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# 2

## Enabling Unlimited Innovation

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### Target Readers:

- |  |   |
|--|---|
| <input type="checkbox"/> Employee/ Labor Union                             | <input type="checkbox"/> External Audit Agency/ Media                           |
| <input checked="" type="checkbox"/> Direct Customer                        | <input checked="" type="checkbox"/> Shareholder/Investor/ Financial Institution |
| <input type="checkbox"/> Government  | <input checked="" type="checkbox"/> Industry Association                        |
| <input checked="" type="checkbox"/> Business Partner (Supplier/Contractor) | <input type="checkbox"/> Local Resident and Organization                        |

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



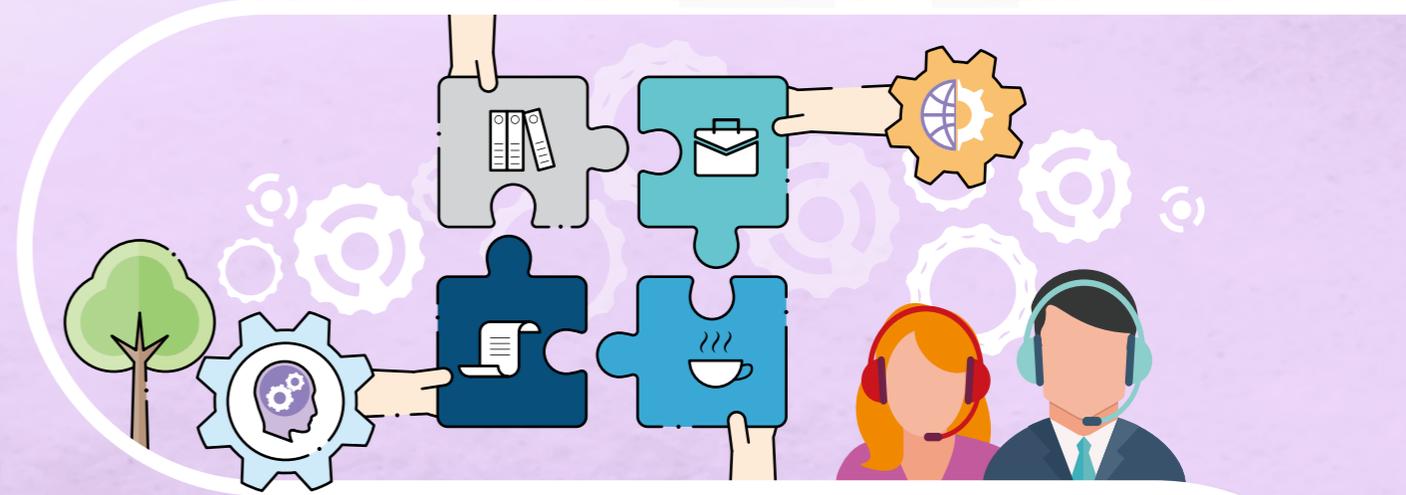
16 PEACE, JUSTICE AND STRONG INSTITUTIONS



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS



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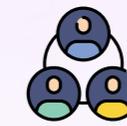


## ★ 2020 Highlights

Developing  
TopGreen® ChemCycle  
Polyester Recycling Technology



FENC @ TITAS 2020 -  
Pioneering Virtual Showroom  
with 7 Themes



Developing  
Customer and  
Product Profitability  
Analysis System



Green Product Sales  
NT\$ **32.77 Billion**



New Product Sales  
**12.6 Billion**



Patent  
Approval  
**841**

Developing  
New Polyester  
Processing

Reducing  
**50%** GHG Emission  
**65%** Water Consumption  
**60%** Acid Gas Emission



Developing  
Solution-  
Dyed Nylon

Reducing  
**60%** GHG Emissions  
**90%** Water Consumption

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## 3 Navigating a Green Future

