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Creating Employee Passion

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Material Topics	Purpose of Management	Management Approaches and Effectiveness Evaluating Mechanisms
<ul style="list-style-type: none">Care, benefits and compensation for employeesCareer training and development	<p>To promote a high-quality work environment, protect the rights and interests of employees, and effectively retain talent to increase the Company's human capital and competitiveness under the principle of labor-management harmony for a win-win situation.</p>	<ul style="list-style-type: none">We provide opportunities for education, training and job rotations and seek to promote talent within the Company through an effective internal mechanism that offers diversified career advancement paths.We stay on top of the salary changes in the industry, make appropriate changes accordingly, and regularly review the salary levels of our employees to retain talent.Our Remuneration Committee reviews the remuneration system of the employees.We have a performance evaluation system that regularly assesses personal performance against project goals annually.Employee Welfare Committees are installed for employees to discuss among themselves issues related to their welfare.We protect the human rights of employees to ensure a culture of respect in the workplace.At each production site, there is either a labor union or a mechanism for regular labor-management meetings to ensure employees' freedom of association and collective bargaining. Department heads also hold regular meetings with workers to facilitate communication.We conduct employee satisfactory surveys and use the results as reference for further improvement.We have a well-built internal organizational structure and human resource management system to realize goals.We ensure legal compliance. Investigations and follow-ups are conducted in the event of a violation.
<ul style="list-style-type: none">Work environment and safetyChemicals and toxic substances managementContractor health and safety management	<p>With the employees seen as valuable assets and contractors as important partners, the Company strives to reduce risks in the workplace and ensure the safety and health of our employees and contractors.</p>	<ul style="list-style-type: none">Our Occupational Safety and Health Committees are the highest authority in the review and discussion of safety and health related issues.We provide sound safety and health management and training to our employees and contractors.We have a system of controls for chemicals to prevent accidents caused by misuse or harm to employee health caused by inappropriate exposure.Contractors are required to meet the safety and health standards of the Company.Our goal is to have zero occupational safety incidents.



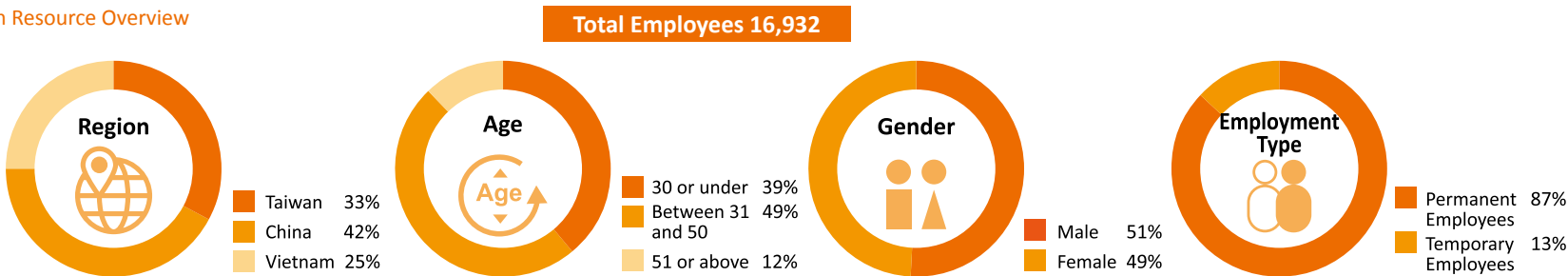
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4.1 Employment

4.1.1 Human Resource 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 resource management system. The Company employs 16,932 people, 87% of which are permanent employees. Key positions are all filled by permanent employees. Training and job rotation opportunities are available to everyone. In addition, we have an effective internal promotion system to select competent employees for management positions and provide various opportunities for career advancement.

Human Resource Overview



Human Resource Profile

		Taiwan			China			Vietnam			Total		
		2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Permanent Employees	Male (%)	71%	71%	72%	51%	53%	52%	17%	19%	19%	47%	47%	49%
	Female (%)	29%	29%	28%	49%	47%	48%	83%	81%	81%	53%	53%	51%
	Number	4,655	4,571	4,446	6,475	6,176	6,252	4,778	5,000	4,068	15,908	15,747	14,766
Temporary Employees	Male (%)	76%	83%	85%	57%	57%	59%	36%	8%	19%	64%	70%	68%
	Female (%)	24%	17%	15%	43%	43%	41%	64%	92%	81%	36%	30%	32%
	Number	1,099	1,063	1,042	974	975	918	239	13	206	2,312	2,051	2,166
Total	Male (%)	72%	73%	74%	52%	53%	53%	18%	19%	19%	49%	50%	51%
	Female (%)	28%	27%	26%	48%	47%	47%	82%	81%	81%	51%	50%	49%
	Number	5,754	5,634	5,488	7,449	7,151	7,170	5,017	5,013	4,274	18,220	17,798	16,932

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.

3. None of our operational bases or production sites employ part-time workers.

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4.1.2 Employment Policies

At FENC, when it comes to the 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 is no discriminatory incident during this reporting period.

Our Legal Department, Human Resource Department, Auditing Department and all businesses convene joint meetings quarterly to ensure the legal compliance of each unit. In 2017, Taiwan's revised Labor Standard Act was enforced. The revision took out the seven national holidays, changed the number of days for annual leave, amended scheduling rules, and added overtime pay mechanism for working on rest days. In the same year, the Company optimized its labor workhours accordingly by providing one mandatory day off every seven days, hiring more shift staff, and carrying out process improvement to increase machinery efficiency. The optimization was completed in March, 2017. In terms of overtime, the Company has revised its overtime pay mechanism for working on rest days to ensure compliance with the law. In addition, employees are encouraged to use their annual leave. The usage rate of annual leave increased from 51% in 2016 to 76% in 2017. Unused annual leave is paid out in monetary terms. The Company is dedicated to ensuring the rights of its employees at the workplace and reasonable recruitment is one way to create labor-management harmony and a win-win situation.

FENC on the Forbes World's Best 500 Employers List

FENC ranked 445th on the Forbes World's Best 500 Employers list in October 2017. Based on Forbes' May 2017 Global 2000 rankings of public companies, the Forbes World's Best 500 Employers list was made by surveying 360,000 anonymous business employees online, with factors such as regional differences, social expectations and industry adjustments taken in consideration.

In 2017, the Company sought out talent in Taiwan via channels such as the Internet and school career fairs. We participated in 6 recruitment information sessions and 12 campus job fairs, totaling 18 on-campus events. Employment in Shanghai and Suzhou was facilitated through the Internet, private employment agencies, the talent market, internal referrals, government employment agencies, and campus and face-to-face job fairs. In addition, our effort in industry-university cooperation produced a number of internship opportunities to outstanding students from Yuan Ze University and Oriental University of Science and Technology for the gaining of practical experiences.

