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- Target Readers:
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 - ☐ Local Residents
 - ☐ NGOs



Creating Diversified Values



Material Topics	<ul style="list-style-type: none">● Manufacturing process and product innovation● International standards certification● Response to climate change● Environmental pollution management	<ul style="list-style-type: none">● Supply chain sustainable development
Purpose of Management	To research and develop sustainable green products and promote recycling; to develop green solutions to reduce the waste of resources; to provide diverse products. To respond to climate change and reduce risks associated with pollution, turning risks into opportunities	To join hands with our supply chain partners to enable sustainable development together
Management Approaches and Effectiveness Evaluating Mechanisms	<ul style="list-style-type: none">● Continue to invest in resources for Far Eastern Group R&D Center to research and develop sustainable products and create green opportunities for the supply chain● Make FENC a top choice for global brands to collaborate with, using our advantage in differentiating, high value-added and eco-friendly products● Maintain our position as the leader in the green polyester industry, leading the world toward a smart, green and functional new era	<ul style="list-style-type: none">● Require suppliers to sign the "Supplier Corporate Social Responsibility Commitment Statement" to ensure their practice meets social and moral standards, comply with the law and respond proactively to environmental issues● Require the purchasing units to assess the suppliers' impact on the environment, labor practice, human rights and society. We will help them make improvement or terminate the contract with them depending on the nature of the violation● Oversee and stay on top of the suppliers' practice with effective communication channels or periodic meetings



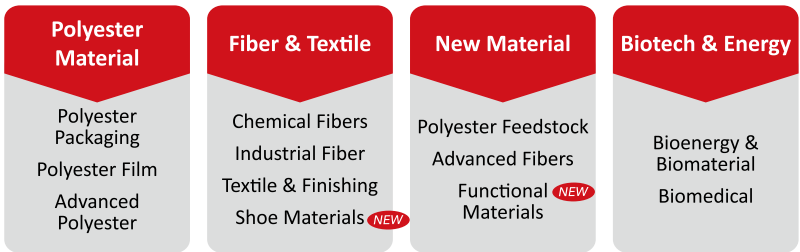
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2.1 Innovation Capacity

As a leader in Taiwan's textile industry, FENC not only continues to expand production and upgrade technologies, but spares no effort in improving innovation capacity, so as to raise our competitiveness for the long term.

In 2001, the Company established Far Eastern Group R&D Center, which continues to make breakthroughs, innovate new products and launch R&D projects. By pooling the talent and resources within the group, the Center is able to accelerate the development of high value-added products, enhance the Company's competitiveness and create new corporate values, thereby making us a high-tech polyester and textile enterprise. The aim of the Center is to transform FENC into a global business leader. (Please refer to Chapter 2.2 Innovative Products.)

R&D Center Organization

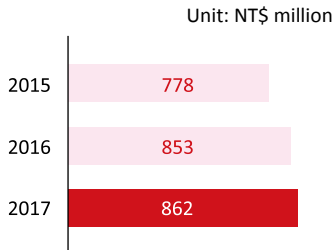


The Center consists of 4 Research Divisions and 12 Development Sections and houses 199 R&D experts. In 2017, the Shoe Materials Section and the Functional Materials Section were established. We pooled resources for functional and eco-friendly fabrics and used our experience in developing these materials over the years as an advantage to expand into the shoe material market. The Functional Materials Section uses innovative PET and manufacturing technologies to grasp the opportunities in the upstream high-end functional material market. For the short term, we focus on polyester fibers, environmental protection, energy conservation and carbon reduction. By building upon the PET technologies that we have created over the years, we will strive to develop new technologies and products such as PET-based green materials, highly functional materials and smart textiles, and continue to expand the PET application scope in the high value-added industry. For the mid- and long-terms, we will leverage FEG's resources and core strengths to focus on green energy, biomass and high-end fiber industry and develop green PET materials, energy-saving manufacturing process and new materials. Moreover, we will identify and expand into the most promising industry in the future in the hope of keeping the Company growing sustainably.

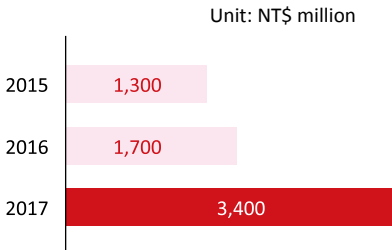
In addition to enhancing the competitiveness of our core products by supporting our businesses to add more value to our products and lower their costs, the Center is driven to develop new strategic materials and technologies, so as to maintain our competitive edge for the long term and ensure corporate sustainability. To this end, the Company has been collaborating with leading research teams, forming strategic alliances with outstanding suppliers and manufacturers and developing strategic products with major brands. We have also applied for patents for our products and technologies to expand intellectual property portfolio and maintain our competitiveness.

