

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**
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 Reinforcing Environmental Safety and Health Management
 - 4.4 Coordinating Sustainable Supply Chain Development
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



4 Creating Inclusive Society

4.1 Constructing Happy Workplace	76
4.2 Fostering Employee Career Planning	83
4.3 Reinforcing Environmental Safety and Health Management	86
4.4 Coordinating Sustainable Supply Chain Development	91

- Target Readers:
- | | |
|--|--|
| ■ Employee/Labor Union | ■ External Audit Agency |
| □ Direct Customer | □ Shareholder/Investor/Financial Institution |
| ■ Government | ■ Industry Association |
| ■ Business Partner (supplier/contractor) | ■ Local Resident and Organization |

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 Reinforcing Environmental Safety and Health Management
 - 4.4 Coordinating Sustainable Supply Chain Development

- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence


- 7 Appendix




2019 Highlights



 **Happiness Enterprise Award**
From 1111 Job Bank

Higher Annual Average Regular Earnings
Taiwan **41%** China **6%** Vietnam **46%**
Japan **10%** U.S. **25%** 


25  hours/person
Average employee training hours
8 years
Consecutive growth

100% 
Production and business sites
Signing FENC Human Rights Policy

96%
Permanent employees
Labor union participation rate


 **Silver Medal**
TTQS Certification from Workforce Development Agency, Ministry of Labor


300  participants
Emergency response, self-defense, firefighting drills
Hukou Mill and Hsinchu County Government

Award of Excellence for Safety and Health 
To Kuanyin Chemical Fiber Plant
From Occupational Safety and Health Administration, Ministry of Labor

8.5 million work hours
Without any lost days due to disabilities caused by occupational injuries in FEFC's 22-year history.

 **Implementing Tiered management on supplier operational risks**

 **Benchmark Unit of Private Enterprise and Organization Green Procurement Plan**
3rd Consecutive Year
From Environmental Protection Bureau, Taipei City Government

Certificate of Appreciation for Green Procurement 
4th Consecutive Years
From Environmental Protection Administration, Executive Yuan

2,856
Suppliers
Signing Supplier CSR Commitment Statement

 **Hangzhou Bay Development Zone, Shanghai Highest Score**
OPSC undergoes safety inspection and review by Production Safety Commission of State Council of the People's Republic of China

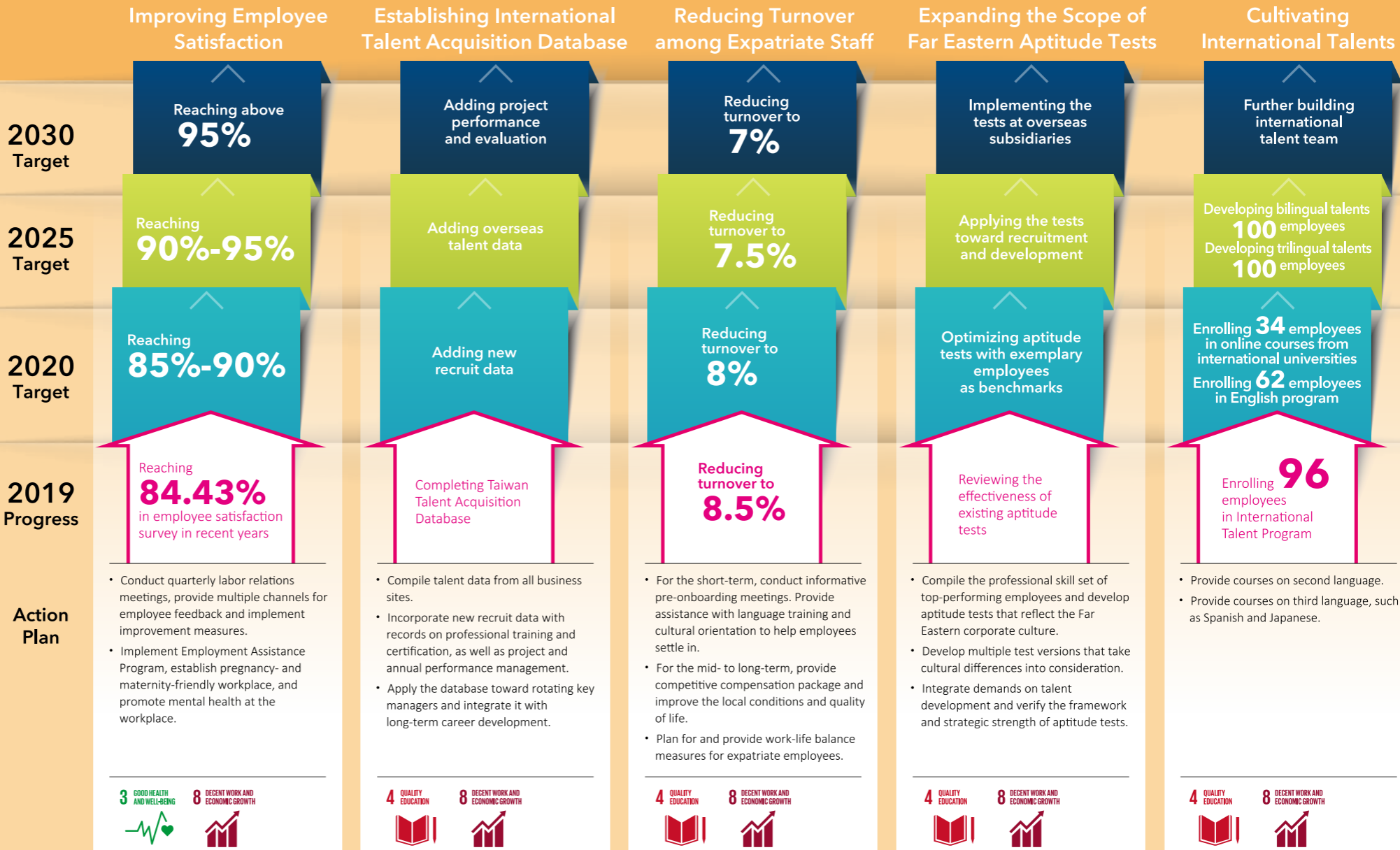
Content

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
2019 Highlights
Targets and Progress
Material Topics
4.1 Constructing Happy Workplace
4.2 Fostering Employee Career Planning
4.3 Reinforcing Environmental Safety and Health Management
4.4 Coordinating Sustainable Supply Chain Development
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



Targets and Progress



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
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 Reinforcing Environmental Safety and Health Management
 - 4.4 Coordinating Sustainable Supply Chain Development
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



Targets and Progress



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
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 Reinforcing Environmental Safety and Health Management
 - 4.4 Coordinating Sustainable Supply Chain Development
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



Material Topics



Construct Happy Workplace



Significance and Purpose of Management for FENC

FENC is dedicated to promoting human rights, which takes precedence in the human resources systems at our global locations. We are adamant about sharing business performance and future directions with the entire staff. We care for employees' physical and mental health, encourage local recruitment and provide training and career development opportunities.

Management Approaches and Effectiveness Evaluation Mechanisms

- Conduct regular payroll study to ensure competitive wage and salary.
- Examine cause for turnover among key staff and shorten staff transition period.
- Review employee satisfaction and reinforce shortcomings.
- Ensure 100% implementation of human rights education.

Authority

- Human resources unit at all business sites
- Highest ranking manager at each SBU

Foster Employee Career Planning



Significance and Purpose of Management for FENC

In the spirit of sustainable development, we value talent development and provide comprehensive training to foster professional competency at all stages.

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish project specific assessment mechanism.
- Conduct follow ups on some training courses and administer manager survey.
- Require staff presentation on putting training content to practice.

Authority

- Human Resources Development Center
- Human resources unit at all business sites

Reinforce Environmental Safety and Health Management



Significance and Purpose of Management for FENC

We strive for reducing workplace risks to protect the health and safety of staff and contractors. Our goals are to achieve zero occupational injury and incident, minimizing the impacts of business operations on local communities and preventing any accidents caused by inadequate management.

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish Occupational Safety and Health Committee.
- Identify, evaluate and control risks at workplace or in operational procedure.
- Enhance the management of machinery, equipment and facilities.
- Provide personal protective equipment.
- Adopt effective management measures regarding the procurement, use and storage of chemicals.
- Arrange regular health checkups for workers and conduct health promotion and management projects.
- Conduct investigation, statistical analysis and measures regarding occupational injuries.
- Require that suppliers comply with FENC safety and health standards and provide applicable training.

Authority

- Labor Safety and Health Department
- Safety and health units at all business sites

Coordinate Sustainable Supply Chain Development



Significance and Purpose of Management for FENC

FENC forms partnerships with the supply chain to ensure that products and services provided by suppliers meet quality, environmental and labor rights requirements. With collaborative efforts, we achieve sustainable supply chain development as a response to customers' sustainability goals.

Management Approaches and Effectiveness Evaluation Mechanisms

- Request the signing of Supplier CSR Commitment Statement from suppliers.
- Monitor and supervise supplier conducts and conditions through open communication and regular meetings.
- Procurement units evaluate environmental, labor, human rights and social impacts from suppliers and may provide assistance or terminate contracts depending on the severity.

Authority

- Raw Material Task Force
- FEG Purchasing Department
- Procurement unit at all business sites



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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix



4.1 Constructing Happy Workplace

4.1.1 Human Rights

At FENC, labor rights take precedence in policy considerations for human resources. We acknowledge and comply with the principles and spirit set forth by international labor organizations and in UN Universal Declaration of Human Rights. We also respect the local culture and customs at various production sites. In 2018, the Company established FENC Human Rights Policy, which has been signed into policy at all production sites by the end of 2019.