FENC Industry-University Cooperation Internship Testimonial

• **Wu, Quan-gao (Industry-University Cooperation Program, 2017) / Intern at FEG Purchasing Department**

The summer before I became a senior, I decided to join the FENC Industry-University Cooperation Program as I was unsure of my future direction. I wanted to explore and learn interesting trades not related to my major in the hope of understanding the details of these trades and clarifying my own future path.

The two-month internship at FEG Purchasing Department allowed me to observe and learn many things. Take meetings for example. I learned how to convene a meeting with supervisors from other companies, what to take note of during a meeting, how to lead a meeting so it achieves the intended purpose while contributing to the relationships of all parties involved, how to bring about results beneficial to all, etc. In addition, I saw the actual production process at a factory and joined several discussion sessions. Even though I did not take part in any actual case, but observing professionals working out solutions was already a great stimulator for deep thinking. The experience was very rewarding and I am very glad to have interned here. I am immensely grateful for the two supervisors for mentoring the interns patiently, granting us permission to attend meetings of various scales and exposing us to fieldwork so that we could see and learn more. Thank you all.

Far Eastern Industries (Shanghai) Engaged in University-Enterprise Cooperation to Develop Potential Employees

To help fund the studies of students from impoverished families, relieve the financial burdens for education on families and on the nation as a whole, and solve employment problems for graduates in disadvantaged areas, Far Eastern Industries (Shanghai) initiated university-enterprise cooperation since 1998. In 2017, a total of 150 students took part in the program and 28 were successfully employed during December 2017 and January 2018. Another 10 students are expected to join the Company in June and July 2018.

In 2017, Far Eastern Industries (Shanghai) further partnered with Yangling Vocational and Technical College. The university-enterprise cooperation offers tuition subsidies and job contracts to 20 students and invites them and their parents on a tour to Far Eastern Industries (Shanghai). This collaboration helps relieve the college's difficulty in attracting new students and strengthen the brand image of Far Eastern Industries (Shanghai).

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Number and Percentage of New Employees in 2017

		Taiwan		China		Vietnam	
		Number	Percentage	Number	Percentage	Number	Percentage
Age 30 or under	Male	189	39.0%	1,559	95.5%	174	34.0%
	Female	57	33.1%	1,057	87.0%	1,142	50.4%
	Subtotal	246	37.5%	2,616	91.9%	1,316	47.4%
Age 31-50	Male	126	7.6%	537	27.1%	59	20.5%
	Female	39	5.7%	544	25.6%	363	30.4%
	Subtotal	165	7.0%	1,081	26.3%	422	28.5%
Age 51 or above	Male	11	1.1%	6	3.5%	1	33.3%
	Female	5	1.2%	3	8.1%	2	16.7%
	Subtotal	16	1.1%	9	4.3%	3	20.0%
Total		427	9.6%	3,706	51.7%	1,741	40.7%

Note:

1. The number of new employees indicates the number of new permanent employees in an area.

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.

3. Please see the Company website for the statistics of the last three years.



Statistics of new employees in the last three years

Number of Employees Who Left the Company and Turnover Rate in 2017

		Taiwan		China		Vietnam	
		Number	Percentage	Number	Percentage	Number	Percentage
Age 30 or under	Male	101	20.9%	1,453	89.0%	254	49.6%
	Female	42	24.4%	961	79.1%	1,620	71.6%
	Subtotal	143	21.8%	2,414	84.8%	1,874	67.5%
Age 31-50	Male	113	6.8%	661	33.3%	126	43.8%
	Female	62	9.1%	596	28.0%	663	55.5%
	Subtotal	175	7.5%	1,257	30.6%	789	53.2%
Age 51 or above	Male	127	12.2%	9	5.2%	1	33.3%
	Female	65	16.0%	24	64.9%	5	41.7%
	Subtotal	192	13.3%	33	15.7%	6	40.0%
Total		510	11.5%	3,704	51.7%	2,669	62.4%

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 group.

3. Please see the Company website for the statistics of the last three years.



Statistics of employees who left the Company in the last three years

In 2017, we officially hired 427 new permanent employees in Taiwan, 246 or 58% of whom were mostly under 30. In addition, as our Vietnam Investment Project required a large number of factory workers and management talent as it entered its initial operations, we recruited people over 30 with related hands-on experience after a careful stock take of the project's manpower needs. In Taiwan, a total of 510 people left the Company in 2017, including 192 applying for retirement, accounting for almost 40% of the total. Our turnover rate was 11.5%, much lower than the 20% of the manufacturing sector in Taiwan.

In China, we had 3,706 new recruits in 2017. All of our sites in China have an internal referral mechanism to encourage local employment. A total of 3,704 people left the Company in China in 2017. Despite the continuously high turnover rates of manual workers in the overall Chinese market, the rate at our sites in China have consistently dropped from approximately 80% in 2014 to approximately 50% in the last two years, demonstrating the effectiveness of our optimization effort in both management and employee benefits.

Our Vietnamese base mostly recruits locals, with only a few high-level management and highly technical positions filled by non-locals. The Company's dedication to strengthened communication with local employees, increased recreational activities and better work environment in recent years has yielded significantly result, as shown in the declining annual turnover rates in Vietnam since it peaked in 2014 at 123.7%. However, the turnover rate increased slightly in 2017 compared to 2016 as a result of the Company's reasonable manpower policy, which reduced two shifts to one, resulting in a decrease in staffing needs.

4.1.3 Salary and Compensation

At FENC, variable pay is awarded as an incentive based on the individual's or the organization's performance. According to our Articles of Incorporation, 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. Employees of the same production site are entitled to the same retirement, benefits and severance plans which are made in accordance with the law of the area where the production site is located.

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. Our operational bases 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.

From an industry-chain perspective, the bases in Taiwan and China are mostly upstream and midstream businesses with a technical focus on chemistry. As more male employees are equipped with this expertise, they generally receive higher pay than their female colleagues. On the contrary, the bases in Vietnam are part of the downstream garment industry, which requires a skill set usually more discernible in female workers; therefore, female supervisors and employees tend to earn higher wages than their male counterparts. These cases show that gender is not a factor in determining employee promotion or compensation at FENC.

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Salary Comparison by Gender

	Taiwan			China			Vietnam		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Director/Section Chief and above	87%	89%	90%	103%	95%	96%	97%	150%	127%
Office Clerk	100%	94%	96%	85%	85%	78%	100%	107%	107%
Factory Worker	95%	100%	121%	95%	94%	92%	97%	93%	92%

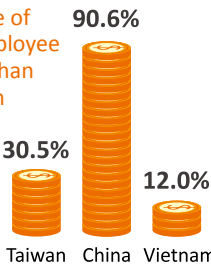
Note: The percentage is derived by dividing average female salary by average male salary for the same rank of job

The Percentage of Full-year Salary Higher than Market Average in 2017



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.

