety practice, the company has introduced various measures, including risk assessments, hazard identification, public notices on health and safety, as well as safety reminders for workers. Over the past 20 years, there have been no lost days incurred due to disability caused by occupational hazards since the inception of the company in April, 1996. In July, 2016, the Occupational Safety and Health Administration presented a certificate to the company for its impressive achievement. On October 17th of the same year, the company achieved the milestone of no lost days caused by occupational hazards for 7 million hours.



Hukou Mill was Ranked No. 1 in Terms of its Joint Civic Defense Team

The civic defense system can effectively mobilize people for defense or rescue efforts to safeguard their life and property. It can effectively support military defense in wartime, while responding to disasters and providing relief and shelter in peacetime. In 2016, Hsinchu County Government ranked Hukou Mill in the first place in terms of its Joint Civic Defense Team.



Far Eastern Industries (Suzhou) Received Annual Advanced Safe Production Award

Since 2015, Far Eastern Industries (Suzhou) has established the new accountability mechanism to ensure the person in charge will be held accountable, allow employees to participate in safety and health management and introduce measures against potential threats to safety. The company received the top 20 Annual Advanced Safe Production Award, standing apart from 2000 businesses in Suzhou.

Training Programs

1. Safety and Health Personnel Training

In order to familiarize everyone with laws and regulations concerning occupational safety and health and the Company's related measures, FENC provides training courses on safety and health periodically. In 2016, a total of 39,075 hours of training was provided at all operational sites.

Title of the Training Session	Number of Sessions	Number of Participants	Number of Hours
Safety and Health On-the-job Training	94	3,253	21,582
Health Management Training	29	2,065	9,052
Hazardous Chemicals Management Training	28	856	2,391
Radiation Protection Personnel Training	3	21	246
Emergency Response and Personal Protection Gear Training	14	1,398	5,336
Safety and Health Internal Auditor Training	2	78	468
Total	170	7,671	39,075

2. Disaster Response Drills

In order to respond to emergencies effectively, various drills are conducted annually in response to different types of disasters at all operational sites. The drills can better prepare our employees to handle contingencies and provide opportunities to examine their response and their familiarity with different tools and equipment. Our goal is to prevent or reduce casualties, minimize property damage and environmental impact as well as protect employees in the plant areas and those who living in the neighborhood.



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In 2016, Oriental Petrochemical (Taiwan) and the Occupational Safety and Health Administration jointly organized the Fire and Explosion Prevention for the Manufacturing Industry Workshop to share experience in fire drills by providing practical training to members of the industry, in the hope of preventing fire and explosion incidents. In November 2016, Far Eastern Industries (Shanghai), Shanghai Environmental Protection Bureau, Fengxian Environmental Protection Bureau and the radiation station of Xinhua Development Zone conducted radiation drills to better prepare each unit to respond to emergencies and ensure safety. In addition to conducting annual fire drills, Far East Apparel (Vietnam) acts as the head of VSIP's fire prevention committee and share FENC's experience in safety and health management and management philosophy with other businesses in the industry.

3. Sharing Experience in Promoting Practices for Safety and Health

Since 2013, FENC has served as the deputy head of the Training Team of the north promotion group of Taiwan Occupational Safety and Health Management System (TOSHMS). In addition, we were selected as a member of the Technical Promotion Team in 2015 and 2016 to assist in training planning and assign lecturers to share experience in promoting health and safety practices and provide information to develop the safety and health technical manual. Though TOSHMS, we are able to learn from the health and safety systems from other companies.

Employee Health Management

1. Implementing a Health Management System

In the past, we used questionnaires and physical checkup primarily to carry out health management, but did not use auxiliary tools to pool employees' health data to conduct analyses, which can be used to help them to boost their wellness. In November, 2016, Hsinpu Chemical Fiber Plant implemented a health management system, hired medical specialists to provide health services and health examination analyses on site, as well as introduced various health management measures to ensure our employees can better manage their health to excel at work.

2. Healthy Workplace Certification

In addition to providing a work environment that boosts employees' physical and mental health, the Safety and Health Committee also promoted smoking-free environment across all operational sites and organized various activities to promote wellness. The Taipei headquarters, Hukou Mill and Kuanyin Chemical Fiber Plant have obtained the Healthy Work Environment Certification Logo and achieved remarkable success in their health campaigns, which speaks volumes about our care for employees' health.