FENC Human Rights Policy, Stakeholders and Authority

Policy	Content	Stakeholders	Authority
No Forced Labor	FENC eradicates all forms of forced labor.	All employees	Each unit
Bans Child Labor	FENC bans child labor.	Applicants	HR
Meeting Minimum Wage	Employees are entitled to just and proper compensation for the work performed. The compensation shall secure a life of dignity for the employee and his/her family, and supplemented with social security in other forms when necessary.	All employees	HR
Work and Break Hours	Employees are entitled to rest and leisure, including reasonable cap on work hours and regular paid vacation.	All employees	Each unit
Freedom of Association	Employees are entitled to form association and join labor union in order to protect their rights.	All employees	Each unit
Equality and Respect	Employees are entitled to equal pay for equal work without any discrimination.	All employees	Each unit
Anti-discrimination and Harassment	Employers should eradicate any hiring or occupational discrimination and fight against all forms of harassment.	All employees	Each unit
Maternity Protection	FENC protects female employees.	Female employees	Each unit

Gender Equality

FENC offers gender neutral work environment and policies that are in compliance with local regulations. In 2019, the return rate of employees taking parental leave in Taiwan is 95%, which is 21% higher than the 2018 rate. The main contributing factor behind such dramatic increase is the Company's proactive approach. FENC reaches out to employees on parental leave and provides details for them to return to work, helping these employees make a seamless transition from family back to the workplace.

Gender equality and applicable regulatory mandates are respected at all FENC business sites. We are consistent with the spirit of Act of Gender Equality in Employment in Taiwan as well as Regulations Concerning the Labor Protection of Female Staff and Workers in China. We protect the rights of female employees, offering parental leave and breastfeeding room at our facilities. We also limit overtime and prohibit tasks that may potentially harm mothers and their babies. Employees returning after maternity leave receive equal pay for equal work. We provide workplace environment ideal for pregnant employees, such as avoiding tasks that might affect their health and using specially designed chairs to reduce discomfort at work. Female employees who are 7-month pregnant may reduce working time by 1 hour per day while receiving full pay. They are also entitled to 5 days off for prenatal checkups and 6-month maternity leave. The factories also designate lactation rooms as well as areas for storing breastmilk.

Application of Parental Leave and Returning Statistics in Taiwan

Type	Year	2017	2018	2019
Entitled to Parental Leave	Male	289	265	275
	Female	141	117	117
	Total	430	382	392
Number Applied	Male	9	3	4
	Female	18	22	22
	Total	27	25	26
Number Should Returned	Male	3	3	1
	Female	14	24	19
	Total	17	27	20
Number Returned	Male	3	3	0
	Female	10	17	19
	Total	13	20	19
Return Rate	Male	100%	100%	0%
	Female	71%	71%	100%
	Total	76%	74%	95%
Returned over One Year	Male	1	0	1
	Female	14	9	15
	Total	15	9	16
Retention Rate	Male	50%	0%	33%
	Female	67%	90%	88%
	Total	65%	69%	80%

Note:
1. Return Rate = Number Returned ÷ Number Should Return x 100%
2. Retention Rate = Returned over One Year ÷ Number Returned Last Year x 100%

FENC has established measures to prevent, control and reprimand sexual harassment and provides channels for filing grievances. Employees may file such grievance claims through departmental supervisors or Human Resources Department. The unit receiving the claim shall establish a team within 5 days of receiving the claim with over 50% female members to initiate the investigation. The investigation shall conclude within 2 months and all information shall be kept confidential. The individual against which the claim is filed shall have the opportunity for rebuttal. We also conduct regular training for the entire staff to prevent any occurrence of sexual harassment.

In 2019, there were no human rights violations, nor grievance claims at all production sites. The production sites also passed customers' review over human rights protection, child labor and labor conditions.

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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

4.3 Reinforcing Environmental
Safety and Health Management

4.4 Coordinating Sustainable
Supply Chain Development

⑤ Cultivating Compassionate Bonds

⑥ Advocating Balanced Coexistence

⑦ Appendix

4

4.1.2 Recruitment

FENC is dedicated to creating a friendly workplace to attract top talents. The recruitment policies set forth in the Company do not discriminate based on any personal attributes, and regular meetings are held to ensure compliance with all applicable regulations. An international talent acquisition database is in the pipeline to foster talent acquisition and professional development. The database is meant to be shared among all production sites, which will benefit tremendously as skilled professionals can be strategically deployed among FENC's international subsidiaries. We will also be implementing aptitude tests tailored to the Far Eastern corporate culture as well as local policies and practices to establish internal talent acquisition database that better assesses the personality profile of local talents.



2019 Happy Enterprise Award

1111 Job Bank, a well-known job search platform in Taiwan, hosted 2019 Happiness Enterprise Award to encourage corporations to entice top talents with employee benefits. The platform invites the public to vote for corporations that offer the happiest workplace and best benefits. FENC won the title for Consumer Category under Manufacturing Industry. The award ceremony was held at Shangri-La's Far Eastern Plaza Hotel, Taipei on November 11th, 2019.



Recruitment Approach



Taiwan

104 Job Bank; 1111 Job Bank; LinkedIn; campus job fair.



China

Governmental collaboration; WeChat; Twitter; staff referral; campus job fair.



Vietnam

Zalo and Facebook; staffing agency; radio stations; flyers.



Japan

Staff referral; Myanavi; Hello Work (governmental employment service); LinkedIn; company website.



U.S.

Staff referral; Indeed; internship.

Industry-Academia Internship

FENC offers internship opportunities for top-performing college students. In addition to students from Yuan Ze University and Oriental Institute of Technology, the industry-academia collaboration program is also available for local college students at the production sites to gain field experience. The program helps students apply what they have acquired academically in the real world, and helps the Company retain these students after graduation.



Taiwan

The Company launched the Talent Pool Program in 2018 and started recruiting students for the internship program. In 2019, 6 interns passed the evaluation and went on to become permanent employees after graduation. In the same year, 9 additional students joined the program. In addition to the Talent Pool Program, the Company also offers summer and winter internship, giving students competitive advantage on the job market. In 2019, 22 student interns were hired.



Vietnam

The Vietnamese locations collaborate with several colleges in Vietnam and offer internship opportunities. In 2019, 48 college students joined the internship program and 14 stayed with FEPV as permanent employees after graduation.



U.S.

The U.S. locations collaborate with several local universities, and 14 college students participated in the internship program in 2019.



Industry-Academia Collaboration - Smart Machinery Talent Program



FEFC launched Smart Machinery Talent Program in 2019. The program is a collaborative effort with Department of Industrial Engineering and Management, Yuan Ze University and Industrial Technology Research Institute. Twelve academic and industry experts are invited as lecturers to mentor 17 students, who are evaluated based on attendance, project report and project presentation. The program awards NT\$130,000 in scholarship.



The special project covers 4 topics: Replacing Supervisor Commands with AI; AI Development in Smart Grid; Energy Consumption Analysis and Defect Prediction for 900HP Air Compressor; Energy Consumption Analysis and Defect Prediction for Refrigerator. The special projects can be further expanded in the future to provide recommendations on the optimization of operational design to build a comprehensive system.

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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

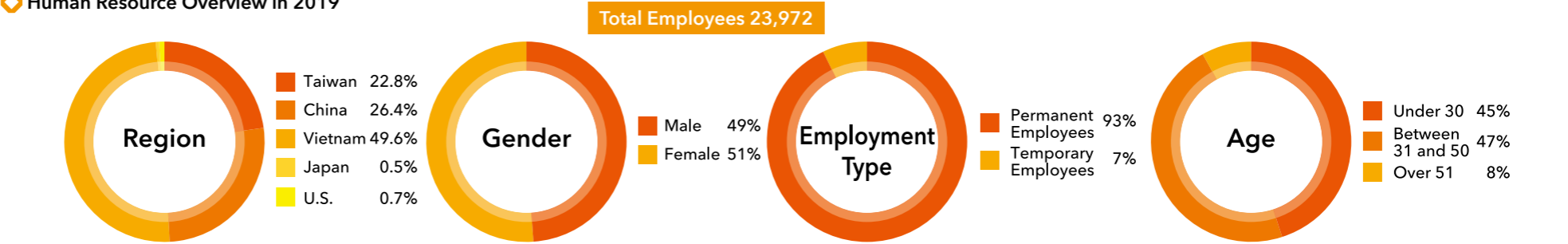
6 Advocating Balanced Coexistence

7 Appendix



When it comes to human resources, FENC has always believed in finding the right person for the right position and giving employees the opportunity to develop their full potential. The Company puts such conviction to practice with a comprehensive organizational structure and human resources system. Key positions are held by permanent employees, and the Company offers internal training, job rotation and internal promotion track for top performers, which demonstrate the comprehensive and diverse opportunities for career advancement at FENC.

Human Resource Overview in 2019



Human Resource Profile in 2019

Type	Region	Taiwan			China			Vietnam			Japan			U.S.		Total		
		2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2018	2019	2017	2018	2019
Permanent Employees	Male (%)	72%	73%	73%	51%	52%	51%	20%	31%	34%	83%	80%	80%	84%	86%	44%	47%	47%
	Female (%)	28%	27%	27%	49%	48%	49%	80%	69%	66%	17%	20%	20%	16%	14%	56%	53%	53%
	Number	4,446	4,393	4,371	6,089	5,934	5,795	7,104	9,910	11,748	81	85	104	141	158	17,720	20,463	22,176
Temporary Employees	Male (%)	85%	86%	88%	59%	62%	57%	31%	28%	36%	0%	0%	80%	83%	50%	68%	71%	75%
	Female (%)	15%	14%	12%	41%	38%	43%	69%	72%	64%	100%	100%	20%	17%	50%	32%	29%	25%
	Number	1,042	1,143	1,108	911	817	543	232	247	136	2	1	5	6	4	2,187	2,214	1,796
Total	Male (%)	74%	75%	76%	52%	53%	52%	21%	31%	34%	81%	79%	80%	84%	85%	47%	49%	49%
	Female (%)	26%	25%	24%	48%	47%	48%	79%	69%	66%	19%	21%	20%	16%	15%	53%	51%	51%
	Number	5,488	5,536	5,479	7,000	6,751	6,338	7,336	10,157	11,884	83	86	109	147	162	19,907	22,677	23,972

Note:

1. "Non-permanent employees" refers to foreign workers in Taiwan; contract workers or contractors in China; employees under probation in Vietnam; outsourced workers in Japan; temp workers in the U.S.