At the Center, the Innovation Marketing & Partnerships Office has integrated FENC's niche and innovative products from upstream to downstream and established the FE-X platform to provide total solutions and various modes of strategic partnerships for brand owners to consider. The Office is proactive in participating in international conferences, exhibitions and competitions to raise the profile of our products.

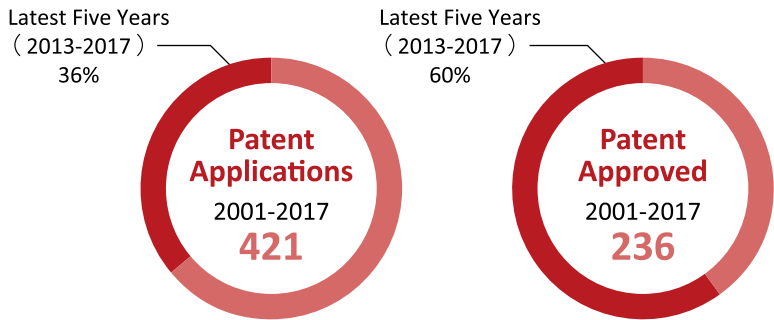
Funds for R&D and Innovation



Revenues from the New Products Developed by R&D Center



Performance in R&D and Innovation



Note: R&D center founded in 2001.

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Training for the R&D Team

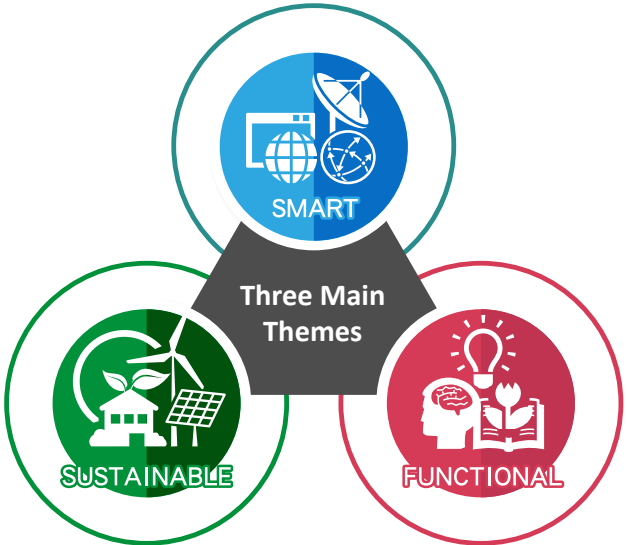
In order to ensure that our R&D teams keep abreast of global trends, the Center has invited celebrated experts to provide training or exchange views on various topics, including functional textiles, specialty chemicals, medical supplies and nanotechnologies. In addition, our staff have been encouraged to attend seminars at home and abroad. Our training sessions and conferences focus not only on technology, but on sustainability-related topics, such as the latest trends in the industry and applicable laws and regulations. In this way, our R&D teams can be better equipped to incorporate sustainability into their work. There were more than 10 Sustainability-related training, including Green PU Chemistry: Environmentally friendly manufacturing process, C2C and Circular Economy Seminar and Conference on the Development of Green Biomass Chemical Materials. In 2017, R&D center provided 84 training sessions with the attendance of 521.



Training sessions and the attendance in the past five years

2.2 Innovative Products

FENC has interdisciplinary R&D teams and highly vertically integrated value chain. Powerful R&D and manufacturing capacity allows us to become the main supplier for major international brands. Our development objective is to facilitate sustainable development for our society and innovate products in response to the UN's SDGs. We will continue to innovate with our core strengths and lead human life into a smarter, greener and more functional new age.



