

Boosting Stakeholder Dialogue

Business environments are changing at an accelerating rate, prompting a growing corporate emphasis on stakeholders' requests. Businesses are confronted with emerging tasks spanning from social and environmental expectations from NGOs to ensuring the rights of each employee through internal communications. On the journey toward sustainability, corporations must rely on countless dialogues with various stakeholders in order to align the course of direction for corporate development with their expectations.

FENC offers wide range of channels for stakeholder dialogue to strengthen the connection with stakeholders and make timely policy adjustments to respond to stakeholders' expectations. Details of stakeholder dialogue are reported to the Board on a regular basis.

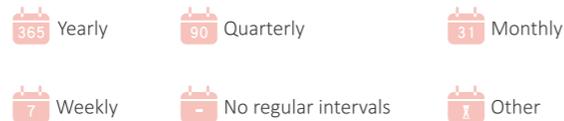
8 Stakeholders :



Channels for stakeholder dialogue :

- A** External meeting
- B** Internal meeting
- C** Training/Trial/Drill
- D** Promotional campaign
- E** Visits/Exchange
- F** Review/Evaluation/Audit
- G** Survey/Questionnaire
- H** Grievance/Comment Box
- I** Company Website
- J** Other

Frequency :



Employee/Labor Union

Significance to FENC

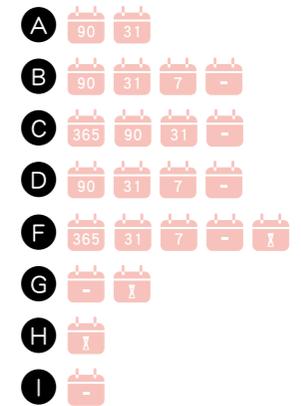
We reach out and engage in employee dialogue through multiple means in hope of co-creating sustainable values for the Company.

Issues of Concern

- Construct happy workplace
- Foster employee career planning
- Reinforce environmental safety and health management
- Prevent and control environmental pollution
- Refine operational performance and strategies

Number of Dialogues in 2019 : **7,419**
 Number of Participants in 2019 : **255,382**

Channel and Frequency



Labor Day celebration acknowledging model employees

In April 2019, Hsinpu Chemical Fiber Plant held public recognition for model employees as part of the Labor Day celebration. Department heads awarded the medals to 49 model employees for their exceptional communication and interpersonal skills. They bring innovative solutions to the Company with successful execution and results that drive company growth. The public recognition them as well as other employees to work together for the company as well as themselves.

Words from Jin-Shan Shih, Model Employee

I would like to thank Chief Operating Officer Chang and the managers at the Filament Division. Without the interview and hiring opportunity they gave me, I wouldn't have been named model employee. I would also like to thank the division, which has given me the environment to learn more and to apply what I learned!

I am about to complete my 6th year at FENC. After working all these years, I consider myself a tiny screw in a major operation. I have never dreamed of being the "model" employee. It is an honor to be recognized by my superiors for the efforts I have put in. This nomination is the highest honor I have received in my life, which gives me a profound understanding. Each screw, no matter how small, can play a pivotal role within a company. As long as we fulfill our obligations entrusted by the superiors, we will get our chance to shine. Therefore, don't ever underestimate yourself!

Content

- About this Report
- Message from the Chairman
- Sustainability Strategy Blueprint
- FENC's Contribution to UN SDGs
- Special Report
- Identification of Stakeholders and Material Topics
- Boosting Stakeholder Dialogue**
- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigate a Green Future
- 4 Creating Inclusive Society
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



Business Partner (supplier/contractor)