The Percentage of Entry-level Employee Salary Higher than Local Minimum Wage in 2017



Ratio of the Highest Salary vs Median Salary and Median Salary Adjustment in 2017

	Taiwan	China	Vietnam
Ratio of the Highest Salary vs Median Salary in 2017	7.58 : 1	4.12 : 1	1.24 : 1
The Highest Individual Salary Adjustment vs Median Salary Adjustment in 2017	0.73 : 1	0.96 : 1	2.14 : 1

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

The highest individual salary adjustment ratio appears in Vietnam. It exceeds the median salary adjustment ratio of all employees (2.14:1) as a result of a change to the job description of the supervisor receiving the highest salary and their outstanding performance evaluation.

The Company's Remuneration Committee, chaired by an independent director, examines employees' remuneration system and the remuneration payout methods for the Board members, compares the Board's remuneration and managers' bonuses with their counterparts in other companies, and assesses important issues such as long-term compensation, year-end bonuses, annual salary adjustment and the 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.

Care for Employees

4.2.1 Human Rights Protection

At FENC, employees are fundamental 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 the area where the employee's base is located and benefits are provided.
- The Company ensures that employees do not work overtime and that working for additional hours must be voluntary and compensated accordingly.
- The Company ensures an employee has 24 hours of rest every 6 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, physical 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 2 to 4 hours of 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 sites and launch investigations when abnormality is observed. 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 friendly to both genders. In Taiwan, the Company adheres to the Act of Gender Equality in Employment by establishing nursing rooms and granting parental leave. In 2017, of all the employees who used their parental leave, 76% successfully returned to former positions.

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.

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Application of Parental Leave and Returning Statistics in Taiwan

		2015	2016	2017
Entitled to Parental Leave	Male	256	212	289
	Female	106	124	141
	Total	362	336	430
Number Applied	Male	3	4	9
	Female	21	26	18
	Total	24	30	27
Number Should Returned	Male	3	3	3
	Female	15	23	14
	Total	18	26	17
Number Returned	Male	2	2	3
	Female	13	21	10
	Total	15	23	13
Return Rate	Male	67%	67%	100%
	Female	87%	91%	71%
	Total	83%	88%	76%
Returned over One Year	Male	0	0	1
	Female	7	12	14
	Total	7	12	15
Retention Rate	Male	0%	0%	50%
	Female	100%	92%	67%
	Total	88%	80%	65%

Note:

1. Return Rate = Number Returned / Number Should Return

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

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 to the Human Resource Department, which then must organize an investigation team within 5 days after receiving the complaint. At least half of the members of the investigation team should be female. The investigation should be completed within two months after receiving the complaint. All related information should be kept confidential during the investigation and opportunities should be made available to the accused to present a defense. In addition, we provide training to supervisors and employees in accordance with the Sexual Harassment Prevention Act to prevent violations.

In 2017, there was no incident at any of our production sites that violated our commitment to safeguarding employees' human rights, or any complaint thereof. All of our production sites passed their customers' inspections on human rights, child labor and labor conditions.

4.2.2 Employee Welfare

FENC places great emphasis on employee welfare. In the operational bases in both Taiwan and China, employees have formed their own Employee Welfare Committees to discuss how and on what to use their welfare funds. In Taiwan, welfare funds are set aside in accordance with the law and used at the discretion of the labor union and the Employee Welfare Committee of each operational base for various activities, including outings, movie screenings, hiking trips, club activities, health checkups, scholarships, various cash gifts and insurance for both native and foreign workers. In addition, employee indemnity measures are put in place. All employees, both native and foreign, are enrolled in a life insurance plan and a disability insurance plan that covers level 2 to 11. The Company has also negotiated with its insurer to offer policies covering individual diseases and cancer at preferential premium rates to FENC employees, who may purchase the policies 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 the labor union, factory office and human resource office every year and well-received by all employees.

As some of the production sites are 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 employee dormitories and carries out evaluations on dormitories and cafeterias to better understand their needs and make improvements accordingly.



Greenery in dormitories of Far Eastern Industries (Shanghai)



The volunteer club's activities

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Summer and Winter Camps for Employees' Children at Far Eastern Industries (Wuxi)



Far Eastern Industries (Wuxi) held winter and summer camps to help solve the problem of childcare for its employees during summer and winter vacations. Participating children did their homework and took part in fun activities in the company lounge and their parents got to spend time with them during lunch break. In 2017, 22 children participated in the two-week winter camp and 54 children took part in the one-month summer camp. Putting the mind of parents at ease, the camps were applauded by both employees and their children.

Testimonial for the 2017 Summer Camp for Employees' Children at Far Eastern Industries (Wuxi) / Li Jian, Department of Environment, Safety and Health

Following the success of the winter camp for employees' children in 2016, Far Eastern Industries (Wuxi) held another camp in the summer of 2017. Adhering to the FENC motto of sincerity, diligence, thrift, and prudence, the company tries to alleviate the worries of its employees by looking after their children during long vacations as parents constantly worry that, if unattended, their children might stumble into dangerous areas or befriend the wrong people. This concern leaves the heart of many parents hanging when they leave home for work. We know that sometimes the employees are more appreciative of the company when the company cares for their children than when the company only looks after the employees themselves. Now, with their children safe and protected in a summer camp, the worries of parents are naturally replaced by happiness.

On the surface, it may seem that only a small handful of employees benefited from this program; however, the message that it carried was specific and far-reaching. Employees may develop a real sense of belonging at the company, see it as home and consider themselves one with the company when the company takes the initiative to share their concerns. This program is a manifestation of the company's care for its employees on a higher level - emotional level - that allows the employees to enjoy ease of mind with their family right by their side.



New Dormitory Underway for Employees in Suzhou



A new employee dormitory with improved amenities is underway in Wujiang District, Suzhou City as a response to the needs arising out of company expansion. By providing a better space for living and leisure activities and by looking after employees' needs for accommodation and eating, the company hopes its employees can work without worries and feel at home in the new dormitory.

The new dormitory has all the amenities that one needs. Furnished with pure scots pine furniture, solar-power water heating system, LED energy saving lightings, fence monitors, and even access controls, the new dormitory provides a safe, environmentally friendly, energy saving and comfortable living environment where the employees can feel a sense of belonging. Following the completion of the construction in October 2017, interior work began. The dormitory is expected to be ready for moving in by June 2018. The new dormitory will be open to employees working at Oriental Industries (Suzhou) and Far Eastern Dyeing & Finishing (Suzhou) and can accommodate 1514 residents.