Introduction to FENC's Products

2.2.1 SMART

DynaFeed™ Smart Garment



In 2017, FENC made tremendous progress with DynaFeed® in such areas as sports, medical care and rehab. Now there are three solutions: DynaFeed® Sport, DynaFeed® Therapy and DynaFeed® Health. DynaFeed® Sport works with L.L.Bean, a famous American outdoor sports brand, to create smart apparel for world-class skiers. DynaFeed® fits the athletes perfectly and keep tracks of the changes in physical data and the angle of micromovements during their training. The accuracy of its medical-grade heart rate monitoring reaches 97%. DynaFeed® Therapy works with the Swiss professional medical brand Valmed to leverage the opportunities in rehab market with its Electro Muscular Stimulation (EMS). DynaFeed®'s electroconductive film is safe and sensitive enough to detect the micro voltage released during muscular contraction and conduct it reversely to achieve EMS, which can prevent muscle atrophy and relax muscles. DynaFeed® Health joins hands with medical facilities and telecom operators to enable home remote sleep monitoring. The doctors can monitor patients' sleep quality remotely with DynaFeed® to provide medical care. This technology has passed clinical trials at hospitals.

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2.2.2 FUNCTIONAL

FENC® TopHeat+

TopHeat+ can quickly absorb moisture vapor from human body and release it as heat. This character quickly manages moisture by wicking away from micro-climate so as to maintain insulation.

FENC® Sunex

A novel ceramic additive effectively emits thermal heat in the form of far infrared (fIR), affording Sunex to be anti-static while emitting comfortable heat.

- Heat-emitting
- Far infrared emissivity
- Anti-static function

FENC® TopCool®

TopCool® quickly and easily manages moisture. Cross-sections further decrease capillary diameter to enhance moisture transport and spread.

- Eco-friendly material
- UV-cut
- Moisture management
- Dry touch with comfort

FENC® Solarfree^{RED}

One of the sources of heat from outdoors is near infrared (50% of sunlight). Solarfree^{RED} can reflect nIR which shields the skin from irradiative heat, so as to maintain cooler temperatures even under direct sunlight, while also protecting against accelerated dermal aging caused by both nIR and UV.

- Reflects nIR radiation
- UV-cut
- Heat protection

FEFC® natural

FEFC® natural, a cottony UV cut Nylon 6,6 fiber, uses specialty N66 polymer for spinning which can greatly improve the ability of yarn to absorb and reflect solar light. That not only makes the luster of yarn more matt and natural looks but also transform the hand touch into more cottony. As a result, the yarn performs excellent UV-cut functionality to UVA and UVB that can reach the highest UPF level in 50+.

FENC® Solarfree+

Solarfree+ possesses ultra-violet radiation reflection effect and prevents your skin from suntans, black spots and dermatitis.

- Advanced UV-cut
- Anti see-through

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FENC® Hycare®



This product can be furthered processed into non-woven fabrics and meet the requirement of pollution management and quality stability after product improvement and process optimization. It can replace resins to be widely used in hygienic and medical products, providing a new option for convenience.

FENC® Insulate



FENC has created a fine denier pack of 3D helical staple fibers specifically engineered to biomimic both loft recovery and air space trapping properties of natural down. The insulation fibers are light and can insulate against cold effectively. They are easy to maintain and their properties remain effective after washing.

FENC® Eagelon®



Eagelon® utilizes eco-friendly anti-bacterial agents dispersed throughout the PET yarn during spinning that can provide durable anti-bacterial effect. Besides its good dyeability, Eagelon® can offer superior anti-bacterial effect even after dyeing and finishing process.

- Outstanding antibacterial function
- High wash durability and good dyeability
- Skin friendly
- Passes EPA, BPR and SIAA standards

2.2.3 SUSTAINABLE

PFCs-free Solutions

Perflourinated and polyfluorinated chemicals (PFCs) are incredibly resistant to breakdown and will bio-accumulate into the eco-system. Moreover, research has shown that PFCs, including PFOA and PFOS can cause harm to reproduction and promote the growth of tumors and a host of health problems to human beings. In 2017, FENC became the first company in the industry to provide a series of PFCs-free solutions in 2017, making sure all its products are free of PFC pollution and not harmful to human health without compromising their effectiveness.

FENC® TopClean



FENC created the world's first PFC-free soil release polyester yarn-TopClean that removes soil and stains effortlessly when soaked in water and provides a soft and breathable comfort wear after washing.

FENC® TopDry Z™



By adding the non-toxic additive during spinning, TopDry Z™ raises the bar in one way wicking performance to provide a true dry interior, this effectively eliminating skin clamminess to maximize comfort.

- Durable hydrophobicity
- Compatible with conventional polyester dye process
- Enhance color fastness
- Easy to make multi-function fabric

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FENC® Bio-PET



30% of the Bio-PET is Bio-MEG and 70% of it is petro-based PTA. All Bio-PET materials are coming from non-food plants and agriculture waste. This can reduce our reliance on crude oil and provides an opportunity to develop production technologies to achieve sustainability.