Significance to FENC	Channel and Frequency																																								
FENC values the partnership with suppliers and contractors, working side by side with them to develop sustainable supply chain.	<table border="1"> <tr><td>A</td><td>365</td><td>90</td><td>31</td></tr> <tr><td>B</td><td></td><td></td><td></td></tr> <tr><td>C</td><td>7</td><td>-</td><td></td></tr> <tr><td>D</td><td></td><td></td><td></td></tr> <tr><td>E</td><td>X</td><td></td><td></td></tr> <tr><td>F</td><td></td><td></td><td></td></tr> <tr><td>G</td><td>90</td><td></td><td></td></tr> <tr><td>H</td><td></td><td></td><td></td></tr> <tr><td>I</td><td></td><td></td><td></td></tr> <tr><td>J</td><td></td><td></td><td></td></tr> </table>	A	365	90	31	B				C	7	-		D				E	X			F				G	90			H				I				J			
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Number of Dialogues in 2019 : 3,278	Number of Participants in 2019 : 4,787																																								
<h3>Supplier meeting for suppliers of packaging materials</h3> <p>The wide range of products offered by OTIZ makes packaging an influential factor on product quality. To prevent quality issue, Suzhou Purchasing Unit holds semi-annual meetings with suppliers of packaging materials to review the procurement made during the previous 6 months. It is hoped that the meetings will have positive impacts on procurement practices. The review meetings for the 2019 procurement were held on July 11th, 2019 and January 9th, 2020. Sixty-one suppliers were in attendance. In addition to reviewing improvement proposals on the quality of packaging materials, the meetings also offered ISO product quality training to bring suppliers up to the Company standards. The refund rate for packaging materials in 2019 is 0.31%. The benefit of supplier meetings is evident.</p>																																									



Shareholder/Investor/ Financial Institution

Significance to FENC	Channel and Frequency																								
FENC demonstrates corporate values to shareholders, investors and financial institutions with exceptional business performance in order to secure stable funding and create an upward cycle.	<table border="1"> <tr><td>A</td><td>365</td><td>-</td><td></td></tr> <tr><td>E</td><td>365</td><td></td><td></td></tr> <tr><td>F</td><td>365</td><td>31</td><td></td></tr> <tr><td>G</td><td></td><td></td><td></td></tr> <tr><td>I</td><td>365</td><td></td><td></td></tr> <tr><td>J</td><td>365</td><td></td><td></td></tr> </table>	A	365	-		E	365			F	365	31		G				I	365			J	365		
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Number of Dialogues in 2019 : 677	Number of Participants in 2019 : 15,557																								
<h3>Investor tour at circular economy demonstration plant</h3> <p>On April 26th, 2019, HSBC Securities issued an industry analysis that focused on sustainability and environment with FENC covered in the report. As a result, investor inquiries swarmed in. On May 22nd, FENC co-hosted Recycled Polyester Plant Tour with HSBC Securities. For the first time, the Company invited external investors to tour OGM, a FENC subsidiary responsible for recycling and remanufacturing PET bottles. Fifteen institutional investors were among those who visited the plant, including foreign investors, governmental fund managers, domestic life insurance companies and investment trusts. The managers of Solid State Polymer SBU shared the current status of recycling industry during the event. Plant managers received the visitors and took them on a tour of the production line, explaining each production process with active discussion from the audience. Many institutional investors believe that recycled polyester will be the emerging investment trend, and they have been keeping in close contact with the Company.</p>																									