Caring for Foreign Workers

At FENC, there are 1,042 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 2017, 12 activities were held, participated by a total of 881 people. In addition, we hold meetings on an ad hoc basis to develop a good rapport with them.

Group Tours for Foreign Workers at Hsinpu Chemical Fiber Plant



On non-working days, most foreign works are limited to the areas around their dormitory. To enrich their lives and help them experience local life and culture to the fullest, 3 one-day group tours were organized in May, July and August 2017 to Lefoo Village Theme Park, Hsinchu and Lihpao Land, Taichung for foreign workers. These day tours recharged the workers and boosted their energy after returning to work. They unanimously agree that the benefits at FENC are the best in the industry.





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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 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 20% 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. In 2017, Far East Apparel (Vietnam) paid for its workers' social insurance, which is 17.5% 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 formed in most of our production sites to ensure members' freedom of association and collective bargaining. The members all have signed the collective bargaining agreement with the unions. Labor-management meetings are convened regularly and the meeting minutes are published. 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	2,210	100%
	Kuanyin Dyeing & Finishing Plant	1956	153	100%
	Neili Texturizing Plant	1977	151	86%
	Hukou Mill	1989	368	96%
	Oriental Petrochemical (Taiwan)	1997	310	75%
China	Oriental Petrochemical (Shanghai)	2009	220	100%
	Far Eastern Industries (Shanghai)	2004	1,394	100%
	Wuhan Far Eastern New Material Ltd.	2014	176	97%
	Oriental Industries (Suzhou)	2007	1,396	83%
	Far Eastern Industries (Suzhou)	2007	170	100%
	Far Eastern Industries (Wuxi)	2007	392	53%
	Far Eastern Dyeing & Finishing(Suzhou)	2008	1,045	100%
Vietnam	Far Eastern Apparel (Suzhou)	2004	1,719	100%
	Far Eastern Apparel (Vietnam) Ltd.	2007	3,780	89%

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. 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 effects 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 raise a grievance on human rights or labor practice to the Company. Information concerning this is communicated to the employees through orientation training or internal guidelines and procedures. (Please refer to Chapter 1.4.4 Grievance Procedures for more information on the various ways to file a grievance and how grievances were handled at FENC in 2017.)

2017 Employee Satisfaction Survey

FENC uses systematic satisfaction surveys to understand employees’ levels of satisfaction with work and the organization. The results are then used as reference for improvement. In 2017, the Company collaborated with Yuan Ze University to conduct an employee satisfaction survey, covering six areas including work content and environment, employee development, organizational climate, direct supervisors, organizational commitment, and work devotion. The response rate was 80%, and the overall satisfaction rate was 84%, up 7 percentage points from the previous survey (2014).

Regulations for Layoff Notice Period

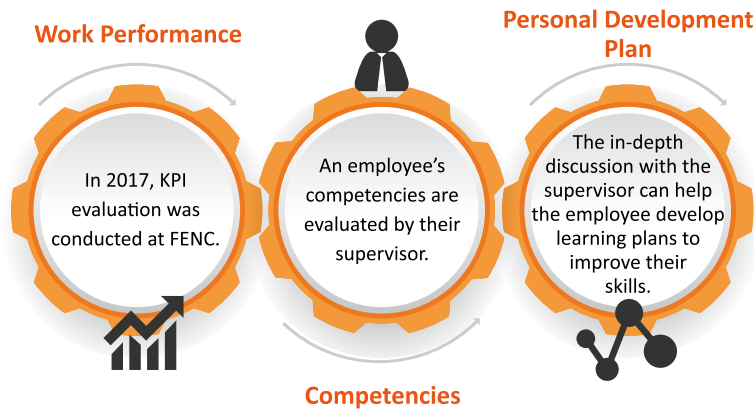
Taiwan
Notice will be given in advance prior to termination of employment contract in accordance to the Labor Standards Act and the Protective Act for Mass Redundancy of Employees. Related regulations have all been included in the company’s internal governance documents.
China
A written notice is given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

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.

FENC’s Performance Evaluation System



At the operational 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 2017, all employees were evaluated, except those who left the Company or were on leave without pay for more than one year. Foreign workers are evaluated based on their monthly attendance and production rate of A-grade products. The evaluation results will determine the performance bonus they receive.

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4.4.2 Training

Having high-caliber talent is critical for us to stand apart from our competition. Since the inception of FENC in 1949, we have provided training on business management and factory management. In order to further expand our businesses, we have also offered 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 Human Resources Development Center has invested a great deal in transforming the Company into a learning organization, so that every member can grow together with our businesses. In 2017, the Company spent NT\$ 15 million on the building of a brand new Human Resources Development Center to provide state-of-art training facilities, flexible teaching space and high-quality learning environment to its employees, which won the Company a Taiwan Training Quality System (TTQS) Silver Medal Award from the Workforce Development Agency, Ministry of Labor.



TTQS Silver Medal Award (for Businesses)

The Workforce Development Agency, Ministry of Labor, Executive Yuan launched a Taiwan Talent Quality Management System (TTQS) as one of the highest standards for the designing and execution of training programs offered by the human resource departments of various businesses. With the spirit of continuous improvement, the Company adopted the TTQS to optimize training management and increase training quality. The Company's effort was recognized in 2017 when it received a TTQS Silver Medal Award for businesses.

The public data released by the Workforce Development Agency, Ministry of Labor show that only 5-7% of businesses were awarded the TTQS Silver Medals or medals of higher ranks.

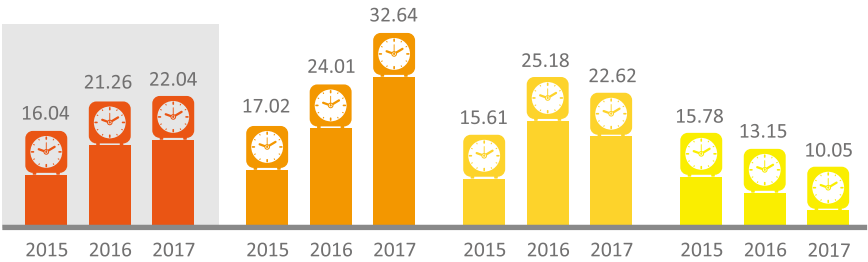
As a response to the Company's overseas expansion and workforce needs, FENC strives to offer a comprehensive training blueprint and sound learning environments to meet the career needs of employees and attract more talent. The reception of the national training standard award is a recognition of not only the training quality at the FENC Human Resources Development Center but also the general effort that the Company has put into talent development.



The purpose of training is to create maximized value from current human resources. With this in mind, three stages are adopted to demonstrate the outcomes of human resources, organizational performance and finances. It is fundamental to increase the competency of employees themselves. The skills, know-how, attitude and motivation of employees can help shape a positive organizational climate that contributes to higher retention rates. We believe that only competent employees can positively impact organizational performance, optimize work quality, increase production and sales and eventually benefit financial performance.