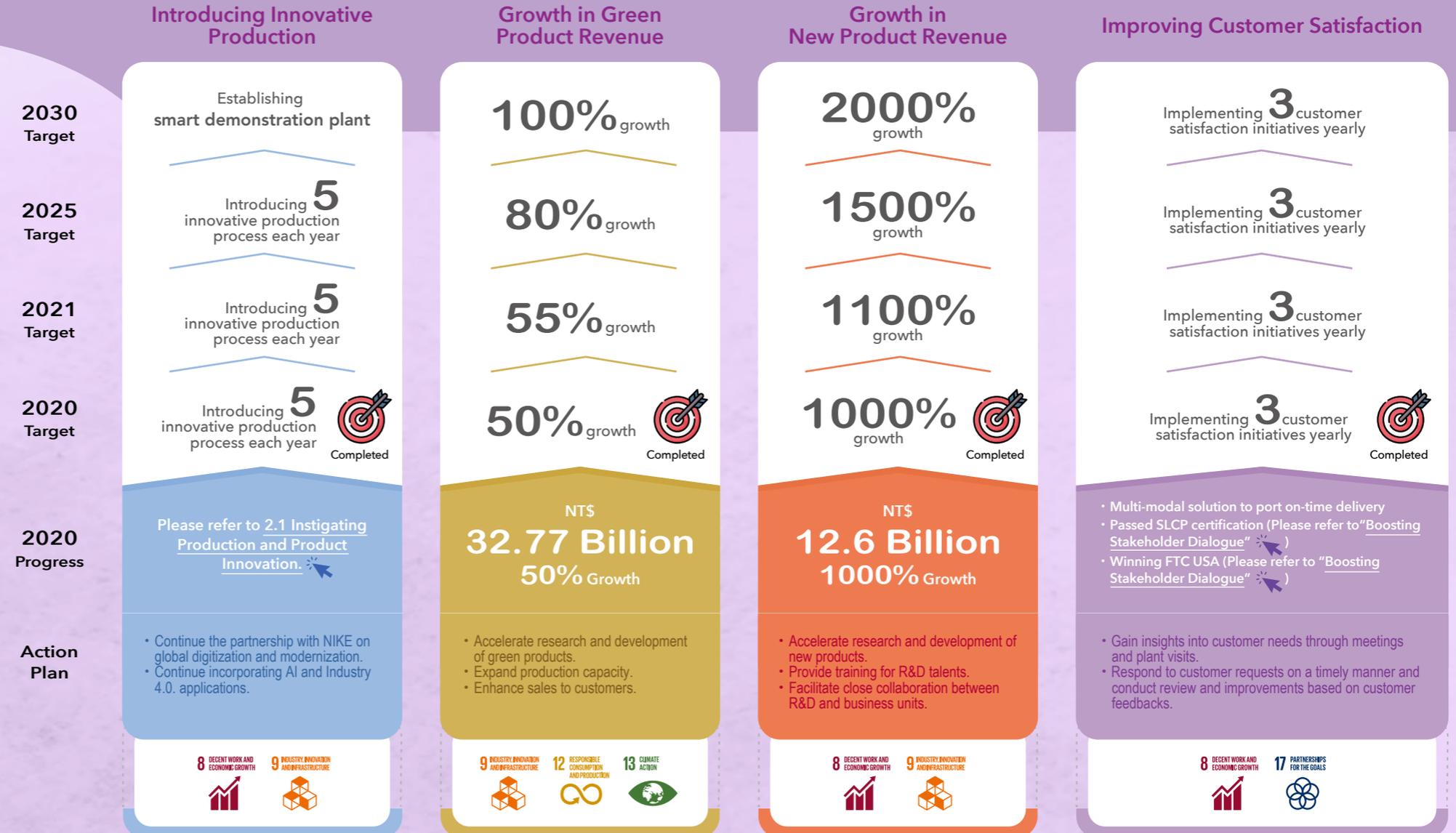
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# Targets and Progress



Note: Growth in Green Product and New Product Revenue are set with 2015 as the base year

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## Material Topics



### Instigate Production and Product Innovation

#### Significance and Goals for FENC

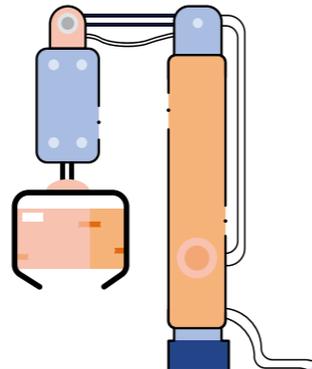
Innovation is the entrepreneur spirit that has been guiding FENC. With tremendous R&D momentum, we develop forward-looking products and transition into smart production and product services, making sustainability a reality through innovation, and generating green opportunities with circular economy.

#### Management and Effective Assessment Approach

- Establish R&D Center and continue to infuse resources into the research and development of innovative products and production.
- Generate business opportunities through differentiation, value-adding and advantage in green products.