2. The age cohort does not include non-permanent employees.

3. No part-time workers are employed at any production and business sites.

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



Number and Percentage of New Employees in 2019

		Taiwan		China		Vietnam		Japan		U.S.	
		Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Age 30 or Under	Male	136	28%	870	90%	2,045	75%	11	58%	5	28%
	Female	54	34%	577	80%	3,243	65%	1	25%	0	0%
	Subtotal	190	29%	1,447	86%	5,288	68%	12	52%	5	28%
Age 31~50	Male	103	6%	475	26%	551	45%	14	25%	6	11%
	Female	32	5%	612	29%	1,215	45%	4	25%	4	44%
	Subtotal	135	6%	1,087	28%	1,766	45%	18	25%	10	16%
Age 51 or Above	Male	4	0%	8	5%	17	27%	1	11%	5	8%
	Female	0	0%	0	0%	6	22%	0	0%	2	12%
	Subtotal	4	0%	8	4%	23	26%	1	10%	7	9%
Total		329	8%	2,542	44%	7,077	60%	31	30%	22	14%

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 2019

		Taiwan		China		Vietnam		Japan		U.S.	
		Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
Age 30 or Under	Male	65	13%	1,019	106%	1,880	69%	5	26%	2	11%
	Female	35	22%	631	88%	3,244	65%	1	25%	0	0%
	Subtotal	100	15%	1,650	98%	5,124	66%	6	26%	2	11%
Age 31~50	Male	92	5%	594	32%	462	37%	5	9%	3	5%
	Female	54	8%	635	30%	1,200	45%	0	0%	0	0%
	Subtotal	146	6%	1,229	31%	1,662	42%	5	7%	3	5%
Age 51 or Above	Male	91	9%	16	10%	12	19%	0	0%	2	3%
	Female	60	17%	6	38%	11	41%	0	0%	1	6%
	Subtotal	151	11%	22	12%	23	26%	0	0%	3	4%
Total		397	9%	2,901	50%	6,809	58%	11	11%	8	5%

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 employees who left the Company in the last three years

The Company-wide turnover rate in the past 5 years (2015 to 2019) dropped from 47% to 46%. In Taiwan, 397 permanent employees resigned in 2019. Among them, 160, which account for 40%, are retired employees. The 9% turnover rate in Taiwan is lower than the manufacturing industry average of 15.5%. Production sites in China have been aggressive with the promotion of internal referral system in 2019, encouraging local employment while enhancing employee retention. The number of employee turnover in the year is 2,901, which is down by over 700 comparing to 2018. As the Company continues its business expansion in Vietnam, production sites meet labor demand through internal and external recruitment by offering better wages, benefits and work environment. Among the new recruits, 75% are under the age of 30, indicating a younger age cohort among employees.

In Japan and the U.S., turnover is relatively low comparing to the above-mentioned locations. In 2018, FIGP instituted a flexible 4-day workweek program. With total work hours unchanged, staff may choose to take one work day off. This policy builds solidarity and cohesion among current staff and lowers the turnover rate. In the future, while turnover will be continually monitored, performance indicators will include employee satisfaction and organizational identification. Legitimizing human resources will also be an area of concern for management.

4.1.3 Compensation Package

From employees’ perspective, safety, friendly environment and high quality facilities are critical support for their undivided devotion to work, but more importantly, the Company must provide comprehensive payroll and benefit policy.

Compensation

FENC established a variable payroll system that rewards individual and team performance. The Articles of Incorporations stipulates that a percentage of the Company’s net profit shall be dedicated toward employee compensation. We do not issue stock options, nor do we have company policy for deferred or vested share options. The Company does not offer signing bonus or recruitment incentives for recruiting high-level executives. Regarding the remuneration for Board members and managers, the Remuneration Committee, which is convened by the independent Board members, determines the remuneration policy and presents discussions for Board approval. Please refer to “1.2.2 Board Structure and Remuneration” for details.

There is a gender difference among different industries within FENC’s industry chain. However, gender strengths are also reflected in the salary level, which is a reflection of the Company’s fairness in internal training and performance review.

Specifically, business sites in Taiwan and China are mostly concentrated on the midstream and upstream industries that heavily rely on chemical technology. As a result, male employees tend to be better paid than the female staff. In comparison, business sites in Vietnam have a higher concentration on the downstream garment industry, in which female employees tend to excel. Hence, female managers and staff here receive higher salary than their male counterparts. In 2019, market demand dictated a re-examination of payroll study across the industry. After salary adjustment, the annual average regular earnings are 10% higher than the market average, which is more competitive.

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
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 Reinforcing Environmental Safety and Health Management
 - 4.4 Coordinating Sustainable Supply Chain Development

- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence

7 Appendix



Salary Comparison by Gender

Item	Region Year	Taiwan			China			Vietnam			Japan			U.S.	
		2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2018	2019
Director/Section Chief and above (♀:♂)		0.90:1	0.90:1	0.89:1	0.96:1	0.94:1	0.91:1	1.37:1	1.38:1	1.28:1	0.94:1	0.92:1	1.02:1	0.96:1	0.96:1
Office Clerk (♀:♂)		0.96:1	1.01:1	1.01:1	0.78:1	0.82:1	0.83:1	1.05:1	1.05:1	1.01:1	0.82:1	0.91:1	0.95:1	0.99:1	0.93:1
Factory Worker (♀:♂)		1.21:1	1.20:1	1.24:1	0.92:1	0.95:1	0.93:1	0.91:1	0.98:1	0.93:1	0.90:1	0.97:1	0.81:1	1:1	1:1

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

Salary Comparison to Market Rate

Item	Region Year	Taiwan			China			Vietnam			Japan			U.S.	
		2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2018	2019
Average Annual Regular Earnings Over Market Rate		43%	47%	41%	15%	8%	6%	29%	43%	46%	-6%	-1%	10%	33%	25%
Entry Level Salary Over Minimum Wage		31%	25%	27%	91%	102%	126%	12%	12%	11%	118%	111%	105%	143%	143%

Note: Sources of market pay rates are: average salary in the manufacturing sector and minimum wage released by Directorate-General of Budget, Accounting and Statistics in Taiwan; average salary and minimum wage released by Shanghai and Suzhou Municipal Government in China; average salary and minimum wage of District 1 released by the General Statistics Office of Vietnam; Bureau of Labor, Ibaraki prefecture in Japan; United States Census Bureau in the U.S.

Ratio of Salary Increase Between the Highest Salary and Median Salary in 2019

Comparison	Region	Taiwan	China	Vietnam	Japan	U.S.
Ratio Between the Highest Individual Salary and Median Salary of Other Employees		7.65 : 1	3.91 : 1	9.52 : 1	7.05 : 1	2.20 : 1
Ratio of Salary Increase Between the Highest Individual Salary and Median Salary of Other Employees		0.03 : 1	1.06 : 1	3.79 : 1	0.90 : 1	1 : 1

Note: Data released in China is the average from all production sites.

Average and Median Annual Salary for Non-managerial Positions

	2017	2018	2019
Average Annual Salary for Non-managerial Positions			
A	817,063	916,594	921,334
B	917,182	1,049,689	1,062,430
Median Annual Salary for Non-managerial Positions			
A	720,980	803,835	817,361
B	811,503	911,907	912,955
Number of Employees in Non-managerial Positions			
A	4,670	4,649	4,788
B	3,755	3,678	3,732

Note:
1. Statistics in row "A" exclude senior vice president and positions that are higher; statistics in row "B" excludes senior vice present, positions that are higher, and positions held by foreign employees.
2. FENC is considered a stand-alone entity for the statistics in the above table.

Employee Benefits

Healthful habits and stress relief help staff improve efficiency and achieve work-life balance. We provide comprehensive care that covers all facets of employees' lives, including company trip, family day, annual physical and birthday celebrations. While doing so, we monitor turnouts to continuously fine tune the program to advance corporate management performance.

Care for Foreign Employees

FENC's staff in Taiwan is made up of 7.5% of foreign employees, and their salary is determined in accordance with regulatory requirements. Dialogues are ongoing to make sure they are well adjusted to life in Taiwan. We hold recreational programs such as annual trips, group activities and basketball tournaments. We also conduct dormitory inspection to provide them with comfortable living environment. In addition, many of FENC's foreign employees are from the Philippines, which is a Catholic country. Therefore, the Company holds Christmas Mass and year end appreciation banquet each year, hoping to make Taiwan their home away from home.





4.1.4 Communication Channel

The Company keeps ongoing dialogues with staff through multiple channels to build consensus and optimize employee performance. From time to time, we conduct employee satisfaction survey and gain insights into trends in the labor market and employees' needs with the help of outside consultants.

Pursuant to FENC Human Rights Policy, the Company holds regular labor relation meetings and signs the collective bargaining agreement each year with minutes made public. Major policy decisions are made after thorough discussions are conducted between departmental managers and the labor union, and signed into collective bargaining agreement, which offers umbrella protection over 100% of the permanent employees. Staff may express their opinions to the management through internal channels, including comment box and executive meetings. We are adamant about developing rapport with employees and avoid labor disputes. During the reporting period, there were no violations of freedom of assembly or collective bargaining agreement.

FENC has established 16 labor unions at the production sites. Other than U.S. locations, union membership is extended to all permanent employees except for executives who make policy decisions for the employers. For production and business sites in the U.S., all employees must join the labor union at the end of the probation period, and hiring of non-union members is prohibited. The employee participation rates for all 16 labor unions are above 70% with a total of 18,085 union members, representing 96% of total employees. Please refer to the Company website for details on labor unions for each production site.