Average Number of Training Hours

Unit: hour / person



		2015	2016	2017
Director/ Section Chief and above	Male	29.03	48.58	38.01
	Female	27.51	70.05	40.13
	Total	28.63	54.33	38.64
Office Clerk	Male	21.13	19.40	36.24
	Female	19.26	22.21	18.70
	Total	20.48	20.38	30.04
Factory Workers	Male	14.53	25.08	17.83
	Female	11.23	13.45	10.68
	Total	12.38	17.63	13.34
Total Employees	Male	18.99	25.46	29.47
	Female	13.42	17.43	14.91
	Total	16.04	21.26	22.04

Note:

1. Courses on quality control and statistics for entry-level managers and workers are offered in the bases in Taiwan to meet the requirements of ISO9001:2008. Furthermore, courses on big data, water saving, environmental issues, etc. are also provided in collaboration with Yuan Ze University as a response to industry developments.

2. The training hours at Far Eastern Industries (Shanghai) in 2017 decreased compared to the previous years because regular training was changed to a voluntary basis as a result of improved work efficiency by employees trained in previous years.

3. In 2016-2017, training resources of Vietnam were allocated for cadre training.

4. Orientation training is excluded from the job level statistics in Suzhou.

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Lifelong Learning



FENC offers diversified training methods and courses that cover specialized areas for voluntary participation by employees who wish to increase their work competency. In 2017, an online library and a cloud platform for e-books were established for increased access to books and help employees learn continuously, explore their potentials, enrich their careers and encourage self-realization.

Our training covers six categories: orientation training, specialized training, legal compliance training, commissioned training, competency program and New Century Executive Training Program.

Different types of training are described below:

Orientation Training

Our orientation training is designed to help newcomers understand our corporate culture, values and goals, as well as 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 2017, we provided 59 orientation training sessions in Taiwan, which were participated by 434 people. In China, 73 orientation training sessions were held with a total attendance of 3,743. In Vietnam, there were 68 orientation training sessions with a total attendance of 1,792. (The number of sessions in China excludes those held in Suzhou.)

Specialized Training

Specialized training for the different knowledge, skills, and work methods required at different departments is organized to develop the necessary competency among employees. Covering both theoretical and practical aspects, the training is taught by quality trainers or held at external training organizations. In 2017, 1,222 sessions were held in Taiwan with a total attendance of 16,901; 195 sessions were held in China with a total attendance of 24,373; and 154 sessions were held in Vietnam with a total attendance of 37,833. (The number of sessions in China excludes those held in Suzhou.)

Legal Compliance Training

Training and retraining programs for machine operators are arranged to ensure that they obtain the licenses, knowledge and skills required for their jobs. Being equipped with correct safety and health knowledge and behaviors can reduce and prevent occupational hazards and ensure compliance with the Occupational Safety and Health Education and Training Rules. In 2017, 383 sessions were held in Taiwan with a total attendance of 11,029; 52 sessions were held in China with a total attendance of 5,759; and 34 sessions were held in Vietnam with a total attendance of 18,178. (The number of sessions in China excludes those held in Suzhou.)

Commissioned Training

To meet the needs of each department, we select and commission the right teacher for this project-based training. In 2017, 14 sessions were held in Taiwan with a total attendance of 190; 29 sessions were held in Oriental Petrochemical (Shanghai) Corporation with a total attendance of 258; and 46 sessions were held in Vietnam with a total attendance of 853.

Competency Program

FENC has developed training focuses for employees at different levels by identifying the competencies expected of them and the corresponding behavioral criteria.

Competency based training stresses not only the connection with practical needs and the teaching of knowledge and skills, but also the use of diversified teaching methodology, in-class practices, and discussions of work-related issues in class, which is conducive to solving actual problems in the workplace. The training should eventually be linked to work performance.

The Human Resources Development Center and Yuan Ze University have jointly developed 23 competency training courses that focus on 13 competencies. The courses were designed after repeated communication regarding program requirements. The courses are provided with assessments to ensure a sound competency system where the employees speak the same language and think in the same logic and where the participants can obtain the required knowledge and skills. In 2017, 19 sessions were held with a total attendance of 633.




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New Century Executive Training Program

Learning through sharing and case studies allows high-performing employees and those with high potential to grow at an accelerated pace into suitable candidates as future leaders at different businesses in FENC. Leaders of such should be visionary, growth-driven, client oriented, and committed to delivering. They should live by the Company's core values and operational fundamentals that center on humanity and care, change and innovation, close relationships with clients, and business excellence, which is key to true sustainability. In light of this, the Human Resources Development Center launched the New Century Executive Training Program on July 11, 2014, covering four modules, totaling 16 courses. Each course is three-month long and the entire program spans over a period of two years and six months. The program is designed for employees at levels equivalent to assistant managers. In the form of case studies, the program covers theories and applications by professors from renowned universities and practical experience sharing by industry experts, which can foster the participants' abilities in decision making, problem solving and logical thinking. The program helps build a talent pool that addresses the needs of the organization's future development.

The first program was completed in 2016. The second program already covered 5 courses in 2017 with a total attendance of 128.



Online Learning



Learning in the past was mostly limited to a physical classroom, yet the advancement in technology has provides more possibilities such as online learning that takes away the constraints of time and space. In 2017, we not only launched an online library to increase book management efficiency and facilitate access to books but also created an e-book cloud platform open to employees around the clock.

Meanwhile, as foreign language proficiency is a required skill for those in sales, an online business English learning program has been made available to employees who find learning difficult due to time or space constraints. Employees can receive personalized learning advice based on the results of their pre-assessments and the language competencies required of their jobs. The FENC Human Resources Development Center encourages participants to build good learning habits. Supervisors are provided the learning progress of their subordinates for ease of assistance. It is our goal to provide a friendly and convenient learning environment that not only motivates employees to learn but also transforms us into a learning organization and a knowledge-creating company.



Expansion Training Camp for Shift Supervisors in Business in Suzhou



Accountability can transform one's thinking pattern, remove the common victim mentality and give one the courage to look at problems in the eye. In a team setting, accountability helps reach consensus, increase execution efficiency, motivate individual growth and reduce complains and conflicts. In light of this, the vocational training center in Suzhou organized an expansion training camp for 40 shift supervisors with the aim of building accountable teams.

The training highlighted learning through experience to provide participants lessons that were memorable, intuitive and enjoyable. Methodologies such as individual thinking, group discussion, objective observation and hands-on practice were used in the training to increase participation. The camp centered on building accountable teams and encouraged participants to step up and shoulder responsibilities.