#### Authority

- All Production Sites
- R&D Center



### Build Customer Rapport

#### Significance and Goals for FENC

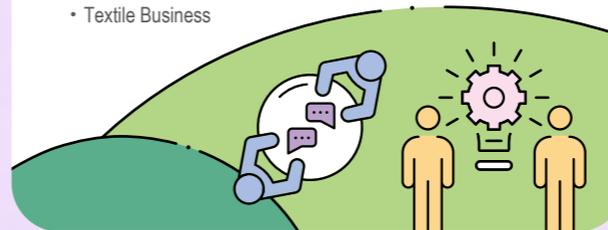
We establish committed dialogues with customers to help them achieve sustainability goals, and maintain rapport by providing diverse and innovative products with quality and the best after-sales service, building the reputation as a corporation that fosters both revenues sustainability.

#### Management and Effective Assessment Approach

- Establish Regulations Governing Customer Relationship Management as the principle guiding customer relations.
- Conduct 2 company-wide sales meetings each month to stay current on market trends and review sales conditions.
- Managers of business units are to monitor interaction between sales and customers and conduct customer satisfaction surveys to maintain customer orders.

#### Authority

- Petrochemical Business
- Polyester Business
- Textile Business



### Promote Product Marketing

#### Significance and Goals for FENC

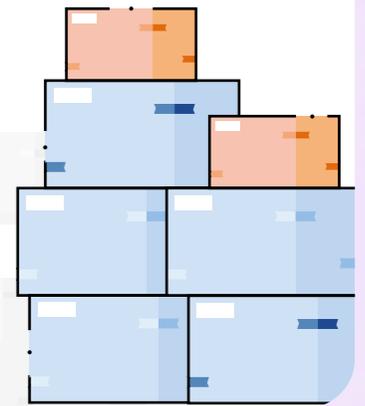
We appeal to customers with diverse marketing approaches by tracking customer needs, meeting market demands for new products, strengthening sales abilities and polishing corporate and product image.

#### Management and Effective Assessment Approach

- Actively participate in exhibitions, presenting the latest products and documenting performance such as the number of visitors and orders as well as business development to align sales directions.
- Obtain product certifications and ensure compliance with international standards.

#### Authority

- Petrochemical Business
- Polyester Business
- Textile Business



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## 2.1 Instigating Production and Product Innovation

FENC is the leader of the global polyester industry. While the Company continues the pursuit of excellence to hone long-term competitiveness during business expansion, its devotion to R&D is second to none. The Company has fostered green business opportunities by embracing circular economy, and guarantees that all FENC products are developed without human and animal testing.

### 2.1.1 Green Products

#### Climate Change Series

With replace (fossil fuel), recycle (and reuse) and reduce (resource consumption) as the core concept, products in this series aim to mitigate climate change.

#### Eco-Friendly Series

This series offers a wide range of products that are friendly to the environment by using non-toxic materials, catalysts and additives to reduce pollutants emitted during production and minimize negative environmental impacts.

#### ◆ Revenue from Green Products

Green Products and Processes



The COVID-19 pandemic has a sizeable impact on FENC's revenues in 2020. Sales of green products also declined. However, FENC's green products have demonstrated competitive strength with a milder decline than the decrease in overall corporate revenues. This is made possible with the Company's unwavering commitment to promote green products.

### 2.1.2 Innovative Products

Product innovation at FENC is accomplished through the following two means:

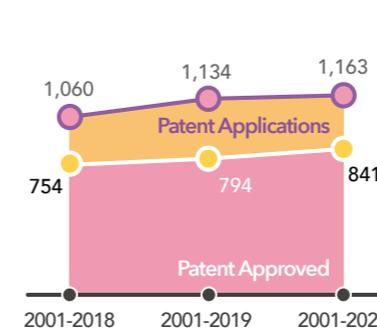
1. Independent R&D units such as Far Eastern Group R&D Center (R&D Center) in Taiwan and Sharon Center in the U.S are established to develop next-generation products. With the assistance of the production and sales units, the products are then commercialized and marketed.
2. Internal product development department such as IDM is established to engage in close contact and in-depth communication with customers, identify their needs and develop products accordingly.