FENC's Labor Union



Regulation for Layoff Notice Period



Professionalism and Happiness Survey at FEAV

To gain insight into staff's satisfaction toward the Company and their job, FEAV hired a consulting firm to conduct a large-scale professional survey in hopes of devising measures to enhance professionalism and happiness at work based on the results. This collaboration focuses on 3 key corporate aspects – employee productivity; higher efficiency; lower costs. The survey also explores individual professional competency; work-life balance; labor relations; occupational safety and health; personal health; stress relief.

The survey was sent to 909 employees, and 868 returned surveys are valid. Results indicate that staff are the most satisfied with societal connection and skill learning, a sign that communication is completely open between managers and staff. They are also satisfied with the opportunities to acquire additional skills. Staff are less satisfied with the salary and stress level. Following the survey analysis, the Company conducted a 3-month review, and improvement measures are scheduled to begin in 2020.



Anniversary Celebration at APG Polytech, U.S.

Far Eastern Group celebrates its 70th anniversary in 2019. The event coincides with the 60th anniversary of APG Polytech in West Virginia, U.S., and the one-year anniversary of the acquisition. The triple celebration calls for a large-scale event, and a carnival was held to express the Company's appreciation to the staff. The event builds cohesion and solidarity among staff; rapport with suppliers; connection to the local community, which is a positive enhancement of corporate image.

The carnival was held on August 24th, 2019. The Company invited approximately 450 guests to the event, including staff, their family members, suppliers, governmental representatives and local residents. The event offered fun rides, food and beverage, live musical performance and souvenirs. The guests were also invited to tour the plant for a glimpse of the workplace and production activities.

The carnival is a prominent event and still much talked about among staff and the locals. Speakers and press members also referenced FENC from Taiwan for the investments and benefits it brought to local communities. The rebirth of APG Polytech has made a deep impression among community members, which will benefit corporate reputation and future recruitment efforts.



Causes to celebrate: Polymer plant saved by laid-off workers returns to production under new ownership

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

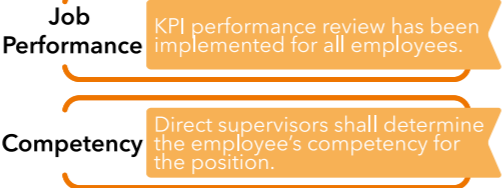
- 1 Fostering Robust Governance
- 2 Enabling Unlimited Innovation
- 3 Navigate a Green Future
- 4 Creating Inclusive Society
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 Reinforcing Environmental Safety and Health Management
 - 4.4 Coordinating Sustainable Supply Chain Development
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



4.1.5 Performance Review

To help employees enhance professional capability and performance while developing growth and potential, FENC has clearly delineated the protocol for performance review. A minimum of one round of review is conducted each year to examine employees' performance and competency. The review also serves as a key reference for salary adjustment, bonus, promotion and dismissal.

Annual Performance Review System



Performance review for foreign employees in Taiwan are determined by their supervisors based on monthly attendance and production of Grade A products. Bonus is awarded based on the results. With the exception of interns, employees onboard for less than one year, and those who have resigned or under leave of absence for over a year, the performance review system applies to all permanent employees.


2019 Performance Review Completion Rate

Ranking Gender	Factory Worker	Office Clerk	Director/Section Chief and above	All Employees
Male	100.0%	99.9%	98.2%	99.8%
Female	100.0%	99.6%	98.7%	99.9%
Total	100.0%	99.8%	98.4%	99.8%

4.1.6 Retirement Planning


We support employees' pursuit for a new life after retirement. Therefore, prior to retiring, we assist them with proper financial, social and recreational transition. FENC follows all regulatory requirements in terms of establishing the retirement system and ensures full pension coverage for all employees. Please refer to 23. Retirement Benefit Plan in "Financial Report" for annual funds appropriated for the retirement pension.

Pension Systems at Production Sites:




Taiwan

FENC initiated the pension system in 1980 and established the Employee Retirement Fund Committee, which meets regularly to monitor fund allocation. Over 50% of the committee members are labor representatives. Company contribution to employees' pension fund falls between 4% and 10% of employees' full salaries. In July 2005, the Ministry of Labor enacted a new labor pension system. Employees enrolled in the new system and new recruits make 6% deduction from payroll for their pension contribution. The years of service employees have accrued under the previous pension system remain, and pension withdrawal may be made upon retirement. All FENC employees are covered by the retirement pension system.




China

Employees are enrolled in social insurance in accordance with Social Insurance Law of the People's Republic of China. The source of employee pension is the endowment insurance under this system. Each company contributes approximately 19% to 20% to the pension fund. All employees are enrolled in the pension system.




Vietnam

Employees are entitled to their pension as stipulated in Law on Social Insurance. In 2019, production sites in Vietnam calculated the insurance premium based on labor wages and stipends, and contributed 17.5% for the social insurance.



Japan

Retirement pension system is in place at the production site in Japan. Upon completion of the 3rd year of employment, employees start accruing pension points, which may be withdrawn upon resignation or retirement.



U.S.

The 401K system applies to all U.S. production sites, and employer contribution kicks in upon the end of probation period. Agreement with labor union stipulates that employer contribution shall be 50% of employee contribution with 3% monthly salary as the maximum. The contribution rate will be updated every 3 years.



Homecoming for Retired Staff at Hsinpu Chemical Fiber Plant

Hsinpu Chemical Fiber Plant has been established for over half a century. During this period, the plant has been providing employment opportunities for the locals and developing local talents. Many of its employees are now retired. As a token of appreciation for their professional dedication, the plant holds regular homecoming programs for them to get reacquainted with the organization and its current employees. The 2019 homecoming took place on May 18th, and over 90 retirees returned to the plant, where they learned about corporate investments and development in the domestic and international fronts. They also benefited from the health management and environmental protection concepts shared on that day. A retrospective of the Home-loving Festival held 30 years ago took the retirees on a walk down memory lane. They also shared their endeavors after retirement, such as serving the public, or becoming business owners of bakeries, restaurants and homestays.



3 GOOD HEALTH AND WELL-BEING



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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix



4.2 Fostering Employee Career Planning

Talents play a pivotal role in giving the Company its leading edge. To foster a robust talent program, the Company incorporates its core business philosophy and organizational strategies into the blueprint for training. The approaches are polished continuously for program optimization with diversified options for learning, including teleclass, online learning platform, overseas lesson by internal trainers and onsite training in Taiwan for foreign managers. All of which allow the talent program to accelerate. In 2019, we were recognized once again by Talent Quality-management System (TTQS), which demonstrates the Company's emphasis on training quality. Meanwhile, FENC continues to develop into a learning organization, creating win-win for employees and the Company.



Winning TTQS Silver Medal with Continuous High Quality Training

Talent Quality-management System (TTQS) is developed by Workforce Development Agency under Ministry of Labor, Executive Yuan. It sets one of the highest industry standards for the planning and implementation of training programs in Taiwan. FENC launched TTQS in 2009. Since then, the Company has been recognized for the consistent improvement in training process and quality. In 2019, the Company received another Silver Medal. Standards for the certification is quite high and only 5-7% of the companies that applied receive the Silver Medal certification. Obtaining this certification is an exemplification of the Company's commitment to quality training .

To embrace the TTQS spirit, the entire staff at Human Resources Development Center is TTQS certified. Prior to undergoing the evaluation, the Company hired consultants to provide coaching and reviewed the training quality. We comply with all evaluation indicators with constant improvements. In the future, we will continue to ensure the sufficiency of training, and survey staff's training needs from time to time. We will also support corporate development and talent programs to achieve sustainability.



Number of Class Held for Each Training and Participants

Item	Region Year	Taiwan			China			Vietnam			Japan			U.S.		Total		
		2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2018	2019	2017	2018	2019
Orientation Training	No. of Classes	59	65	90	73	459	561	836	1,272	2,277	10	11	13	10	20	978	1,817	2,961
	No. of Participants	434	595	612	3,743	4,370	3,810	48,167	78,937	75,156	13	17	32	10	22	52,357	83,929	79,632
Specialized Training	No. of Classes	73	674	811	195	1,547	1,451	173	290	393	10	11	13	25	45	451	2,547	2,713
	No. of Participants	3,743	20,280	24,864	24,373	26,396	13,613	20,016	12,010	5,593	13	17	32	147	162	48,145	58,850	44,264
Legal Training	No. of Classes	68	499	646	52	428	427	45	144	298	12	12	12	0	0	177	1,083	1,383
	No. of Participants	1,792	9,419	16,044	5,759	6,106	9,621	3,487	4,605	11,844	83	86	109	0	0	11,121	20,216	37,168
Project Training	No. of Classes	14	91	77	29	111	153	4	59	122	5	5	5	0	0	52	266	357
	No. of Participants	190	2,459	1,669	258	2,181	2,047	68	216	2,458	70	70	94	0	0	586	4,926	6,268

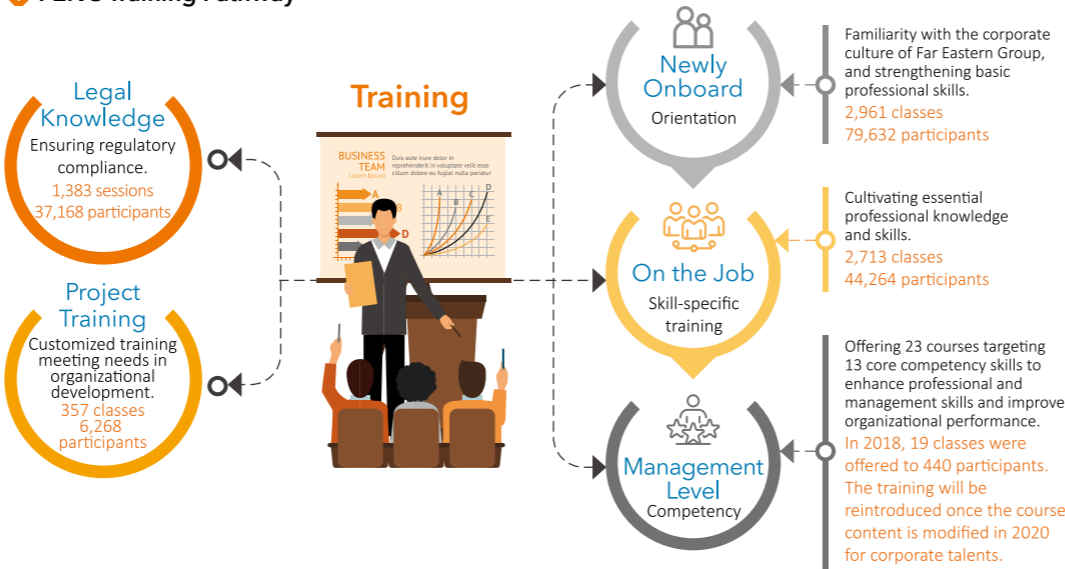
Note: In China, the number of classes for the 2017 orientation training, specialized training and legal training does not include Suzhou and vicinity; the number of participants for legal training does not include Suzhou; project training includes OPSC only.