Towards the end of the camp, the participants indicated they learned a lot from the training. Moreover, they applied what they learned on actual work problems, expressed their ideas, and designed a new work plan for use after returning to work. When interviewed one-month later as part of the follow-up effort, the participants described how they had changed and improved in the workplace. The training not only offered knowledge to the participants, but also transformed their behaviors, proving that the training was a great success.

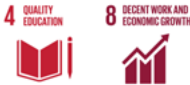




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Vietnamese Cadre Training



In 2017, the Company organized the first ever group of Vietnamese new entrants consisting of 60 workers who were fresh university graduates to Taiwan for a six-month internship program. These seed elites not only interned at factories to polish up their “hard competencies” but also received training in the indispensable “soft competencies” such as personal capacities and management skills.

Six courses were arranged in a span of two months that highlighted communication, work management, and team interactions. The courses were taught in English with supplementary explanation from a Vietnamese teaching assistant. Varied tools and methods were designed to help the interns better understand themselves and their partners through practice and discussion. At the end of the program, having acquired practical management skills, the interns could manage unexpected situations much better.

The participants were devoted wholeheartedly to the courses with active class discussions and won high scores in their assessments. They were also able to propose practical measures for work. The assessments and feedback from participants were provided to the human resource department of Vietnam for future training reference. There will be continuous training for outstanding new recruits to drive stable growth in Vietnam.



4.5 Occupational Safety and Health Management

4.5.1 Implementing Occupational Safety and Health Management

Policies and Goals

With a vision and aim to create a safe, healthy, and comfortable work environment and reduce work hazards, the Company has formulated the Occupational Safety and Health Policies as the highest guiding principles for the management of safety and health at FENC.

FENC gives priority to safety over anything else and utilizes management principles such as risk management and continuous improvement to increase the identification of hazards and actively better workplaces, manufacturing equipment and operations. This is effective in preventing occupational hazards and diseases and ensuring the safety and health of our employees and stakeholders.

Safe and Healthy Work Environment under Labor-Management Effort

At FENC, there is an Occupational Safety and Health Committee in each production site. Chaired by the vice president of the corporate management, these committees form the highest authority for the management of safety and health at the Company. With at least one third of the members being labor representatives, these committees hold quarterly meetings to plan, coordinate and supervise safety and health issues in each production site.

The key to successful management of occupational safety and health lies in the participation of everyone. At FENC, each operational base formulates its own workplace safety and health principles with support from labor representatives while taking into consideration the different scales and specifics of each production site. In addition, accidents are investigated, if any, and the workplace remains monitored. At FENC, occupational safety and health is ensured not only through these committees but also through labor-management meetings, labor union meetings and suggestions from individual workers at each production site. Employees are encouraged to participate by proposing suggestions for improvement for the building of a safe and healthy work environment.



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❖ The Occupational Safety and Health Committee at Operational Sites

Operational Sites	Number of Committee Members	Percentage of Worker Representatives
Headquarters	11	33%
Hsinpu Chemical Fiber Plant	27	33%
Kuanyin Chemical Fiber Plant	31	53%
Kuanyin Dyeing and Finishing Plant	24	44%
Neili Texturizing Plant	19	45%
Hukou Mill	12	33%
Oriental Petrochemical (Taiwan) Co., Ltd.	17	35%
Far Eastern Fibertech Co., Ltd.	12	33%
Oriental Petrochemical (Shanghai) Corp.	22	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.	34	48%
Far Eastern Industries (Wuxi) Ltd.	17	65%
Far Eastern Dyeing & Finishing (Suzhou) Ltd.	51	96%
Far Eastern Apparel (Suzhou) Co., Ltd.	25	72%
Far Eastern Apparel (Vietnam) Ltd.	99	76%

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

- Provision of personal protection equipment
- Establishment of labor-management mechanism and Occupational Safety and Health Committees
- Participation of labor representatives in health and safety reviews, examinations and accident investigations
- Provision of job related training and education
- Labor grievance mechanism

- Right to refuse unsafe work
- Provision of regular health checks
- Compliance with the regulations of the International Labor Organization
- Clear processes or mechanisms for employees to follow in case of safety and health problems
- Clear identification of safety and health goals and ways to achieve them

Introduction of New Mechanism for Safety and Health Management

FENC continuously seeks improvement in safety and health management in all production sites. Oriental Petrochemical (Taiwan) and Far Eastern Fibertech first introduced the Process Safety Management (PSM). Covering the technical, equipment and personnel aspects of process safety, PSM ensures mechanical safety through scientific assessments and hazard improvements and with the use of 14 elements, including management of change (MOC), process hazard analysis (PHA), mechanical integrity & quality assurance (MIQA), and pre-startup safety review (PSSR), just to name a few. Far Eastern Industries (Shanghai) and Hsinpu Chemical Fiber Plant subsequently adopted the same management model in 2017 to prevent occupational hazards by early identification and intervention of potential problems.

Reinforcing Safety and Health through Education and Training

1. Safety and Health Personnel Training

In order to familiarize all employees with the laws and regulations concerning occupational safety and health and with the Company's related measures, FENC periodically provides training on safety and health. In 2017, a total of 53,295 hours of training was provided across all operational bases.



Title of the Training Session	Number of Sessions	Number of Participants	Number of Hours
Safety and Health On-the-job Training	150	6,467	34,256
Health Management Training	35	1,795	3,618
Hazardous Chemicals Management Training	54	1,205	3,520
Radiation Protection Personnel Training	2	21	132
Emergency Response and Personal Protection Gear Training	34	2,954	9,751
Safety and Health Internal Auditor Training	4	144	2,018



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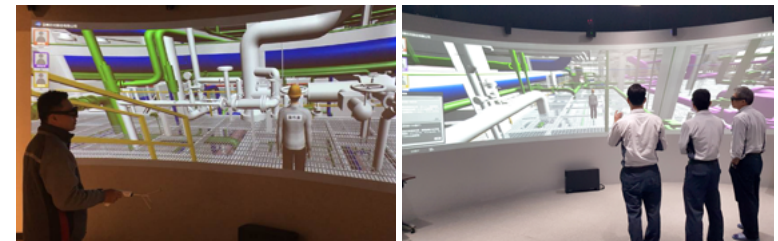
3D VR Safety Training at Oriental Petrochemical (Taiwan)



The petrochemical industry is a high-risk field, posing constant threat to those working in it, and how to use the latest technologies to reduce natural or man-made disasters has become an important issue to many. In light of this, Oriental Petrochemical (Taiwan) has introduced a VR training system that simulates 3D reality and spares trainees the risk of being actually exposed to harm during their training in preparation for work.

The VR system allows training for multiple people at the same time and is mainly used for the education of process operators, process supervisors and console control supervisors. By the end of 2017, 3 training sessions were held using the VR system and a total of 20 employees were trained in the standard procedure for starting an engine and emergency fire drills. Trainees generally gave the training positive feedback as a result of its vividness that left a much stronger impression on the employees regarding emergency response compared to traditional training methods. Supervisors can also use the VR system to assess how well their subordinates respond to emergencies.