#### R&D Center and Sharon Center: Capturing Global Trends with Innovative Products

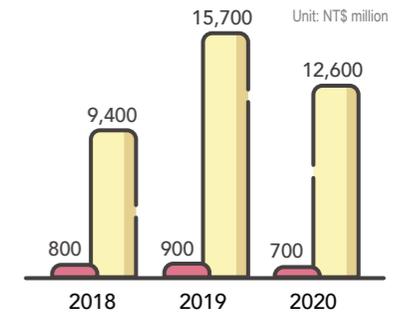
At R&D Center and Sharon Center, the mission is to lead the global textile industry with non-stop innovation and breakthrough through R&D. By integrating talents and resources; accelerating product development with added value; enhancing competitive edge; creating new corporate values, the Company will be known as a high tech enterprise in the polyester and textile industry.

#### ◆ Performance in R&D and Innovation

#### ◆ Funds for R&D and Innovation and Revenue from New Products



Note:  
 1. R&D Center was founded in 2001.  
 2. FENC acquired Sharon Center in the U.S. in 2018, and the transfer of patent ownership has been ongoing. Sharon Center received approval on 524 patents. As of the end of December 2020, ownership for 434 of them has been transferred.



Note: Revenue from new products are generated through the use of technology from the R&D Center or from technology transfer.

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IDM: Accelerating Commercialization with Customer-Centric Development

The world is changing at an accelerating pace. Brand owners are rolling out innovative products to win business opportunities and appeal to ultimate consumers. To pinpoint customer needs with precision, the Company integrates its R&D resources with core capabilities and established IDM, a R&D institute founded upon 7 technological platforms. IDM helps the Company to expand from the midstream polyester industry to the downstream textile apparel industry, and to accelerate the commercialization of product innovations with the design capability of COLAB.

◆ IDM Introduction

**Value** ▶ Speed \ Smart \ Scale \ Sustainability \ Innovation

**Scope** ▶ 16 Plants and 6 Testing Facilities in Taiwan, China, Vietnam and Japan.

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**7 Technological Platforms**

- Polyester and PU Polymerization**  
Develop monomers with bio-based, carbon reducing or other functional qualities that can be polymerized into PET macromolecules.
- Modification and Synthesis for Dyes**  
Modify disperse dyes to enhance dispersion, thermal stability and dyability.
- Polyester and Nylon Polyblend**  
Develop performance fabric added with novel ceramic additives to enhance product functions and wash durability.
- New Processing Technology for Spun Yarn**  
Develop special functional coating on fibers to enhance product performance and wash durability.
- Textile Analysis and Design**  
Pair elastic fiber with hydrophilic, hydrophobic or other functional fibers and enhance unique product features through computer jacquard loom.
- Textile Coating and Laminating**  
Apply fluoride and solvent free adhesives for coating and laminating.
- Design and Synthesis of Processing Agent**  
Develop additives with bio-based or other functional qualities.

IDM Products and Processes

2.2 Building Customer Rapport

FENC offers products that span vertically through the entire petrochemical, polyester and textile industry chains. As a one-stop shop, we provide convenience and options for customers. Meanwhile, we gain insight from customers' choices of products to formulate R&D strategies. We also share these insights with customers to enhance added value.

To assess whether the Company adequately satisfies customers' demand on product quality and services, we conduct customer satisfaction survey every 6 to 12 months. The survey is designed based on product characteristics and administered by sales units.

◆ FENC's Customer Relations



◆ Multi-Modal Solution to Port Congestion in Western U.S. with On-Time Delivery

COVID-19 has caused global container shortage. Even when container ships arrive at the destinations, unloading is not possible due to pandemic lockdowns, therefore causing port congestion. Among the ports FENC ships to, those in Western U.S. are particularly congested. In the past, products were stored in the warehouse upon arrival and switched to ground shipping as specified by customers. Considering the port congestion issue, FENC promptly rerouted product delivery to alternative ports. The Company also modifies product packaging to accommodate railway transportation and multi-modal options. Since port congestion began in November 2020, FENC made all delivery deadlines to locations specified by customers. Such commitment to keeping promises has established credible reputations among our customers and fostered customer rapport.



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**Green Initiatives**

We are seeking a balanced approach in economic and environmental development with active participation in green initiatives. By engaging in conferences and forums, we communicate with our customers, building consensus in the development goals for the future. The following is a list of the green initiatives that the Company has taken part in:

- Taiwan Circular Economy 100, TCE100
- Packaging Recycling Organization Vietnam, PRO-Vietnam
- The National Association for PET Container Resources, NAPCOR
- The Association of Plastic Recyclers, APR
- Zero Discharge of Hazardous Chemicals, ZDHC
- Sustainable Apparel Coalition, SAC
- Textile Exchange, TE

**Compliance with Customer Requirements**

We have signed agreements with brand customers, and abide by the ethical, safety and procurement rules set forth while aspiring for further self-improvement.