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
- 2019 Highlights
- Targets and Progress
- Material Topics
- 4.1 Constructing Happy Workplace
- 4.2 Fostering Employee Career Planning
- 4.3 Reinforcing Environmental Safety and Health Management
- 4.4 Coordinating Sustainable Supply Chain Development
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



FENC Training Pathway



Average Number of Training Hours

Unit: hour / person

Ranking and Gender	Year	2017	2018	2019
Director/Section Chief and above	Male	37.1	31.7	34.6
	Female	39.3	32.7	31.2
	Subtotal	37.7	32.0	33.5
Office Clerk	Male	35.6	26.6	29.6
	Female	18.0	21.9	21.3
	Subtotal	29.0	24.9	26.3
Factory Workers	Male	18.3	25.7	30.3
	Female	11.4	16.5	19.5
	Subtotal	13.8	19.8	23.4
Total Employees	Male	28.7	26.7	30.4
	Female	14.6	18.2	20.3
	Subtotal	20.0	22.2	25.1

Note:

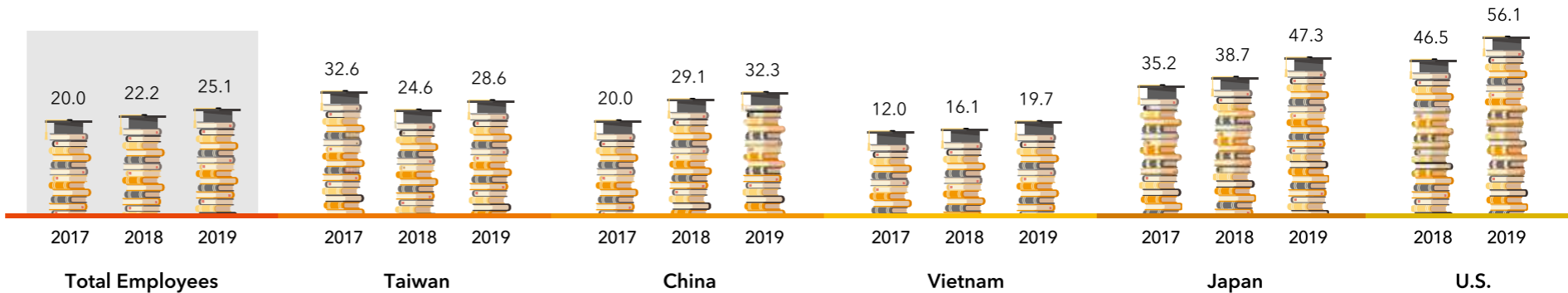
1. In 2017, Hsinpu Chemical Fiber Plant in Taiwan made quality control training mandatory for all staff as required in ISO 9001:2008, hence increasing the average training hours.

2. In 2018, FEIS started including training hours in a non-classroom setting.

3. In 2018, production sites in Vietnam added training sessions for professional skills, Chinese language course, internal trainer development and managerial training.

Average Number of Training Hours

Unit: hour / person



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**

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 **Fostering Employee Career
Planning**

4.3 Reinforcing Environmental
Safety and Health Management

4.4 Coordinating Sustainable
Supply Chain Development

⑤ Cultivating Compassionate Bonds

⑥ Advocating Balanced Coexistence

⑦ Appendix

4



Training International Talents with Global Deployment



The Company has been rapidly expanding its territory in the overseas market and demand for international talent is increasing. Therefore, language skill is on the top of the essential skill list. Beginning in 2019, the Company starts offering a two-stage intensive English program – Managerial English Course and International Talent Program.

Stage one offers English course in a classroom setting to executive managers. The trainee who made the greatest progress marks 72% improvement in the overall evaluation, a testimony to the dramatic results of stage one course. In Vietnam, managers of Vietnamese nationality showing potential are selected to enhance Chinese proficiency and communication. Currently, 5 managers have passed the HSK Chinese proficiency test.

We also developed online English course for sales units, freeing them from the limits of time and space. The course focuses on business skills. The participants are evaluated with online tests for immediate feedback. As of the end of 2019, the participants have completed nearly 500 course units and over 200 online interactive courses with foreign instructors.

Stage two focuses on the development of international talent and offers MIT online courses which emphasize domain knowledge such as strategy, organization, procedure and human capital.





Accumulate Sustainability Momentum with Comprehensive Institutional Knowledge System



Acquiring institutional knowledge from senior staff members is critical to preparing staff for the rapidly evolving trends. In 2018, the Company unified the format of professional knowledge through the Job Instruction course. In 2019, we went one step further and initiated the use of knowledge management platform as teaching materials. As of the end of 2019, the program had offered 805 professional courses. In 2020, we will conduct an engineering technology program with Yuan Ze University to develop fundamental professional knowledge for the younger generations and gradually construct a system of institutional knowledge.

External group training is also offered to help build consensus among various hierarchy in a team setting. A total of 3 sessions were held in 2019 with 253 participants. The executives of each Business led their teams to formulate directions and goals for the coming year. While going through the lectures and hands-on programs, they build consensus as well as developing teamwork and friendship.

The group lessons incorporate the concept of smart manufacturing, which inspire staff to brave the challenges in the midst of evolving trends. The team atmosphere helps dissolve departmental boundaries and develop team spirit and mutual understanding among staff. “There are no perfect individuals, only perfect teams.” After taking the course, staff believe that they will become more understanding toward each other and strive together for organizational goals.



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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix



4.3 Reinforcing Environmental Safety and Health Management

4.3.1 Implementation of Occupational Safety and Health Management

Policy and Objective

To establish a safe and healthy workplace with comfort while consistently lowering the rate of workplace accidents and disasters, FENC established Occupational Safety and Health Policy as the highest guiding principle governing the management of safety and health of the Company. With “risk control” and “continuous improvement” as the management principle, operational safety is our utmost concern. The Company takes an active stand toward improving the work environment, manufacturing equipment and operational approaches to ensure the safety and health of the workers and stakeholders.



Occupational Safety and Health Policies (Chinese)

Building Workplace Safety and Health with Labor-management Participation

FENC establishes Occupational Safety and Health Committee at production sites, serving as the highest authority at each organization on the review and discussion of safety and health management. The Committee convenes quarterly to determine the formulation, coordination and supervision of safety and health related issues at each plant to ensure full implementation. Please refer to the Company website for details on the Occupational Safety and Health Committee for each business site.



The Occupational Safety and Health Committee of FENC

Occupational safety and health management is one of the priority concerns when it comes to labor relations at FENC. The following subjects are included in the labor relations meetings, Occupational Safety and Health Committee meetings, and collective bargaining agreements with employees.

- Provide personal protective equipment.
- Establish labor relation management and occupational safety and health committee.
- Labor representatives participate in the examination and review of safety and health issues as well as accident investigation.
- Provide work related training for workers.
- Provide mechanism for workers to file for grievances.
- Workers have the right to refuse unsafe work.
- Schedule regular health checkup for workers.
- Comply with regulations from International Labor Organizations.
- Clearly define the procedure or system that workers shall follow when encountering safety or health related problems.
- Clearly establish safety and health goals and ways to achieve such goals.

Developing Safety and Health Concepts Through Training

FENC provides regular training to make sure that every employee is familiar with occupational safety and health regulations as well as the management mechanism. In 2019, the total training hours provided by the Company reached 182,556.

Training for Safety and Health Personnel in 2019

Training Type	Number of Classes	Number of Trainees	Training Hours
On-the-job Training on Safety and Health	706	15,773	86,173
Health Management Training	231	10,008	12,348
Hazardous Chemical Training	158	3,838	25,769
Radial Protection Personnel Training	15	230	444
Emergency Response and Personal Protective Equipment Training	264	10,230	47,817
Internal Safety and Health Auditor Training	23	619	4,582
Risk Control Training	36	465	5,423

2019 Staff and Contractor Safety and Health Project

• Ongoing Occupational Safety and Health Management

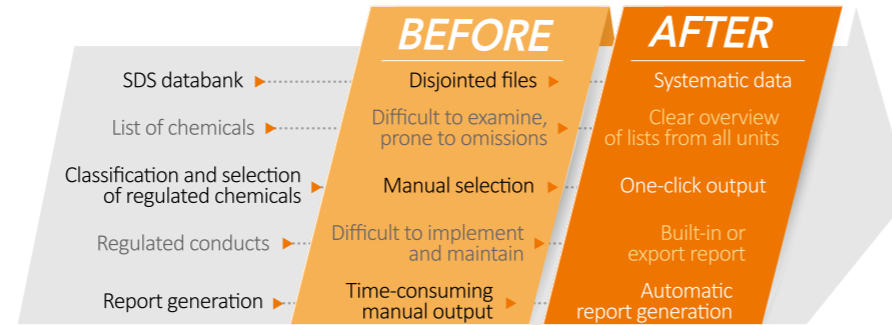
As of the end of 2019, FENC’s 17 business sites have been certified by occupational safety and health systems such as OHSAS 18001:2007 and ISO 45001, ensuring the safety and health of over 85% of the entire staff. Occupational safety and health related matters at business sites, such as the management system; risk identification and assessment; worker participation, consultation and communication; prevention and alleviation of impacts directly related to work are governed by applicable provisions of the occupational safety and health management system. These business sites also passed the yearly third-party audit, and all certifications are currently valid.