With over 30 years of experience in polyester synthesis, FENC has developed the world's first 100% Bio-PET bottles and shirts.

Application:

- Plastic bottles
- Plastic packaging sheets for toys
- Fibers

FENC® Dope Dyed Filament



By adding different color master batch with a certain percentage during spinning POY, the fabrics made with dope dyed filament can skip dyeing process, reducing the use of dyeing agent, wastewater treatment and the production of toxic substances, and save a lot of water/energy consumption and CO₂ emission. Dope dyed filament is a latest generation of eco-friendly product which can provide better fastness to sunlight and washing.

- Superior fastness to sunlight and washing
- Sustainable, reduces water and energy use
- Small minimum quantities (MOQ)

Application:

- Polyester fiber
- Nylon 6,6 fiber

FENC® Recycled PET



Recycled PET bottles are used as materials. The process of crushing, cleaning, decomposition, polymerization and granulation of the recycled PET bottles can help us reduce our reliance on fossil fuels and waste of resources, as well as promote the recycle and reuse of resources.

- Eco-friendly recycling technology
- Reducing environmental burden as responsible global citizen
- Traceable

Application:

- Plastic bottles
- Shrink film (for plastic bottles)
- Packaging sheet (for food, toy or electronics)
- Plastic ware (e.g. plastic containers)
- Waterproof and breathable membrane (for shoes, medical applications or garments)
- Cloth fabrics
- Shoe material

FENC® TOPGREEN® Membrane



TOPGREEN® Membrane is the world's first post-consumer recycled (PCR) hydrophilic polyester water proof breathable membrane. It is suitable for a variety of outdoor apparel and footwear applications. The materials used are eco-friendly and non-toxic.

- Superior performance under extreme heat and cold conditions
- Fully traceable PCR material

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Sb Free Filament / PET



Antimony (Sb) catalyst is commonly used during polyester synthesis. It's harmless for human, but antimony is heavy metal. If it is discharged into environment permanently, it will do damage to the environment and human health.

- No heavy metal content
- Eco-friendly
- Reducing harm to environment and human body

Application:

- Plastic bottles
- Fibers

Zero Solvent Coating & Lamination



FENC developed a zero solvent water use coating and lamination technology. FENC Zero Solvent Coating & Lamination (ZSCL) simplifies the entire coating & lamination process and allows for:

- Superior wash durability
- Enhanced performance
- Unlimited functional possibilities
- Precise control of material add-ons

Benefits of replacing conventional solvent-based and water-based process to FENC Zero Solvent & Lamination process include:

- Zero water use
- Energy saving up to 70%
- Zero emission of harmful volatile organic compounds (VOC's)
- Zero pollutants discharged

FENC® EZ Dyed CD Filament



EZ Dyed allows for low temperature dyeing at ambient pressures without compromise to brilliance nor luster. Perfectly suited for blending with heat sensitive natural fibers or unique coloration effects.

- Deep dyeing at ambient pressure
- Outstanding dyeability
- Excellent fastness to washing



Creating Eco-friendly Yarn Out of Ocean Plastic Waste



FENC used its world-leading polymerization technologies to turn PET bottles from the ocean into eco-friendly yarn. It took the company only a short amount of time to pool resources, overcome technological difficulties and commercialize this pioneering product. As the quality of the fibers meets the strength requirement of garments and shoe materials, the Company is now adidas and Parley's only supplier in the project of using ocean plastic waste to create eco-friendly yarn. After the product was launched in 2016, it was warmly received by the market and sold out in no time. The project was estimated to have reduced more than 1,000 metric tons of ocean plastic waste in 2017. By the end of 2018, it is predicted to decrease 1,600 metric tons. The innovative product has succeeded in drawing public attention to circular economy and protection of the ocean ecology.

The Company's next step is to expand our collection of sustainable products by extending the application of the eco-friendly yarn from running shoes and jerseys to waterproof and breathable PET garment materials. We expect a 50% of increase in shipment in 2018 and will continue to fulfill our green commitment by protecting the ocean and promoting circular economy.



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Sales Performance of Green Sustainable Products

Revenue and Share of Green Sustainable Products

Certifications of Green Sustainable Products

Many of FENC’s green eco-friendly products have attained high-level green product certifications. The current certifications are listed below, and will be regularly updated to ensure all products are consistent with all regulations and standards.