In 2017, the Safety and Health Department will provide



guidance to the plants that have not obtained the certification in order to create a healthy work environment.

3. Promoting Wellness

In addition to providing health talks, fitness guidance and professional consultation, yoga, dance, softball and basketball clubs have been established at Taipei headquarters to promote wellness. Our employees can participate in club activities to relieve physical and mental stress and get a better understanding of their health status. Our aim is to build a healthy workforce to enhance our competitiveness.



In addition, all production bases began to promote wellness through various activities in 2016. Kuanyin Dyeing and Finishing Plant placed Automated External Defibrillators (AED) in its facilities and required employees from each department to receive AED and CPR training. The employees assigned by their department gained hands-on experience in first-aid and acquired knowledge of emergency care. Hukou launched a weight loss program to encourage employees to pay more attention to the three highs (High blood pressure, high blood sugar, high blood lipids) and use the right methods to better manage their weight. A total of 41 people participated in this program. Wuhan Far Eastern New Material organized a long-distance running activity to encourage employees to develop exercise habits that promote wellness.



4. Occupational Disease Prevention

As occupational injuries pose a serious threat to a person's health and life, FENC has spared no efforts to carry out various preventive measures, including hazard monitoring and risk management, to protect employees from bodily damage resulting from work.

(1) Health Examination

In order to help employees to prevent occupational diseases, we ensure effective construction management, environment management and operation management at FENC. Each operational site requires employees to take a physical examination regularly, which includes more examination items than statutory requirements, and the medical specialists provide guidance to them based on their examination results. The examination allows our employees to better understand their physical functions and reminds them the importance of health.

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(2) On-site Health Services

In addition to the professional health and nursing staff stationed at all operational bases, FENC hired medical specialists to provide health guidance and hold a professional consultation across all production sites for 130 times in 2016, so that our employees had the opportunity to raise their questions or concerns about maternal health protection or ergonomic hazards. The medical specialists also perform special examination on employees whose health may be impaired by noises, free radiation, dust, organic solvents or specific chemical substances at work and provide analysis and recommendation based on the type and severity of the hazard. In 2016, there were no abnormal findings caused by occupational diseases.

(3) Work Environment Monitoring

In order to better understand our employees' work environment and assess their exposure, FENC commissions certified work environment monitoring institutes for different production bases to follow the monitoring plans and monitor carbon dioxide concentration, noise level, integrated mean temperature index, dust concentration, organic solvent concentration and specific chemical concentration. Based on the monitoring results, the Company has carried out construction improvement and adopted better management or control methods to ensure employees' health and safety at work.



(4) Chemical Management

In recent years, the amount and varieties of chemicals used at FENC have increased. In order to provide precise safety information of chemicals, the operational sites in Taiwan and China have implemented the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and complied with related laws and regulations, compiled hazardous chemical lists to better control the hazardous chemical substances at plants and used the Safety Data Sheet (SDS) for labeling. Other measures have also been taken to better control the access and use of chemicals and minimize our employees' exposure, including chemical control banding, reporting to the competent authority on specific chemicals and permit application. In 2016, the health examination results revealed there were no abnormal findings caused by chemical substances.

4.5.2 Contractor Safety and Health Management

As contractors are important partners to FENC, all operational sites have established various systems for high-risk operation management, hazardous chemical management, emergency response management and change management, in compliance with the Occupational Safety and Health Act and other laws and regulations, to protect our contractors' workers. Regulations concerning contractor safety and health management have also been developed to strengthen contractors' construction safety.

1. Training

In order to ensure the workers of the contractors work safely at FENC's operational sites, we provide safety and health training specific to each type of suppliers. In 2016, the training was provided to 1,550 people for a total of 4,516 hours, which translates into 2.9 hours per person on average.



2. Certification for Contractors' Field Supervisors

In order to raise awareness of health and safety and promote autonomous management among contractors, Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant provided courses on Certification for Contractors' Field Supervisors for eight times in 2016, which covered the introduction of the Occupational Safety and Health Act and related regulations, their internal safety and health regulations, common contractors' non-compliance as well as occupational hazards and practical safety training. The aim of the courses was to help contractors and their workers understand the importance of safety and health issues.