Emergency scenarios such as chemical leaks, high pressure gas explosions, plant-wide blackouts, and emergency evacuation routes will be added to the VR system in the future. Using the VR system, all new entrants are required to receive training and complete assigned mission within a specified timeframe; and existing employees are required to be retrained regularly. The results will be included in their annual performance evaluations. Moreover, a 3D model of a compressor will be added to the VR system to train mechanical maintenance personnel, allowing them to understand the disassembling and assembling processes before actually embarking on work. To sum up, the occupational competencies of employees can be assessed and improved through the use of the VR training system.



Employee Health Management

1. Implementing a Health Management System

To safeguard employee health, the Hsinpu Chemical Fiber Plant launched a health management system in November 2016 and completed filing the health checkup results of employees into the system in 2017. The system can not only communicate information on health education and related activities but also further analyze, assess, manage, and archive employee health checkup details. The system also screened 110 high-risk employees for additional health instructions by doctors and nurses specializing in occupational medicine. By the end of 2017, 83% (91 out of 110) completed follow-up and improvement.

2. Prevention of Occupational Diseases

FENC is dedicated to ensuring employee safety at all operational bases. To prevent employees from physical harm or even life threatening events in the workplace, the Company is actively engaged in hazard potential monitoring and risk management.

(1) Health Checkups and On-site Health Consultation

All operational bases offer above-regulatory-requirement health checkups and management for employees every year. In the operational bases in Taiwan, there are not only occupational health nurses but also doctors specializing in occupational medicine to provide special health checkups and health triage management to employees engaged in operations that might pose threat to their health. The medical team also assesses whether employees of occupational hazards are ready to return to work. In 2017, no abnormality was observed regarding occupational diseases in the special checkups. Employees of occupational hazards all returned to work after assessment.

(2) Work Environment Monitoring

To better understand the work environments of employees and assess their exposures to risks, FENC commissions certified work environment monitoring institutions to monitor our bases following our operational environment monitoring plans that take into account the differences of each site. The monitoring result of 2017 indicated manufacturing noise as the main health hazard. As a response, a hearing protection plan was put in place in each production site to encourage relevant education, wearing of personal protection equipment, setting up of warning signs, hearing checks and follow-ups for our employees. We have also introduced hearing triage management effective in securing employee health.

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(3) Chemical Management

To gather precise safety information for chemicals and reduce our employees' exposure to harm, our operational bases in Taiwan and China have generated a list of hazardous chemicals for special control in accordance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and related regulations on chemical use. The production unit for industrial fabrics in our Neili Texturizing Plant improved its processes to reduce employee exposure to N-hexane solvent during production. In the Kuanyin Dyeing and Finishing Plant, automatic sample printing machines were added in 2017, allowing operators to safely complete sample dyeing and glass recycling through machine arms. A system to automatically measure and dispense dyeing auxiliaries was also introduced, making it possible for operators to precisely control the amount of dyeing auxiliaries through a computer system. This helps to better manage dyeing auxiliaries, increase production effectiveness, prevent dyeing auxiliary waste as a result of human errors, reduce employee exposure to chemicals in the workplace, and increase product yield. No abnormality concerning chemicals was found in the health checkups of our employees in any production site in 2017.

3. Wellness Promotion

(1) Overwork Risk Control

Various wellness events were held at all FENC's operational bases in 2017. To prevent abnormal work load from causing diseases, the human resource departments at the Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant referred workers with long working hours to their occupational health nurses for health assessments. The supervisors of these workers were notified and the workers themselves were given personalized health guidance and reminders from doctors specializing in occupational medicine to minimize risks associated with overwork.

(2) Ergonomic Prevention

To ensure the work safety and the physical and mental health of the employees, FENC has implemented ergonomic hazard prevention across all production sites to reduce the risk of musculoskeletal problems caused by repetitive work. In Far Eastern Apparel (Vietnam), a large number of employees conducted fabric inspection, ironing, and quality check while standing on their feet, which might cause musculoskeletal problems. To address this risk, ample rest time, ergonomic chairs and regular health checkups were provided to these employees in 2017.

(3) Health Programs

Prevention is better than cure. FENC holds various kinds of health events and activities to meet the varying needs of employees at different operational bases. In 2017, our Hukou Mill held a number of events for eye care, bone mass examination and other health topics to help employees better understand the risks of various diseases and adjust their lifestyles accordingly. The Neili Texturizing Plant held an event on summer heat stroke prevention. The Kuanyin Chemical Fiber Plant held an eight-week healthy weight loss program. The 26 employees who participated in the program enjoyed nutritionist-designed calorie-calculated meals and attended aerobics classes and weight training sessions. At the end, 18 people successfully lost weight, with one employee losing as much as six kilograms during the program.



Wuhan Far Eastern New Material held a training session on CPR and AED. The 35 employees who attended the session learned first aid through hand-on exercise. At the end of the session, the participants were equipped with the knowledge and skills required to perform first aid independently.

Occupational Safety and Health Achievement in 2017

1. Continuous Effort in Occupational Safety and Health Assessment Series

By the end of 2017, 11 operational bases of FENC obtained certification from OHSAS 18001:2007. Our production sites in Taiwan received additional recognition from the Taiwan Occupational Safety & Health Management System (TOSHMS) and passed third-party audits every year.

2. Safety and Health

At FENC, we believe that work safety comes from the protection of oneself and others as well as constant monitoring. FENC has been a core member of the northern office of the Taiwan Occupational Safety & Health Management System (TOSHMS) since 2013. The Company received the honor of "Outstanding Staff" at the end of 2015 and has been commissioned as a member of the Technical Promotion Unit in 2017 and 2018, charged with the responsibility of drafting a TOSHMS technical manual on safety and health for reference in the industry.



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FAR EASTERN NEW CENTURY CORPORATION 2017 CSR Report



Our Kuanyin Chemical Fiber Plant took the initiative to serve as the leader for the “Kuansin E Family” in the “SME Work Environment Assistance and Improvement Program: Labor Safety and Health Family Project” organized by the Office of Labor Inspection, Taoyuan City Government, intended for larger companies to help smaller companies identify occupational safety and health issues and propose corresponding solutions. By the end of 2017, a total of 102 items were identified in the “Kuansin E Family” and 94% (96 out of 102) saw improvement actions completed. The achievement was recognized as the company received the Occupational Safety Contribution Award and the Occupational Health Devotion Award from the government in addition to winning the second place in the national poster design competition in the safety and health family project.