Certifications	Products
 Global Recycle Standard, GRS Version 3.0	<ul style="list-style-type: none">100% Recycled Post-Consumer Polyester Chips100% Recycled Post-Consumer Polyester POY, FDY, DTY100% Recycled Post-Consumer Polyester Staple Fiber92%, 100% Pre-Consumer Recycled Content Nylon Yarn NEWContains Minimum 50% Recycled Post-Consumer Polyester FabricsContains Minimum 20% Recycled Post-Consumer Polyester Combed Cotton Yarn
 SCS Recycled Content Certification Version 7.0	<ul style="list-style-type: none">30%, 50%, 70% Post-Consumer Recycled PET Content Sheet100% Post-Consumer Recycled PET Content POY, DTY100% Post-Consumer Recycled PET Content ChipsMinimum 50% Post-Consumer Recycled PET Content TPEE FilmPost-Consumer Recycled PET Shrinkable Film NEW
 TÜV Rheinland Recycled Material Verified	<ul style="list-style-type: none">Contains Minimum 90% of Pre-Consumer Recycled Nylon Yarn

Certifications	Products
 Taiwan Green Mark	<ul style="list-style-type: none">100% Recycled Polyester Chips NEW100% Recycled Polyester Filament100% Recycled Polyester Fiber
 bluesign® standard	<ul style="list-style-type: none">Knits for Outdoor and Sportswear
 OEKO-TEX® Standard 100 Confidence in Textiles Tested for Harmful Substances	<ul style="list-style-type: none">Filament Yarn Made of 100% Polyester (POY, DTY, HDI)100% Recycled Polyester Filament (POY, DTY)EZ Dyed CD Filament (POY) NEWNylon 66 YarnPolyester Staple Fiber100% Polyester Recycled Staple FiberBi-Component Bonding FiberPE/PET Bi-Component Staple FiberNylon/PET Bi-Component Micro FiberPLA Fiber100% Combed Cotton Yarn100% Polyester/Recycled Polyester Blended Yarn
 Global Organic Textile Standard, GOTS-NL Version 5.0	<ul style="list-style-type: none">100% Organic Combed Cotton YarnContains Minimum 70% Organic Combed Cotton Yarn
 Organic Content Standard (OCS) Version 2.0 : Organic Content Standard 100 (100% Organic Cotton)	<ul style="list-style-type: none">100% Organic Combed Cotton Yarn
 Organic Content Standard (OCS) Version 2.0 Organic Content Standard Blended (Partial Organic Cotton Content)	<ul style="list-style-type: none">Contains 95% Organic Combed Cotton YarnContains 5%-95% Organic Combed Cotton Yarn
 BCI (Better Cotton Initiative)	<ul style="list-style-type: none">100% BCI Combed Cotton YarnContains BCI Combed Cotton YarnContains BCI Cotton Fabrics

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In order to obtain its products' environmental data, FENC completed life cycle assessments for 8 of its products in 2016 and obtained ISO 14040:2006 and ISO 14044:2006 for 3 PET resin products and 2 PET film products from an external certification body. In addition, in order to strike a balance between environmental protection and economic growth, the Company is active in the following green initiatives:

- ZDHC, Zero Discharge of Hazardous Chemicals
- The Natural Resources Defense Council - Clean by Design
- Sustainable Apparel Coalition
- Textile Exchange

2.2.4 Innovative R&D Awards and Achievements



FENC's Bio-PET Was Recognized as Environmentally Friendly

With the emergence of green opportunities, the Ministry of Economic Affairs has worked closely with Taiwan's industries to help them become more integrated in the global green economy and identified five eco-friendly and innovative material technologies, which can help lay the groundwork for Taiwan's circular economy and enable Taiwan to tap into the green opportunities.

FENC has succeeded in developing the world's first 100% Bio-PET bottles and shirts and received a lot of awards for its achievements at home and abroad. In recent years, the Company has been developing PEF which provides effective gas barrier. This innovation made us one of the top five iconic manufacturers to present at the Ministry's conference.



(Source: TechNews)



2017 Taiwan Corporate Sustainability Awards - Growth through Innovation Award

FENC won the "2017 TCSA - Growth through Innovation Award" with "the world's first 100% bio-PET shirt." The award recognizes a company's efforts to incorporate innovation into a product. As a leading polyester business in the world, the Company is committed to developing technologies to replace fossil fuels with biomass materials. Following the success of the world's first Bio-PET bottles, the Company pooled its R&D and production resources to create the world's first and unparalleled 100% bio-PET shirt with biomass materials.