Direct Customer

Significance to FENC	Channel and Frequency																								
Sustaining the life of a corporation requires consistent product sales. By promoting dialogues with direct customers, the Company will generate growth by gaining their trust.	<table border="1"> <tr><td>A</td><td>90</td><td>31</td><td>-</td></tr> <tr><td>E</td><td>365</td><td>90</td><td>31</td></tr> <tr><td>F</td><td>7</td><td>-</td><td></td></tr> <tr><td>G</td><td>365</td><td>7</td><td>-</td></tr> <tr><td>H</td><td>7</td><td></td><td></td></tr> <tr><td>I</td><td></td><td></td><td></td></tr> </table>	A	90	31	-	E	365	90	31	F	7	-		G	365	7	-	H	7			I			
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Number of Dialogues in 2019 : 114,270	Number of Participants in 2019 : 287,995																								
<h3>Partnering with Coca-Cola for solving plastic waste issues in Japan</h3> <p>China issued a ban on the import of plastic waste in 2018, leaving half of Japan's plastic waste in need of alternative processing options. In 2019, Coca-Cola and 7-Eleven in Japan partnered with FENC on a closed-loop business model. Japanese consumers may recycle PET bottles at the local 7-Eleven. The bottles are then shipped to FIGP in Japan and Hsinpu Chemical Fiber Plant in Taiwan to be processed into rPET, a food-grade plastic that can be used as a packaging material for Coca-Cola. We have found the solution for the plastic waste problem in Japan.</p>																									

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Local Resident and Organization

Significance to FENC

We actively reach out to local residents, listen to their concerns, prepare improvement proposals and implement them to reduce the impact of production activities on local residents.

Issues of Concern

- Cultivate compassionate bonds
- Prevent and control environmental pollution
- Respond to climate change
- Boost stakeholder dialogue
- Elevate energy and resource efficiency

Channel and Frequency



Number of Dialogues in 2019 : **73**
 Number of Participants in 2019 : **2,496**

Open house and reading for happiness

To alleviate concerns from local residents over the production site, OPSC and FEIS joined hands and held an open house on January 15th, 2019. The residents of Xinghuo District, Environmental Protection Bureau and suppliers in Shanghai were invited for a tour of the plant. Thirty-two participants were guided through the plant, getting first-hand opportunity to witness the high standards applied toward the management of work environment as well as occupational health and safety. During the tour, representatives discussed improvements made to address grievance claims and projects to upgrade environmental equipment. The participants also observed the firefighting drill.

Collaborating with the local government and residents, OPSC co-organized “Reading for Happiness” on May 31st in Shanghai. OPSC donated books to and prepared hands-on programs for local residents. Participants completed a children’s painting titled “Protecting Earth”. During the event, children and adult residents played a little game to classify the domestic waste.

In the past, communication with local residents were often conducted through phone conversations. These two campaigns are a major breakthrough. In addition to inviting local residents to visit the plant, staff also visited local residents as friends and neighbors, demonstrating their passion for contributing to the common good, and determination for the pursuit of safety, security as well as environmental protection.



External Audit Agency

Significance to FENC

The adequacy of company policies is verified by external audit agencies, and the outcome are presented concerned stakeholders.

Issues of Concern

- Prevent and control environmental pollution
- Implement sustainable development
- Reinforce environmental safety and health management
- Perfect risk management
- Instigate production and product innovation

Channel and Frequency



Number of Dialogues in 2019 : **242**
 Number of Participants in 2019 : **775**

Meeting with Sustainalytics, the ESG audit agency

Sustainalytics is one of the major global ESG research institutes in the world. The scope of its research covers more than 11,000 businesses around the world, including the top 400 Taiwanese companies listed on the stock exchange. The ratings report serves as a reference for institutional investors around the world.

In October 2019, the Advisory Service Team at Sustainalytics invited FENC for a face-to-face meeting. The schedule coincided with 2019 TITAS, Taipei Innovative Textile Application Show, so the meeting took place at the exhibition floor. The Sustainalytics team felt first-hand the wide array of eco-friendly innovations that the Company offered.

Communications with ESG institutions such as Sustainalytics typically take place in the form of written correspondence. The face-to-face meeting was beneficial for deepening mutual understanding. The team was impressed with FENC’s sustainability performance and diverse asset framework. The meeting also gave us insights into the rating methodology Sustainalytics adopts and what the organization expects in terms of key directions for corporate sustainable development and governance.

The overall Sustainalytics ESG rating for FENC is 72.45. Among the individual scores, the environmental category is the highest at 87.54. (As of January 1st, 2020.)