Kuanyin Dyeing and Finishing Plant launched Social & Labor Convergence Program (SLCP) in 2019 and passed third-party audit administered by TÜV Rheinland. SLCP incorporates evaluation frameworks and collects statistics on social responsibility and labor data, replacing the current approach, where brand customers conduct their own audit and review separately. Instead, the resources can be channeled more toward improvement.

• Cloud Chemical Management

Recurring chemical-related accidents in recent years have caused major losses and damages to corporations and the environment. They have also caught public and media attention. Meanwhile, repeated amendments to chemical control provisions under Occupational Safety and Health Act since the enactment also make chemical management an increasingly complex operation. Chemical management is clearly a priority in terms of labor inspection to the government. However, the large number of chemicals under regulatory control makes manual management a challenging task. In August 2019, FEFC introduced the cloud chemical management system, a platform that precisely monitors the use of chemicals within the plant to ensure sound chemical management.

◆ Comparison Between Cloud and Conventional Chemical Management



• Strengthening Emergency Response, Self-defense and Firefighting with Safety Drills

FENC conducts several disaster prevention simulations and drills each year to achieve disaster preparedness and effectiveness. The drills also offer opportunities to review staff's familiarity with the operation of various disaster prevention apparatus and their preparedness.

Hukou Mill joined hands with 9 brigades from the Fire Bureau of Hsinchu County Government in January 2019 and conducted a safety drill to enhance self-defense, firefighting and disaster preparedness. Hsinchu County Magistrate Wen-Ke Yang participated in the drill with 300 participants, including Eric Hu, President of FENC Textile Business, plant managers and staff, local residents and children from the nearby kindergarten. The drill simulated leakage from heavy oil delivery truck and fire on the ground floor of the factory, which activated the defense and firefighting teams. Emergency responses activated during the drill include reporting and initial response; mobilization of self-defense and firefighting teams; firefighting and rescue; guided emergency evacuation; emergency medical aid and treatment.



• Automation of Yarn Cutting

Cop is an unavoidable byproduct of polyester filament production that is not useful for the downstream suppliers. The production process leaves FEIS with 1,500 cops (≤6mm in thickness) each day. In the past, in order to reuse the paper tube, staff would remove the threads manually with yarn cutter. However, the sharp blades put them in danger and have caused several minor injuries.

To address staff safety, the production team proposed to automate the yarn cutting process. After multiple rounds of discussion, coordination and modification, the production team and suppliers finally developed the automated yarn cutter customized for cops in February 2019. The built-in infrared sensor detects the dimension of the tube to position the thermal cutter with precision. The machine automatically feeds the cop, cuts and removes the yarn, and withdraw the cop, recycling 100% of the paper tubes and eliminating any potential harm to staff from manual operation.



Manual yarn cutting



Automatic yarn cutter

• Employee Health and Care

The FENC headquarters, Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant have established their own health management systems. The system allows staff to review the reports from previous annual checkups at any time to monitor their health, and to register for health programs online. The system also provides health related news to help staff manage their own health.

Aside from the comprehensive safety and health plan, which covers maternal healthcare, prevention of work-induced cardiovascular disease and ergonomic risk evaluation, the Company also offers health management system that reviews the year-to-year details of annual health checkup for analysis. Based on the type and degree of anomaly, the system conducts effective, systematic and continuous management and control, including triage, tracking and consultation. The entire process is monitored by health professionals, including doctors and nurses to provide complete care and risk assessment, giving staff the best healthcare they deserve.

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**

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

4.3 **Reinforcing Environmental
Safety and Health Management**

4.4 Coordinating Sustainable
Supply Chain Development

⑤ Cultivating Compassionate Bonds

⑥ Advocating Balanced Coexistence

⑦ Appendix

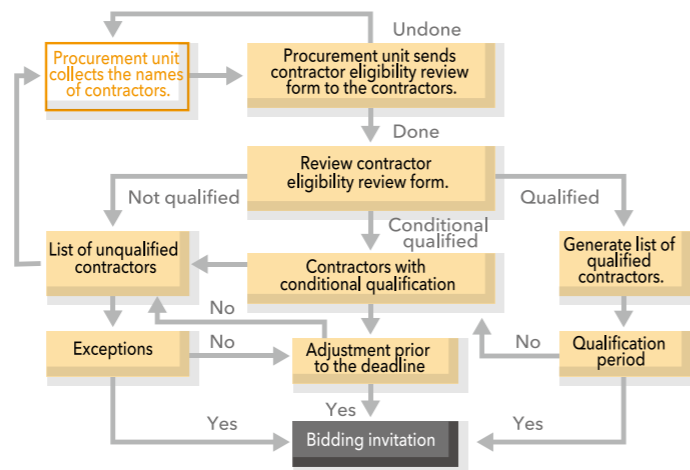
4

• Contractor Eligibility Review System

To FENC, contractors are important business partners. To ensure safety, each production site notifies contractors of potential hazards with monitoring measures in accordance with Occupational Safety and Health Act and applicable regulations. In addition, each site promotes various management approaches to reinforce contractors' work safety.

OPTC has been working with contractors for years and acquired tremendous external experience. It is evident that screening contractor quality in advance and establishing a contractor qualification database would be beneficial for selecting contractors with the right credential and track records during the bidding process, which would lower the risks of awarding contracts to unqualified contractors. Hence, OPTC has devised the contractor eligibility review system. An eligibility review form is distributed to the contractors. Based on the information provided, a list of eligible contractors will be established. Contractors on the eligibility list will receive priority consideration and invitation to join the bidding process. This system is an effective pre-screening mechanism for selecting ideal contractors and to improve construction quality and safety.

◆ Contractor Eligibility Review Flowchart



2019 Achievements in Occupational Safety and Health

• Safety and Health Award

In 2017, Kuanyin Chemical Fiber Plant established Kuansin E Family to help staff identify occupational safety and health issues and improvement measures. As of the end of December 2019, the program has provided 274 recommendations for other small and medium enterprises, and 95.3%, which is 261 of the recommendations have been implemented. The organization has made significant contribution to the overall occupational safety and health in the society.



Tzu-Lien Tzou, Director-General of Occupational Safety and Health Administration, Ministry of Labor presented the Award of Excellence for Safety and Health to Kuanyin Chemical Fiber Plant during Project Presentation of Small and Medium Enterprise Workplace Improvement Plan. In addition, the plant's entry for poster presentation on the implementation of occupational safety and health won the Popularity Award.

• Traffic Safety Promotion Award

According to the Ministry of Labor, traffic-related injuries occurred during commute are responsible for over 200 deaths each year, which account for over 35% of the yearly occupational fatality. Traffic accidents are the most fatal cause of occupational deaths.



To reduce traffic accidents among staff, Hsinpu Chemical Fiber Plant collaborated with Hsinchu County Government in April 2019 and held 12 sessions of road safety program. The program covers basic understanding of traffic safety; defensive driving and hazard perception for motorcyclists and drivers of large vehicles. A total of 1,260 people from the plant enrolled in the program. The plant also won Traffic Safety Promotion Award from Hsinchu County Government presented by Hsinchu County Magistrate, Wen-Ke Yang.

• Highest Governmental Rating for OPSC

In the beginning of 2019, the Production Safety Commission of State Council of the People's Republic of China form a task force of experts to offer safety advisory service on a 3-year rotation for the 51 priority zones of hazardous chemicals. The safety inspection addresses all aspects of corporate hazardous chemical safety, including basic safety management; technical safety; equipment and instrument management; design and drawing; firefighting and emergency management.

OPSC underwent 2 rounds of training in January and July, and received the highest score among the 7 businesses inspected in Hangzhou Bay Development Zone in Fengxian District, Shanghai.

- 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**
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 **Reinforcing Environmental Safety and Health Management**
 - 4.4 Coordinating Sustainable Supply Chain Development
- ⑤ Cultivating Compassionate Bonds
- ⑥ Advocating Balanced Coexistence
- ⑦ Appendix



2019 Priority for SHEF Task Force



In 2019, the Safety, Health, Environmental and Firefighting Task Force (SHEF Task Force) continues to provide assistance to production sites in China to improve occupational safety and health. Its priorities are as follows:

1. Advancing Smart System: Reducing risks with smart management of operational links.

The SHEF Task Force developed the SHEF management system in 2019. Stage one marks the completion of operational linking system to enhance management and control, and reduce deviation in execution due to human factors.

- Permit to Work System (PTWs): The application, approval and acceptance of all safety operations may be conducted through mobile apps, which makes it easier for staff to implement such operation.
- Establish Potential Risk System and Enhance Closed-loop Management: When potential risks are identified on the job site, information is stored in the system and circulated to notify applicable departments for immediate improvements. The system also provides analysis and reports which highlight key actions to enhance follow-up management.
- Smart Logistics System: The smart logistics system was established in 2020. It conducts smart deployment of shipping suppliers through mobile apps.

2. Organizational Training and Resource Sharing

The SHEF Task Force conducted 4 intensive management training in 2019 covering firefighting, occupational health, Job Cycle Check (JCC) and wastewater.

The task force also conducted cross-industry training in 2019. OTIZ, FEAZ and FEDZ each assigned one staff to OPSC and Far Eastern Union Petrochemical (Yangzhou) Ltd. for on-the-job training. The program trains occupational safety staff for the downstream factories. Training includes safety culture; firefighting management; occupational health management; emergency management; operational safety management; compliance management; daily safety management.



3. Promotion of SHEF Culture

- Toolbox Talks: The task force implements toolbox talks among the mid- and downstream corporations. Staff conduct 3-5 minute conversations discussing one safety issue during each pre-shift meeting to promote awareness on occupational safety.
- SHEF Magazine: 4 issues of SHEF magazines were issued in 2019. The coverage includes the latest regulatory requirements, new activities at the production sites, executive perspective and staff's reflections.