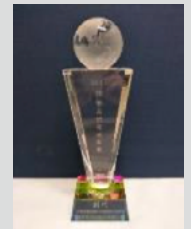
2017 Taiwan Corporate Sustainability Awards - Circular Economy Leadership Award

In order to protect the ocean, FENC used its world-leading polymerization technologies to turn PET bottles from the ocean into eco-friendly yarn. It only took the company a short amount of time to pool resources, overcome technological difficulties and commercialize this product. This project won 2017 TCSA - Circular Economy Leadership Award". The purpose of the award is to encourage companies to use innovative business models or technologies to help develop circular economy and achieve economic, environmental and social benefits.



Textile R&D Innovation Achievement Award

In 2017, Taiwan Textile Research and Development Association International presented Textile R&D Innovation Achievement Award to FENC to recognize its dedication to textile research and development, development of new products and innovative technologies and contribution to the sustainable development of Taiwan's textile industry.



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2.3 Customer Relationship Management

As customers are important stakeholders to FENC, we value their needs and dedicate ourselves to building long-term collaborative relationship with them. The Company has capitalized on our research and development to create a wide variety of products and shared information about our product development with our brand customers around the globe. In addition to our vertical integration of production process from upstream to downstream, we have introduced one-stop shopping to create higher added value for our customers.

Customers’ feedback is important for us to improve our products and services. In addition to conducting customer satisfaction survey periodically to understand their concerns and identify their needs, we convene review meetings to discuss various plans to make improvement. The survey is developed and carried out by each business unit. Every year, we send out questionnaires to our customers a couple of times or engage with them by phone or email to maintain a close rapport. The Presidents of the production businesses are in charge of all these matters.

Customers’ Recognition

For years, FENC has been the major supplier of many international brands which are leading companies in the area of CSR. They expect us to fulfill our social responsibilities concerning labor conditions, human rights, occupational safety and health, environment, innovation, training as well as management and auditing of suppliers and used the standards higher than international or industrial regulations to measure our performance. Our customers are satisfied with our overall performance and have given us high scores in various supplier evaluations.



Far Eastern Apparel (Suzhou) Became the First Supplier that Met Nike’s HRMAT Requirements

On September 2017, Far Eastern Apparel (Suzhou) became the first supplier to pass the requirements of Nike’s HRMAT, or Human Resources Management Assessment Tool, which includes six aspects such as recruiting and hiring, employee development, performance management, workforce planning, communication and strategic HR. Far Eastern Apparel (Suzhou) provides various training programs and adopts diverse training methods for its employees. Almost all employees and high-level managers have received training. The company’s human resources are aligned based on their strategic plans and its workforce planning can be optimized in real time, so it received high scores in employee development and strategic HR.



Nike Evaluated FENC as a Silver Supplier

Since 2012, Nike has begun to evaluate its suppliers around the world, based on its Manufacturing Index, including quality, cost, on-time delivery and sustainability. Its suppliers are assigned to the gold, silver, bronze, yellow or red category based on their scores, which will determine whether a supplier will continue to receive Nike’s order. Nike expects all its suppliers to be in the category of bronze or above by 2020.

Far Eastern Apparel (Suzhou) and Far Eastern Apparel (Vietnam) were evaluated as silver in Q3 and Q4 in 2017 as it had continued to improve in such areas as business, production, operation, quality management and vertical integration. There haven’t been any gold suppliers yet, so the silver category indicates the best performance among Nike’s existing suppliers. FENC will continue to pursue excellence to ensure long-term collaboration with our clients.



FENC Received “Hasbro Excellence in Sustainability”

As a global toy manufacturer, Hasbro ranked second in the industry of recreational products on the Forbes Global 2000 List in 2017. In recent years, the company has strived to lower the environmental impact of their toy packaging materials by, for example, replacing PVC with eco-friendlier PET for the plastic sheets used in toy boxes. As a major supplier of PET sheets to Hasbro, FENC has passed the stringent requirements for manufacturing products and played to our strength in green products by producing PET sheets from recycled PET bottles. The Company plans to develop and promote the use of Bio-PET as our next step.

We were invited to Hasbro’s Suppliers Meeting in 2017 because of our achievement in green products and awarded “Hasbro Excellence in Sustainability”. It was the first time that Hasbro recognized a supplier for its excellent performance in sustainability and environmental protection.