3. Contractor Construction Safety Manual

In order to familiarize the contractors with the laws and regulations concerning their business and the Company's internal safety and health management regulations, Hsinpu Chemical Fiber Plant developed the Contractor Construction Safety Manual in April, 2016 and sent it to contractors in June.



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4.5.3 Statisitcs on Occupation Injury

◆ Statistics on Occupational Injury

Category		Taiwan			China			Vietnam		
		2014	2015	2016	2014	2015	2016	2014	2015	2016
Number of Occupational Injury Cases	Male	14	9	7	26	16	14	5	8	14
	Female	7	6	3	4	4	4	14	13	10
	Total	21	15	10	30	20	18	19	21	24
GRI Injury Rate (IR)	Male	0.23	0.14	0.12	0.27	0.17	0.14	0.13	0.16	0.27
	Female	0.12	0.09	0.05	0.04	0.04	0.04	0.37	0.25	0.20
	Total	0.35	0.23	0.17	0.31	0.21	0.18	0.51	0.41	0.47
GRI Absentee Rate (AR)	Male	0.19%	0.10%	0.08%	0.02%	0.08%	0.05%	0.01%	0.04%	0.10%
	Female	0.15%	0.06%	0.03%	0.06%	0.31%	0.31%	0.05%	0.03%	0.04%
	Total	0.33%	0.16%	0.11%	0.07%	0.39%	0.36%	0.06%	0.07%	0.14%
GRI Lost Day Rate (LDR)	Male	9.27	13.72	13.27	3.86	2.66	2.60	0.11	0.12	0.99
	Female	2.55	3.26	1.61	0.18	4.57	0.46	0.73	0.32	0.25
	Total	11.82	16.98	14.88	4.05	7.23	3.06	0.84	0.44	1.24
Number of Deaths	Male	0	1	0	0	0	0	0	0	0
	Female	0	0	0	0	0	0	0	0	0
	Total	0	1	0	0	0	0	0	0	0

Note:

1. IR = Occupational Injury / Total Work Hours × 200,000

2. AR = Days of Absence / Total Work Days × 100%

3. LDR = Lost Days / Total Work Hours × 200,000

4. IR and LDR indicate the percentage of every 100 workers with 40 work hours a week, 50 weeks a year.

In 2016, there were no deaths caused by occupational hazards or occupational disease cases across FENC’s operational sites. For the occupational hazards that had occurred, FENC has reflected on the incidents and adopted measures to prevent similar incidents from happening and ensure safety, health and comfort at work.

◆ Contractors’ Occupational Injury at Operational Sites

Category		Taiwan			China			Vietnam		
		2014	2015	2016	2014	2015	2016	2014	2015	2016
Number of Occupational Injury Cases	Male	0	2	1	0	2	0	0	0	0
	Female	0	0	0	0	1	0	0	0	0
	Total	0	2	1	0	3	0	0	0	0
Number of Deaths	Male	1	1	1	0	2	0	0	0	0
	Female	0	0	0	0	1	0	0	0	0
	Total	1	1	1	0	3	0	0	0	0

In 2016, there was a major occupational hazard that caused a death at Hsinpu Chemical Fiber Plant. A contractor’s worker fell off from the stacker, which tumbled down the platform, and got hit by the stacker’s battery which took his life, while he was moving raw materials and finished goods. In response to this tragic incident, the plant carried out an immediate and comprehensive examination of the contractor’s management procedure and developed the following measures. First, identify and assess the hazards associated with high-risk workplace and operations. Second, examine and adjust the selection and evaluation process of stacker operators. Third, provide additional safety and health education and training on work and hazard prevention to contractors’ workers. Fourth, relocate the stacker charging area to a safer place. Fifth, install fixed or movable closures on the platform. Sixth, strengthen the attachment of the battery to the stacker. FENC is always committed to safety and health management and has made strengthening safety and health at our operational sites our future goals. The incident was highly regrettable, so ensuring the safety of contractors’ workers and communicating our safety procedures and requirements to the contractors will be high priority in respect of safety and health management to the plant. Measures will surely be carried out to prevent similar incidents from happening.