Government

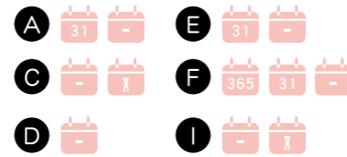
Significance to FENC

FENC complies with local regulations applicable to each business site and provides open communication channels with the governmental entities to ensure sound operation.

Issues of Concern

- Reinforce environmental safety and health management
- Implement sustainable development
- Prevent and control environmental pollution
- Boost stakeholder dialogue
- Perfect risk management

Channel and Frequency



Number of Dialogues in 2019 : **288**
 Number of Participants in 2019 : **8,396**

Observation Tour for Production Health and Safety Management in Petrochemical Industry, Taoyuan City

OPTC values environmental health and safety. The company ensures the safety of employees and contractors at work by promoting various occupational health and safety measures. Taoyuan City Government is aware of such performance and thus invited OPTC to conduct Observation Tour for Production Health and Safety Management in Petrochemical Industry for the North Division in June 2019. The city government also sent staff to facilitate the process to accommodate guests from external organizations. The city staff joined the rehearsal as well and held over 10 meetings with OPTC to ensure the success of the observation tour.

Eighty-five guests from the public and private sectors attended this event. We invited them to participate in a few drills testing actual facilities, including inspections on hot work and electrical engineering; emergency response; operational procedure for confined space. We also shared experiences on ISO 45001 Occupational Health and Safety System. The attendees and Office of Labor Inspection, Taoyuan City Government expressed appreciation and recognition for this event. The City presented OPTC with a trophy for dedicating to protecting health, safety and the common good, which further enhances the company reputation.



Industry Association

Significance to FENC

Exchange with industry associations ensures that corporate development aligns with market trends. Working with industry peers and associations, the Company determines the direction for industry development to maintain competitiveness.

Issues of Concern

- Reinforce environmental safety and health management
- Instigate production and product innovation
- Implement sustainable development
- Prevent and control environmental pollution
- Perfect risk management

Channel and Frequency



Number of Dialogues in 2019 : **231**
 Number of Participants in 2019 : **502**

Promoting environmental packaging materials

FENC has long been exporting PET resin to the North American market. In 2018, the Company's production business branched into the U.S. for the first time with the acquisition of APG Polytech, LLC, a manufacturer of PET resin. The acquisition of rPET manufacturer, Phoenix Technologies International, LLC, in 2019 gives FENC a competitive edge in terms of locality to supply the large U.S. domestic market.

To stay informed on industry development and help the North American division promote circular economy, FENC joined two major industry associations, the National Association for PET Container Resources (NAPCOR) and the Association of Plastic Recyclers (APR). Members of NAPCOR are located in North America. The association educates the markets about benefits of using PET as packaging materials and helps governments address any inadequacies in existing recycling systems. NAPCOR also endorses the value of PET packaging in circular economy. Most of the APR members are from the recycling industry in North America. The association advocates recyclable packaging design, improving quality of recycled raw materials, as well as testing and promoting recyclable packaging materials. APR also provides the latest industry news to its industry members.

FENC attends the regular member meetings to explore feasible proposals to increase the U.S. recycling rate. Working with industry peers, we trade the latest market information; provide recommendations to governmental entities with corporate members; promote the use of recyclable food packaging and user guidelines for these packaging materials.

Contact and Grievance Channel

Sustainability is a journey that requires constant improvements. We encourage all stakeholders to contact us or file for grievance regarding issues related to the customers, products, environment, regulatory compliance, anti-corruption, labor and human rights. Multiple communication channels and independent investigation process are also in place regarding each issue.