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H&M Recognized Far Eastern Apparel (Suzhou) as a Gold Supplier

As a famous fast fashion brand, H&M ranked second in terms of its market capitalization in 2017, according to Interbrand. H&M values suppliers' sustainable development and innovation capabilities and evaluates them based on three areas, namely, management, quality and sustainability.

Far Eastern Dyeing & Finishing (Suzhou) ranked among the top according to H&M's evaluation. In 2016, the brand visited the company with its "Global Change Award" winners to understand the company's efforts in sustainable development and innovation. In 2017, the company stood out from 400 suppliers as one of the 6 gold suppliers and the only supplier of knitted fabrics because of the high quality of their products and their continued efforts to improve management. In the future, H&M will give priority to gold suppliers when it comes to placing orders or product development.



2.4 Supply Chain Sustainability

At FENC, there are five major procurement units, namely, FEG Purchasing Department, the Purchasing Department of Oriental Petrochemical (Taiwan) Co., Shanghai Purchasing Unit, Suzhou Purchasing Unit and Raw Material Team. The Raw Material Team conducts market analyses of key materials such as cotton, PTA and MEG, formulates strategic plans and purchases materials. Other purchases such as machinery and equipment, as well as contract awarding are handled by the other four procurement units.

Supplier Management Policies

In order to facilitate the sustainable development of our supply chain and ensure that our suppliers meet social and moral standards when providing products and services, understand and comply with laws and regulations, address environmental and social issues proactively, undertake their CSR and make continuous improvement, FENC began to require suppliers to sign and comply with Supplier CSR Commitment Statement, which is one of the criteria for us to select suppliers, in November 2016. By the end of 2017, a total of 1,225 suppliers have signed the statement and will continue to fulfill their commitments, thereby increasing our capability to develop sustainability together.



Supplier CSR
Commitment Statement

FENC's production sites are located in many countries, including Taiwan, China and Vietnam. As laws and regulations vary from place to place, we set additional assessment criteria on a case-by-case basis and added related clauses in the contract to ensure suppliers' compliance such as meeting ISO standards.

Supplier Selection and Management Principles

Procurement Unit	Selection and Management Principles
FEG Purchasing Department and Raw Material Team	<ul style="list-style-type: none">The FEG Purchasing Department expects all suppliers that they work with this year to sign the Supplier CSR Commitment Statement in order to ensure compliance.To meet the demand of customers, the Raw Material Team works with international suppliers to introduce organic cotton, BCI cotton and Bio-MEG and visits suppliers regularly every year.
Purchasing Department of Oriental Petrochemical (Taiwan) Co., Ltd.	<ul style="list-style-type: none">All new suppliers are assessed and required to sign the Supplier CSR Commitment Statement.For specific suppliers, there are additional assessment aspects and requirements. For example, environmental impact assessment is conducted on suppliers of microchemicals and industrial gases. They are expected to be equipped with ISO 9000, ISO 14001, environmental management systems and surveys on the environmental impact of the suppliers' major products and activities. Labor practice assessment is conducted on construction and maintenance service suppliers.
Shanghai Purchasing Unit	<ul style="list-style-type: none">According to the Procurement Regulations and Manufacturer Evaluation Guidelines, the Unit carries out paperwork or on-site evaluation on new suppliers and require them to sign the Supplier CSR Commitment Statement to select qualified supplier.The unit requires the suppliers with over-one-year contracts to sign the Supplier CSR Commitment Statement and complete the procurement process after procurement review meeting.Manufacturer Evaluation Guidelines have been adopted for suppliers with over-one-year contracts and each qualified manufacturer is rated as A, B or C based on its score.
Suzhou Purchasing Unit	<ul style="list-style-type: none">Suppliers with over-one-year contracts and new suppliers that provide larger amount of goods are assessed and required to sign the Supplier CSR Commitment Statement. 60% of the suppliers are expected to sign the statement by the end of 2018.The Unit always first considers the suppliers that have ISO14001, OHSAS 18001 and other certifications to work with, based on its procurement management program and has established annual evaluation mechanisms. In 2017, the unit visited 38 suppliers and all of them score higher than 85 points in evaluation.The Suppliers Management Team will be established in 2018 to ensure more effective communication with suppliers.

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- Building Altruistic Society
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In 2017, the procurement units' assessment of their suppliers' impact on the environment, labor practice, human rights and society are described in the table below. If a major violation is found, they will help the vendor to make improvement or terminate the contract with them, depending on the nature of the violation. Over the course of last year, there were no suppliers found to have negative impact on the environment, labor practice, human rights or society.