3. Record of No Lost Days Caused by Occupational Hazards

FENC aims for zero hazard as its occupational safety and health goal across its production sites. We value the safety and health of each and every employee and promote safety awareness and knowledge among our employees by assessing risks, identifying potential hazards, offering safety and health education and notices, holding pre-work toolbox meetings and choosing monthly safety themes. There have been no lost days due to disability caused by occupational hazards since the Far Eastern Fibertech was established 20 years ago in April 1996. As of November 2017, the record for safe work hours reached a milestone of 7.5 million hours at the company with zero work hours lost to employee disability caused by occupational hazards.

4. Fire Safety Achievements

Disaster response drills for different disaster scenarios are conducted numerous times a year across our operational bases to assess the response of our employees, familiarize them with equipment operations, and ultimately avoid or reduce casualty, property loss and environmental impact. In the first quarter of 2017, Far Eastern Apparel (Vietnam) cooperated with local authorities to hold a fire drill that won the company an “Outstanding Organization Award” from the fire and police department of Bình Dương Province, Vietnam. The story was also reported in Vietnamese newspaper Lao Động.



4.5.2 Contractor Safety and Health Management

At FENC, we view contractors as important partners. As required by the Occupational Safety and Health Act and other relevant laws and regulations, we notify our contractors of potential hazards and provide them necessary monitoring at every production site. Numerous management mechanisms have also been put in place to ensure the operational safety of our contractors.

1. Formulation of Standards for the Examination of Controlled Machinery into Plants

To ensure safety when contractors bring machinery and equipment into our plants, FENC has formulated the “Examination Standards Governing the Entry of Controlled Machinery into Plants” and prepared relevant checklists in 2017 for use in all bases in Taiwan. Examinations are carried in accordance with the standards and adjustments are made at different plants when necessary.

2. High-risk Operation Management

To ensure the operational safety of the workers hired by our contractors, the contracting department must jointly conduct a work safety analysis with the contractor and notify the contractor of potential hazards and the operation must be approved by the appropriate safety and health department before any high-risk operation can be commenced. The same controls applicable to our own workers are imposed on all permitted operations of our contractors.

For any in-plant operations at Far Eastern Industries (Shanghai), contractors are required to obtain OHSAS 18001 certification, submit a copy of their relevant licenses and operation plans to appropriate management departments in the local government, and establish rules that ensure worker wellness, operational safety and health, and environmental protection.

3. Stacker Operator Certification Program for Contractors

To increase safety and health awareness among contractors and encourage self-management, Kuanyin Chemical Fiber Plant launched a stacker operator certification program for contractors, which was held four times in 2017. The program introduced automatic inspection items, regulations for safe operation, common errors in the plant, and case studies for participants to understand how to safely operate a stacker. A total of 47 people were certified through the program.



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4. Training

In order to ensure that the workers of our contractors work safely at FENC’s operational bases, we provide safety and health training specific to each type of suppliers. In 2017, the training was provided to 1,824 people for a total of 5,381 hours, which translates into 3 hours per person on average.

4.5.3 Statistics on Occupation Injury

Statistics on Occupational Injury

Category		Taiwan			China			Vietnam		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
Number of Occupational Injury Cases	Male	9	7	9	16	14	27	8	14	12
	Female	6	3	2	4	4	5	13	10	8
	Total	15	10	11	20	18	32	21	24	20
Injury Rate (IR)*1	Male	0.14	0.12	0.16	0.17	0.14	0.16	0.16	0.27	0.23
	Female	0.09	0.05	0.03	0.04	0.04	0.03	0.25	0.20	0.16
	Total	0.23	0.17	0.19	0.21	0.18	0.19	0.41	0.47	0.39
Absentee Rate (AR)*2	Male	0.10%	0.08%	0.15%	0.08%	0.05%	0.07%	0.04%	0.10%	0.01%
	Female	0.06%	0.03%	0.04%	0.31%	0.31%	0.10%	0.03%	0.04%	0.00%
	Total	0.16%	0.11%	0.19%	0.39%	0.36%	0.17%	0.07%	0.14%	0.01%
Lost Day Rate (LDR)*3	Male	13.72	13.27	7.54	2.66	2.60	6.50	0.12	0.99	0.61
	Female	3.26	1.61	1.12	4.57	0.46	1.12	0.32	0.25	0
	Total	16.98	14.88	8.66	7.23	3.06	7.62	0.44	1.24	0.61
Number of Deaths	Male	1	0	1	0	0	0	0	0	0
	Female	0	0	0	0	0	0	0	0	0
	Total	1	0	1	0	0	0	0	0	0

Note:

1. *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

2. Occupational injuries includes death, permanent total disability, permanent partial disability and temporary total disability. Lost days do not include the day of injury and the day of work resumption.

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

In 2017, a major occupational hazard took place at Hsinpu Chemical Fiber Plant. An employee fell from the entry of an elevator on the sixth floor to the elevator pit on the first floor and died of blunt force injuries to the head, chest and abdomen as the employee was moving cake by the elevator.

- The plant immediately carried out an investigation and implemented the follow measures.
- 1. Identifying the cause of failure with professional elevator companies and made improvement accordingly
 - 2. Installing surveillance cameras in elevator carts for monitoring and installing intercoms for emergency communication
 - 3. Reinforcing training on the safe operation of elevators

In addition, the following improvement measures were taken for comprehensive improvement in safety and health:

- 1. Consultants and safety management associations have been commissioned to assess the integrity and management of machinery and equipment and provide improvement suggestions. This effort is currently underway.
- 2. Academic institutions were invited in August 2017 to investigate occupation health exposure, assess health hazards in Hsinpu Chemical Fiber Plant and provide suggestions. Improvements were made accordingly.
- 3. High-level supervisors have been asked to conduct quarterly safety and health inspections since the fourth quarter of 2017 in Hsinpu Chemical Fiber Plant. Problems identified during inspections are addressed for review.
- 4. Occupational safety management has been decentralized to each plant. A full-time occupational safety supervisor is installed at each operational base.
- 5. Smart manufacturing (Industry 4.0) has been identified as a priority for the safety and health management at Hsinpu Chemical Fiber Plant in 2018 to prevent similar events from repeating.

Contractors’ Occupational Injury at Operational Sites

Category		Taiwan			China			Vietnam		
		2015	2016	2017	2015	2016	2017	2015	2016	2017
Number of Occupational Injury Cases	Male	2	1	0	2	0	0	0	0	0
	Female	0	0	0	1	0	0	0	0	0
	Total	2	1	0	3	0	0	0	0	0
Number of Deaths	Male	1	1	0	2	0	0	0	0	0
	Female	0	0	0	1	0	0	0	0	0
	Total	1	1	0	3	0	0	0	0	0

In 2017, there were no injuries or deaths on the part of contractors caused by occupational hazards across FENC’s operational bases.