4. Reduce Occupational Injuries with Better SHEF Management

Beginning in March 2019, the SHEF Task Force takes part in the investigation of occupational injuries at the production sites and help the plants conduct analysis and identify the cause and improvement measures to reduce staff penalty and foster no-blame culture.

In 2020, the task force continues to conduct in-depth safety management with JCC, Job Safety Analysis (JSA), and Management of Change (MOC) for advanced and concurrent control.



5. Assistance for Environmental Improvement

The production sites proposed 46 improvement projects in 2019 to address the management of wastewater, exhaust, noise and solid waste. Among them, 29 have been completed. During the implementation of these environmental protection projects, the SHEF Task Force provides technical support to plants in need and conducts tracking and acceptance.

In 2020, we continue tracking the projects with support for all production sites to monitor the compliance of technical requirements for existing projects.

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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix



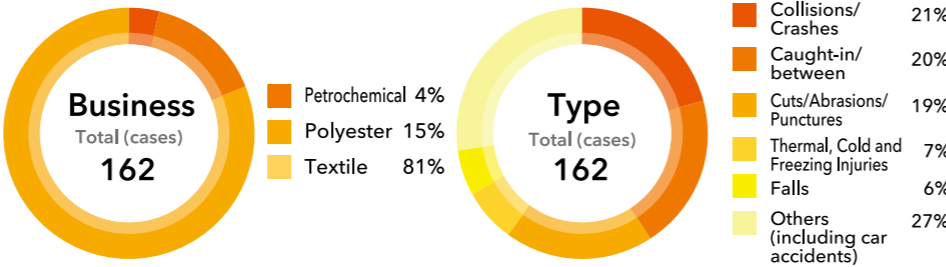
4.3.2 Statistics on Occupational Injury

To clearly map out the occurrence of occupational hazards and the cause at all business sites, FENC collects and analyzes investigation reports on all occurrences of occupational injuries. The results indicate that in 2019, most of the occupational injuries occurred in the Textile Business, which has the highest percentage of staff (73%).

Among the causes of occupational injuries, 44 cases (27%) are categorized under “Others”, which includes falls, electric shock, falling and collapsing objects, contact to hazardous materials and car accidents. The predominant causes are related to mechanical operation, maintenance and inspection; failure to comply with SOP; failure to undergo safety and health training.

To prevent and reduce occupational injuries, all business sites must formulate prevention strategies targeting the causes of such injuries, including enhanced safety and health training for staff; safety and health inspection and coaching; advanced pre-work warning; smart AI inspection; strengthening safety and health management; sponsorship system for operational environment and major machinery, equipment and devices; self-management targeting safety and health.

Statistics on Occupational Injury in 2019



Two fire incidences are recorded for 2019. Contractors replacing the plumbing and wiring for the cooling tower at Hsinpu Chemical Fiber Plant accidentally started the fire during welding operation. At Kuanyin Chemical Fiber Plant, a fire broke out due to malfunctioning caused by overheated switchboard. When the fire broke out, onsite staff activated emergency response immediately and extinguished the fire, successfully preventing any casualty and interruption to the production process. Both plants have proposed fire prevention measures, such as fire prevention training; identification of risk factors; mandating the use of argon welding for hot work; comprehensive preview over contractor management; adding lists of flammables as prevention standards. Specifically for the switchboard, the contractors must check its temperature daily with infrared thermometer; monitor with wireless temperature patch; request regular maintenance by the supplier to prevent fire.

Statistics on Occupational Injury

Item and Gender	Business Year	Petrochemical			Polyester			Textile		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
Number of Occupational Injury Cases	Male	1	9	6	19	15	22	29	34	87
	Female	0	0	0	2	3	2	12	18	45
	Total	1	9	6	21	18	24	41	52	132
Injury Rate (IR)	Male	0.21	1.32	0.96	0.40	0.26	0.40	0.21	0.25	0.45
	Female	0.00	0.00	0.00	0.04	0.05	0.04	0.09	0.13	0.24
	Total	0.21	1.32	0.96	0.44	0.31	0.44	0.30	0.38	0.69
Absentee Rate % (AR%)	Male	0.48	1.11	0.29	0.16	0.26	0.22	0.08	0.08	0.13
	Female	0.20	0.71	0.04	0.05	0.06	0.12	0.11	0.10	0.20
	Total	0.68	1.82	0.33	0.21	0.32	0.34	0.19	0.18	0.33
Lost Day Rate (LDR)	Male	3.74	3.97	2.24	10.39	5.73	6.97	7.67	8.56	7.43
	Female	0.00	0.00	0.00	1.28	0.47	0.63	1.36	0.73	5.27
	Total	3.74	3.97	2.24	11.67	6.20	7.60	9.03	9.29	12.70
Number of Work-related Deaths	Male	0	0	0	1	0	0	0	0	0
	Female	0	0	0	0	0	0	0	0	0
	Total	0	0	0	1	0	0	0	0	0
Rate of Work-related Deaths	Male	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00
	Female	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00

Note:

1. IR = Number of Occupational Injury Cases ÷ Total Work Hours × 200,000

2. AR(%) = Days of Absence ÷ Total Work Days × 100%

3. LDR = Lost Days ÷ Total Work Hours × 200,000. Lost days do not include the day of injury and the day of work resumption.

4. Rate of Work-related Deaths = Number of Work-related Deaths ÷ Total Work Hours × 200,000.

5. IR, LDR and Rate of Work-related Deaths indicate the percentage of every 100 workers with 40 work hours a week, 50 weeks a year.

6. Occupational injuries include death, permanent total disability, permanent partial disability, temporary total disability, minor occupational injuries that result in no more than one lost day, and exclude traffic accidents that happen during employees’ commute to and from work.

7. There were no high-consequence occupational injuries, due to which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months, between 2017 and 2019.

8. There were no instances of occupational diseases between 2017 and 2019.

9. Data collection at the textile plant of FEPV began in 2019.



Contractor's Occupational Injury at Production Sites

Item and Gender	Business Year	Petrochemical			Polyester			Textile		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
Number of Occupational Injury Cases	Male	0	0	0	0	0	1	0	0	0
	Female	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	1	0	0	0
Number of Work-related Deaths	Male	0	0	0	0	0	1	0	0	0
	Female	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	1	0	0	0

Hsinpu Chemical Fiber Plant reported a high-consequence occupational injury in 2019. A contractor employee died from falling into the opening exposed after a tank was lifted away. Details of the cause of and response to this tragedy are provided below:

Cause

- Openings were not covered with metal plate after equipment removal.
- There were no additional fall proof measures on site.
- Workers were not properly trained.
- There is a lack of safety and health SOP for demolition work.

Response

- Re-identify and re-assess high-risk operation and workplace, as well as potential risks.
- Review and add identification standards for new contractor employees as well as certification standards on self-management of safety and health for contractors.
- Install fences, guardrails and coverings meeting strength requirements at all openings near the edge of the premise and on the floor area, which poses the risk of falling.
- Install fences, guardrails or metal coverings prior to removing any tanks and wiring. The openings exposed after removal must be covered with metal plate or fenced in immediately to prevent falls.
- Require permits as well as confirmation from onsite managers, safety and health personnel and surveillance staff prior to any lifting operation.
- Reinforce training on elevated work for contractors.
- Post warning signs that states entry to operational areas are for staff only.
- Lock demolition sites during non-construction period.

FENC is adamant about its commitment to occupational safety and health management, which is now part of the future vision and objective. We still mourn the loss of the contractor employee who lost his life from the fall at the job site. Therefore, it is our unwavering determination to ensure occupational safety and health for all contractor employees and we communicate all necessary measures to the contractors. Hsinpu Chemical Fiber Plant has made this a priority for 2020 to prevent unfortunate events like this from happening in the future.

4.4 Coordinating Sustainable Supply Chain Development

At FENC, Raw Material Team is in charge of market analysis, strategic planning and procurement of main raw materials such as PX, PTA, MEG and cotton. FEG Purchasing Department and Purchasing Department of OPTC are responsible for procurement in Taiwan, while Shanghai Purchasing Unit and Suzhou Purchasing Unit are their counterparts in China. Procurement details and statistics from the above-mentioned units are laid out in the following sections.

Supplier Management

Signing “Supplier Corporate Social Responsibility Commitment Statement” is mandatory for all FENC suppliers. This is one of the supplier selection criteria to encourage suppliers to take the initiative of assuming corporate social responsibility in the process of providing products and services. By signing the statement, suppliers form partnership with FENC to achieve the goal of building sustainable supply chain.

As of the end of 2019, 2,856 suppliers have signed the statement, which account for 65% of total suppliers, up by 40% from 2018. We will continue to aim for reaching more suppliers to sign the statement. We will also encourage suppliers of production sites in Vietnam, Japan and the U.S. to sign this statement, and make ongoing refinement of this document to reflect trends in supplier management.



The Number and Percentage of Suppliers Signing “Supplier Corporate Social Responsibility Commitment Statement”

Region	2017		2018		2019	
	Number of Supplier	Percentage	Number of Supplier	Percentage	Number of Supplier	Percentage
Taiwan	730	32%	1,227	52%	1,607	69%
China	708	32%	813	39%	1,249	60%
Total	1,438	32%	2,040	46%	2,856	65%

Note:
1. The percentage of suppliers signing “Supplier Corporate Social Responsibility Commitment Statement” = the number of suppliers signing “Supplier Corporate Social Responsibility Commitment Statement” ÷ total number of suppliers x100%.
2. The total number of suppliers varies from year to year.

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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

⑤ Cultivating Compassionate Bonds

⑥ Advocating Balanced Coexistence

⑦ Appendix



FENC complies with the local regulations at each production site and therefore, procurement units would set additional criteria to reflect differences in project types. Applicable clauses are included in the contract to make sure that suppliers are in compliance.