Assessment Aspect	Environment	Labor Practice	Human Rights	Society
Total number of selected suppliers	2,567	2,649	2,617	2,617
Number of suppliers that have or may have negative impact	0	0	0	0
Number of suppliers that have made improvement	0	0	0	0
Number of supplier that we have stopped working with	0	0	0	0

Note:

1. Environmental assessment criteria include pollution prevention, waste disposal and energy consumption. Labor practice assessment takes into account occupational safety and equality as well as employee training. Human rights assessment deals with child labor, forced labor and rights of the indigenous people. Society assessment covers corruption, monopoly and fraud.



2. FEG Purchasing Department and Raw material Team carries out assessment on local suppliers, while Shanghai Purchasing Unit carries out assessment on new suppliers in China and from overseas. Purchasing Department of Oriental Petrochemical (Taiwan) Co., Ltd conducts environmental assessment on suppliers of microchemicals and industrial gases and labor practice assessment on suppliers of engineering equipment, while Suzhou Purchasing Unit conducts assessment on construction and maintenance service suppliers with over-one-year contract and suppliers that provide larger amount of goods.

In 2017, there were a total of 1,047 new suppliers, 899 or 86% of which passed the evaluation, 7 percentage points up from the year before.



Selecting Suppliers Using Eco-friendly Textile Auxiliaries

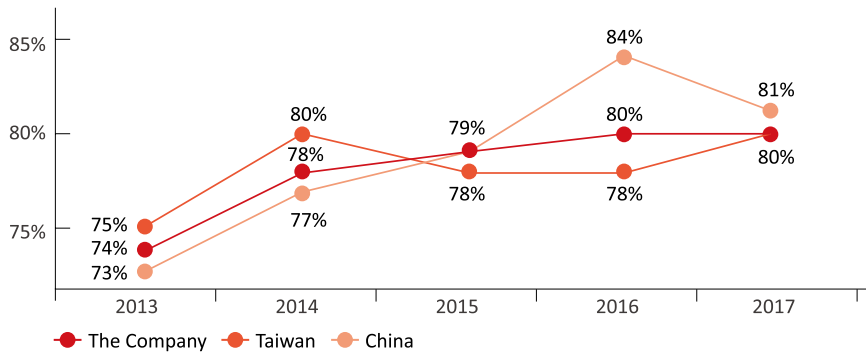
In order to minimize environmental impact of the manufacturing process, FENC has adopted a list to ban or restrict to the use of 256 textile auxiliaries, required suppliers to follow the list and had a third party to conduct an on-site inspection to ensure our apparel products are made using environmentally sound textile auxiliaries. In the future, we will continue to raise environmental standards and continue to promote sustainable development with our suppliers.



Giving Priority to Local Suppliers

FENC considers working with local suppliers first in order to boost local economy and obtain satisfactory after-sale service.

The Percentage of Purchases from Local Suppliers



Note:

1. While the local suppliers to our Taiwan's businesses are located in Taiwan, the local suppliers to our businesses in China refer to those located in the province where our business is located.

2. The procurement of PX is not included.

3. Statistics of the purchase of Suzhou Procurement Unit on behalf of the production sites in Vietnam is not included.

In line with the government's policy, the FEG Purchasing Department launched the green procurement initiative to promote green consumption. In 2017, it took part in the green procurement performance evaluation carried out by the Department of Environmental Protection, Taipei City Government and was recognized as a role model in the "private enterprise and group green procurement plan". The Environmental Protection Administration presented a certificate of appreciation for the Company's efforts in green procurement.

Supplier Engagement

FENC places great emphasis on the communication with suppliers. By holding periodic meetings and using various forms of communication, we can oversee the behavior of our suppliers and stay on top of all movements. FEG Procurement Unit collects information about the production business's suppliers and contractors every month. In addition, there is a designated email on the Company's website for suppliers to submit their feedback. Oriental Petrochemical (Taiwan) convenes quarterly meetings with its partners, while Suzhou Purchasing Unit organizes supplier meetings every six months and invites manufacturers to exchange views on technology on an ad hoc basis.

On May 17, 2017, the FEG Purchasing Department convened a meeting on labor safety analysis at Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant to discuss with suppliers and contractors on the improvement plans for labor safety incidents and provide useful cases for their reference. This shows how proactive we are in addressing issues and developing with our supply chain partners. For more information on our training programs and their effectiveness, please refer to Chapter 4.5.2 Contractor Safety and Health Management and Chapter 6.1.2 Construction Contractor Management.