- We comply with ethics provisions from brand customers and pass SEDEX Members Ethical Trade Audits (SMETA).
- We follow brand customers' safety compliance standards.
- We obey non-conflict minerals policy.
- We manage green supply chain.

**Participation in Customers' Labor Relations Meetings**

FENC's customers value the quality of and environmental impacts from the raw materials. They also value the human rights of workers hired by suppliers. Hence, the Company takes a keen interest in labor relations meetings held by our customers. In 2020, FENC participated in 6 meetings. Issues discussed include:

- Forbidding forced labor
- Gender equality
- Ethical recruitment
- Compliance with labor regulations



**Maximizing Corporate Profits with Customer and Product Profitability Analysis System**



In 2020, to maintain key customers and improve corporate sustainability, FENC developed customer and product profitability analysis system by integrating Power BI and big data analysis.

Considering the finitude of resources, corporations may maximize effectiveness by channeling resources towards key customers. The system helps the Company pinpoint key customers with speed and precision, and conducts profitability analysis that allows decision makers to swiftly respond to market changes. However, over reliance on key customers is like putting all eggs in one basket, which involves considerable risks. Therefore, the system warns against over concentration on key customers, allowing the Company to adjust its sales strategies accordingly.

In addition, the system conducts comparative studies on customers and products to discover potential customers, examine pricing and formulate strategies that will maximize profits.

In the post-COVID era, the market will change even more quickly, and competition will grow even more fierce. FENC will continue to refine its systems to provide information with speed and precision with the incorporation of AI, and ultimately create more corporate profits and value.

**2.3 Promoting Product Marketing**

FENC produces the raw materials for our customers, which are mainly corporate entities. Channels of product marketing include trade shows, conferences and interactions with other corporations, which give us means to promote products, establish brand value and improve sales revenue.

**Product Quality and Safety Certification**



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Green Product Certification

Global awareness on environmental sustainability is on the rise, and our downstream customers are more inclined towards raw materials with low environmental impact. FENC seeks out green product certifications with high standards to gain downstream customers' support for and desire to purchase our products. FENC has obtained the following green product certifications, which we regularly update to ensure compliance.



FENC at TITAS 2020 - Together Let Us All Make Earth Cool Again

The 2020 Taipei Innovative Textile Application Show (TITAS) was held between October 13<sup>th</sup> and 15<sup>th</sup> at Taipei Nangang Exhibition Center. Over 400 leading textile suppliers took the opportunity to showcase their innovations. This is one of the limited numbers of large-scale in-person international events during the pandemic.

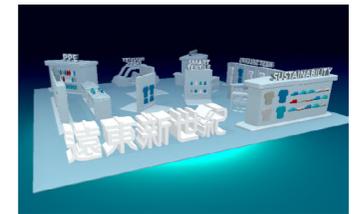
FENC's industry chain is extensive and products are diverse. Prior to the commencement of TITAS 2020, Eric Hu, President of Textile Business, hosted a press conference with more than 10 media companies on behalf of FENC to introduce products that will be showcased at the event. As the COVID-19 pandemic rages throughout the globe, the Company also won press attention and recognition with anti-pandemic products. Media exposure for the Company grew by 30% in 2020, and coverages were more in-depth. Media coverage featuring Company products and technology also grew by nearly 30%.

For those who are unable to attend the event in person due to pandemic travel restrictions, FENC pioneered the virtual showroom as a supplement to the brick and mortar exhibition. The virtual showroom is open for 1 year, featuring feature 7 themes with a multi-functional stage for product launch and educational lectures for students.

As the titan of the textile industry, FENC's showroom design incorporates epitomizes the Company's vertical integration and global deployment. The product line up across its conglomerate offers one-stop shopping, which is a definitive strength. Looking into the future, FENC will continue to build green supply chains with international corporations. It is our hope to enhance brand value and safeguard the environment with innovative and sustainable development, creating win-win with customers and consumers into the new century!



FENC's showroom at TITAS 2020



FENC's virtual showroom at TITAS 2020

7 Themes

- 1 Personal Protective Equipment, PPE
- 4 Best Sellers
- 2 Sustainability
- 5 Industry Fabric
- 3 Innovation
- 6 Classics
- 7 Smart Textile