Supplier Selection and Management

Procurement Unit	Selection and Management
FEG Purchasing Department and Raw Material Team	<ul style="list-style-type: none">The goal is to have all suppliers sign “Supplier Corporate Social Responsibility Commitment Statement” to ensure that all suppliers are governed by the statement.To meet customers’ needs, Raw Material Team works with international suppliers, adopting approved cotton and Bio-MEG as materials and making visits suppliers annually.
Purchasing Department of OPTC	<ul style="list-style-type: none">The department conducts evaluation on all new suppliers and requires the signing of “Supplier Corporate Social Responsibility Commitment Statement”.Evaluation and request targeting specific suppliers include: Environmental impact assessment, including quality certifications such as ISO 9000 for quality management and ISO 14001 for environmental management for suppliers of microchemicals and industrial gases; establishment of environmental management system; environmental impact assessment on the impacts of products or activities from suppliers; labor practice evaluation on suppliers of construction equipment. (Please refer to 4.3.1 Implementation of Occupational Safety and Health Management for details on the contractor eligibility review system.)
Shanghai Purchasing Unit	<ul style="list-style-type: none">The unit conducts document or onsite evaluation on new suppliers in accordance with Procurement Regulations and Regulations Governing Supplier Evaluation, and require that suppliers sign “Supplier Corporate Social Responsibility Commitment Statement” to select qualified suppliers.The unit implements Regulations Governing Supplier Evaluation. In the beginning of each year, the unit selects qualified suppliers by reviewing those from the previous year and rate them on a scale of A, B and C. In 2020, the unit established External Supplier Management Task Force to conduct onsite inspections for key suppliers.
Suzhou Purchasing Unit	<ul style="list-style-type: none">Suppliers with long-term contract, which is 1-year and above, and suppliers of large-quantity procurement must undergo evaluation and sign “Supplier Corporate Social Responsibility Commitment Statement”. The goal is to have 95% of the suppliers finish signing by the end of 2020.The unit established Supplier Management Task Force in 2018; established various supplier evaluation forms and developed supplier management system in 2019. In 2020, the unit will implement online supplier management in 2020 to manage the suppliers with more precision and efficiency.Key material suppliers and contractors are evaluated on 4 fronts – quality, delivery, service and guarantee. Suppliers that obtained ISO 14001 and OHSAS 18001 and ISO 45001 certifications receive priority consideration. In 2019, 98% of the suppliers are rated as quality suppliers. Orders for non-quality suppliers will be reduced or terminated.In 2019, onsite audit was conducted for 43 suppliers of key raw and auxiliary materials. All suppliers scored above 85.

There are 991 new suppliers in 2019, and 970 (98%) of which have been evaluated.

The following table is a compilation of supplier evaluation by the procurement units. Evaluated categories include environment, labor, human rights and society. When the evaluation indicates major impacts were made, the Company may provide suppliers with assistance for improvements or terminate the contract depending on the severity. There were no instances of suppliers with negative impacts in 2019.


Supplier Assessment Aspects and Number of Suppliers

Assessment Aspect	Environment	Labor Practice	Human Rights	Society
Total number of selected suppliers	3,156	3,253	3,226	3,226
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 evaluation includes pollution prevention, waste treatment as well as energy and resource consumption; labor practice evaluation includes occupational safety, equality and training; human rights evaluation includes child labor, forced labor and rights of the indigenous people; social evaluation includes corruption, monopoly and fraud.

2. FEG Purchasing Department and Raw Material Team conduct evaluation on local suppliers; Shanghai Purchasing Unit conducts evaluation on new suppliers from China and overseas; Purchasing Department of OPTC conducts environmental evaluation on suppliers of microchemicals and industrial gases, and labor practice evaluation on suppliers of construction equipment; Suzhou Purchasing Unit conducts evaluation on suppliers with long-term (over 1 year) contract and large-quantity procurement.



Recognition for Green Procurement

Since 2007, Environmental Protection Administration of the Executive Yuan has been giving recognition to private organizations and enterprises that promote green procurement as a way to encourage suppliers to increase the practice and protect the environment. FENC responded to such aspiration with concrete actions while fulfilling its social responsibilities.

In 2019, FEG Purchasing Department received the 4th consecutive Certificate of Appreciation for Green Procurement from the Environmental Protection Administration, and the 3rd consecutive title, Benchmark Unit of Private Enterprise and Organization Green Procurement Plan, from the Environmental Protection Bureau of Taipei City Government. As a leader in green procurement among corporations in Taiwan, we pledge to add 5% of the 2018 green procurement spending to that in 2021, and continue to march toward energy conservation and environmental protection.

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

2019 Highlights

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix





Procurement Management in Vietnam

FENC's operation in Vietnam has been expanding in recent years and procurement systems for the production sites are gradually falling in place. FEAV, FENV and FEAZ established Equipment Evaluation Task Force, which prepares lists of quality equipment and demands quality service on a timely manner from suppliers. The task force also requires that suppliers prepare applicable safety documents to ensure safety and compliance of production equipment.

We also conduct site visits and document review regarding new suppliers of major projects to ensure that suppliers' competency and quality meet our standards. Suppliers which won the contract must ensure worker safety by conducting briefings when construction starts and preparing all construction safety documents.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

Priority Status for Local Suppliers

Procurement from local suppliers is a way to boost local economy. It also allows production sites to enjoy better after-sales service. Therefore, we give local suppliers a priority status.

Procurement from Local Suppliers in 2019

Region	Percentage of Procurement from Local Suppliers	Percentage of Procurement from Local Suppliers after Deducting Main Raw Material
Taiwan	48%	80%
China	50%	86%
Total	49%	84%

Note:

1. Some of the major materials do not have the local suppliers.

2. "Local" is defined as Taiwan for the business sites in Taiwan; provinces where the Company is located in China excluded non-main materials bought from Shanghai Purchasing Unit is defined as Shanghai.

3. Percentage of purchase from local suppliers = Purchase amount from local suppliers ÷ total purchase amount x 100%.

Procurement and Management of Bulk Raw Materials


Bulk raw materials constitute the highest production costs for FENC. For procurement, the priority is to obtain a steady supply of high quality bulk materials. Our standards are higher than the industry norm. We choose suppliers that comply with governmental regulations and CSR requirements based on the internal procurement management procedure and regulations. Regarding imported material such as PX, which cannot be supplied locally, we request that the shipping company comply with all applicable transportation regulations as well. The procurement of PTA and MEG must comply with EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and Halal Certification. The procurement of cotton must comply with the International Cotton Association (ICA) regulation and regular practice on international cotton trade.

We support the use of renewable materials to minimize environmental impacts from our products. In addition, we actively engage in the development of biomass materials and recyclable plastic, such as Bio-MEG, Bio-PTA, 100% Bio-PET and PLA. We also incorporate other environmentally friendly raw materials to reduce environmental impacts.

Risk and Response for Procurement of Bulk Raw Materials


Stockout

The Company selects reputable suppliers of a certain scale with a mix of different manufacturing methods to incorporate diversity in the selection process.




Quality

For the procurement of cotton, the Company targets areas that have incorporated a high degree of smart farming. The use of advanced technology keeps the quality consistent while conserving natural resources, which increases efficiency and reduces the use of chemicals in the process.



Price

The Company chooses procurement timing and modifies futures contracts to reduce impacts from unforeseen events. In 2019, the Company increased the percentage of non-fixed-price contracts to reduced price risks, which helped the Company successfully dodge the impacts of fluctuating raw material price due to U.S.-China trade war.



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**
 - 2019 Highlights
 - Targets and Progress
 - Material Topics
 - 4.1 Constructing Happy Workplace
 - 4.2 Fostering Employee Career Planning
 - 4.3 Reinforcing Environmental Safety and Health Management
 - 4.4 **Coordinating Sustainable Supply Chain Development**
- 5 Cultivating Compassionate Bonds
- 6 Advocating Balanced Coexistence
- 7 Appendix



Procurement of Bulk Raw Materials

Unit: 1,000 metric tons


Bulk Raw Materials	Sources	2017	2018	2019
PX	U.S., Japan, Korea, China, Singapore	1,035	1,520	1,690
PTA	Taiwan, China, Japan, Thailand	1,313	1,301	1,124
MEG and Bio-MEG	Saudi Arabia, Taiwan, India, China, Japan	521	512	435
Cotton (Including Organic Cotton and Recycled Cotton)	China, U.S., Brazil, India, Mexico, South Africa, Argentina	70	65	62

Note: PTA procurement includes external procurement and internal transfer.






Supplier Engagement

FENC values dialogues with its suppliers and tries to closely monitor supplier operation through various channels. Each month, after gathering information concerning the suppliers and contractors at production sites in Taiwan, FEG Purchasing Department holds supplier meetings if such need arises. The Company website also provides an email for supplier feedbacks. OPTC conducts monthly meetings with business partners and quarterly work meetings with shipping suppliers; Suzhou Purchasing Unit holds semi-annual supplier meetings and conducts technology exchange with suppliers from time to time.



Reinforce Supplier Management with Supplier Management Task Force



In 2015, Hsinpu Chemical Fiber Plant designated Fiber SBU to demonstrate supplier audit. In 2017, the plant established Supplier Management Regulations and formed Supplier Management Task Force with the various SBUs under the plant. In addition to conducting regular supplier audit, the task force also evaluates new suppliers, regulates the review process and manages irregularities in supplier quality to enhance the supplier management system and evaluation on the product quality from suppliers. Regarding key auxiliary materials, the task force has set forth the following missions:

1. Supplier Evaluation

Every December, the plant conducts review on the pass rate for material feed, quality assurance, delivery schedule and willingness to cooperate. In 2019, a total of 165 suppliers were evaluated and all are in compliance with the highest standards from the customers.

2. Supplier Audit

The plant conducts document review followed by onsite review if needed. In 2019, 74 suppliers were audited. Among them, 19 underwent onsite audits. All suppliers are in compliance with the highest standards from the customers.