Contact List of FENC

Grievance Channel and Process

	Corresponding Material Topics	Channel	Process
 Regulatory Compliance and Anti-corruption	Implement sustainable development Boost stakeholder dialogue Refine operational performance and strategies Perfect risk management Govern with steady pace	Audit Committee mail: auditcommittee@fenc.com Audit Department mail: feaudit@fenc.com Legal Appliance mail: legalcompliance@fenc.com	<ul style="list-style-type: none"> Once the grievance claim is filed and deemed legitimate, the individual against whom the grievance claim is filed shall immediately cease performing the questionable conduct and be held accountable based on regulatory provisions and company policies. The acceptance, investigation and outcome of the grievance claim shall be filed and kept in written or electronic forms for 5 years. Once confirmed, applicable units shall review the internal control mechanism and operational procedure concerning the incidents reported. Improvements shall be proposed and implemented to prevent future occurrence.
 Labor and Human Rights	Boost stakeholder dialogue Perfect risk management Coordinate sustainable supply chain development Reinforce environmental safety and health management Construct happy workplace Foster employee career planning	<ul style="list-style-type: none"> Employee comment box Designated email (e.g., President's email, departmental email.) Confidential hotline Employee representative meeting Verbal claim, Written claim 	<ul style="list-style-type: none"> Each grievance claim is thoroughly investigated and reported through the chain of command. The result of the investigation is provided to the individual filing the claim on a timely basis, and the entire record is properly filed and preserved.
 Customers and Products	Instigate production and product innovation Build customer rapport Enhance corporate image Refine operational performance and strategies Promote product marketing	<ul style="list-style-type: none"> Designated email (e.g., Sales departmental email.) Verbal claim Written claim 	<ul style="list-style-type: none"> Once the grievance is filed, it is reported through the chain of command based on product, client manager and persons accountable. Response and outcome are reported back to the client on the real time basis.
 Environment	Boost stakeholder dialogue Perfect risk management Instigate production and product innovation Prevent and control environmental pollution Respond to climate change Elevate energy and resource efficiency Build sustainable community Reinforce environmental safety and health management	<ul style="list-style-type: none"> Appointed units responsible for environmental grievances at all production sites Labor Safety and Health Department Security Guard Supervising Office 	<ul style="list-style-type: none"> Once the grievance is filed, applicable units at the plant are notified to address the matter, report to the management and respond to the individual filing the grievance with updates and outcomes of the investigation.

2019 Grievance Outcome

Environmental Issue - Odor
4

Case 1 - Hsinpu Chemical Fiber Plant
 The water valve for the circulating water system was damaged, causing flow reversal and the circulating water entered the condensate water system. The heat transfer fluid in the circulating water was then discharged outdoors through the cooling fan, and therefore spreading the odor of heat transfer fluid to the neighboring communities. The damaged valve was replaced immediately. The plant revamped the SOP and conduct training for staff on site to address the issue.

Cases 2 and 3 - OPTC

The grievance claim has been confirmed to be wrongful and retracted.

Case 4 - OPTC

Dried sludge that has been laid out for a period of time is the source of the odor. The issue has been addressed once the sludge is removed. The plant purchased additional equipment to minimize the odor from dried sludge and sped up the sludge removal process to keep it from being exposed to air for a long period of time.

Environmental Issue - Air Pollution
1

Case 1 - Hsinpu Chemical Fiber Plant
 The boiler for coal water slurry at the plant malfunctioned and generated large amount of smoke and dust. The boiler was dated and beyond repair. It has been decommissioned and the plant is seeking alternatives. The operating procedure for irregularities has been expanded to address such incidence. The plant also conducted training for the operators on site.

Case 1 - OPTC

The plant was undergoing rust removal and corrosion prevention, which generated noises from time to time. It has been confirmed that the sound level did not exceed the maximum legal limit. As a follow up, the air pressure of the rust remover is reduced and the operating period is limited to reduce noise. The individual who filed the complaint is satisfied with the mitigation result.

Environmental Issue - Noise
2

Case 2 - OPTC

The safety valve for nitrogen equipment at the plant snapped open abnormally and created noises. Once replaced, the equipment is functioning well and no longer producing any noise.