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Target Readers

- Employee/Labor Union
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2021 Highlight

FENC as Been **Delivering Annual Profits and Stock Dividends**

for **54** Years Since Being Listed on the Stock Exchange

A **Zero-Default** Record for 13 Consecutive Years



Ranking Among the **Top 5%** in Corporate Governance Evaluation for TWSE and TPEX Listed Companies

The 24th Board Election Was Held, **Enhancing the Board Diversity and Succession**



The Only Corporation in Taiwan to Issue 3 Classes of Sustainable Bonds - **Green Bond, Sustainability Bond and Social Bond**

FENC Issued **NT\$1.2 Billion** Social Bonds

OPTC Secured a **NT\$20 Billion** Syndicated Loan **The First Sustainability-Linked Loan** in the Petrochemical Industry in Taiwan



ESG Issues are on the Agenda of Every Quarterly Board Meeting

Sustainable Governance at FENC Board of Directors, Sustainability Committee and Sustainability Implementation Committee Promoting Corporate Sustainability From the Top Down



Strengthening Regulatory Compliance Among Suppliers and Contractors

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Material Topics

Refine Operational Performance and Strategies



Significance and Purpose of Management for FENC

Aiming for sustainability, FENC takes steady strides toward refining industry strategies. We maintain our industry leading status, spearhead industry growth and promote economic development.

Management Approaches and Effectiveness Evaluation Mechanisms

- Continue expand production capacity and establish diverse production base and products.
- Regularly conduct management review meetings, track business performance and require improvements from applicable units.
- Conduct quarterly Board Meetings to ensure continuation and adequacy of strategic directions.

Authority

- Presidents of Corporate Management
- Presidents of Petrochemical Business
- Presidents of Polyester Business
- Presidents of Textile Business

Govern with Steady Pace



Significance and Purpose of Management for FENC

With integrity as the highest guiding principle, FENC constructs a sound framework to balance corporate governance and stakeholders' interests, and protecting stakeholders' rights by strengthening corporate performance and management.

Management Approaches and Effectiveness Evaluation Mechanisms

- Designate corporate governance staff and Corporate Governance Task Force to implement tasks targeting business integrity, regulatory compliance, rules of procedures and public information.
- Establish rules and regulations governing Board Meetings and conduct annual self-evaluation.
- Incorporate external Corporate Governance Evaluation and internal control system to evaluate the effectiveness of operational procedures.

Authority

- Corporate Governance Officer
- Corporate Governance Task Force

Perfect Risk Management



Significance and Purpose of Management for FENC

Identify risks factors posing major impact to corporate activities, establish assessment approach or improvement measures to reduce operational risks and avoid financial loss or damage to reputation.

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish Risk Management Policies and risk control system to make dynamic adjustments and optimization and ensure system effectiveness.
- Implement staff training to increase risk awareness.
- Conduct monthly Risk Management Meeting to monitor risk indicators and regulatory compliance.
- Regularly conduct plant risk ranking project to reduce operational risks.
- Conduct multiple monthly meetings to ensure management of and focus on risk issues from the highest governing entity.

Authority

- Corporate Management
- Petrochemical Business, Polyester Business, Textile Business

Implement Sustainable Development



Significance and Purpose of Management for FENC

In the spirit of sustainable development, FENC creates diverse values for stakeholders and aspires to set the paradigm of sustainable corporation through non-stop refinement in the perpetual pursuit to perfect humanities.

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish Sustainability Committee with the Board as the highest governing entity.
- Establish Sustainability Policy and FENC Sustainability Strategic Blueprint to implement various CSR projects and report to the Board.
- Take part in domestic and international sustainability evaluation, forums and conferences, interact with stakeholders, and review and modify directions for corporate sustainability.

Authority

- Sustainability Implementation Committee

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1.1 Refining Operational Performance and Strategies

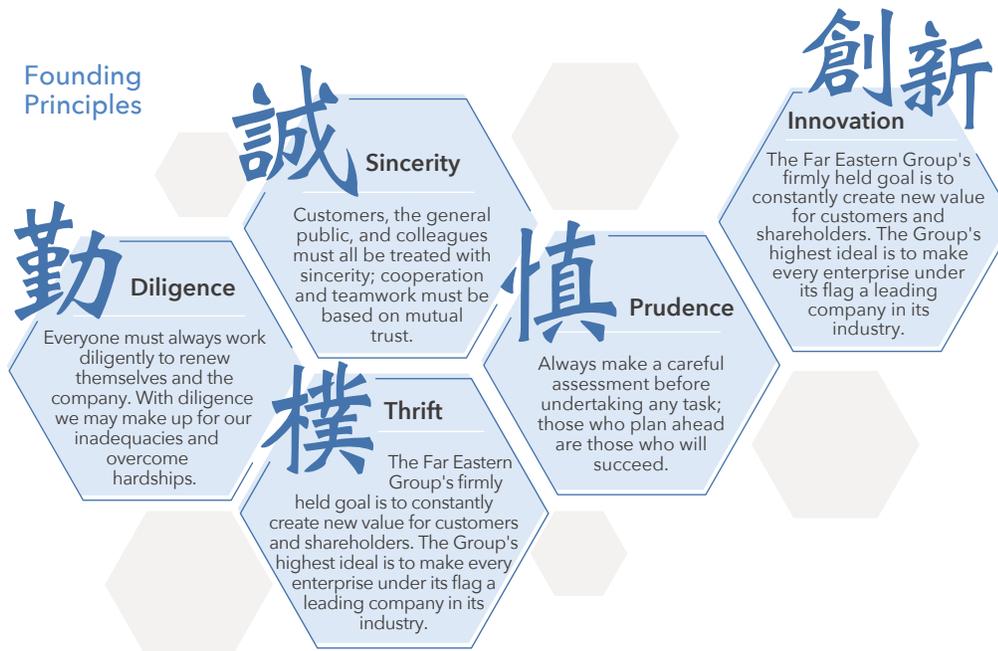
Sincerity, diligence, thrift, prudence and innovation are the founding principles of FENC. Initially established as a textile company, FENC has integrated vertically to encompass the entire spectrum of the textile industry, which streamlines the process from manufacturing to sales. FENC also spans horizontally into land development and reinvestment through diversified management strategies and highly efficient asset mobilization. FENC has been listed on the Taiwan Stock Exchange since 1967 and maintaining a 54-year streak of delivering profits and stock dividends. With sound governance, the Company continues to pursue sustainability and long-term performance, creating diverse values for stakeholders and building a best practice for environmental, social and corporate governance. FENC will keep delivering exceptional results in environmental protection, social inclusion and corporate governance.

Organization Chart

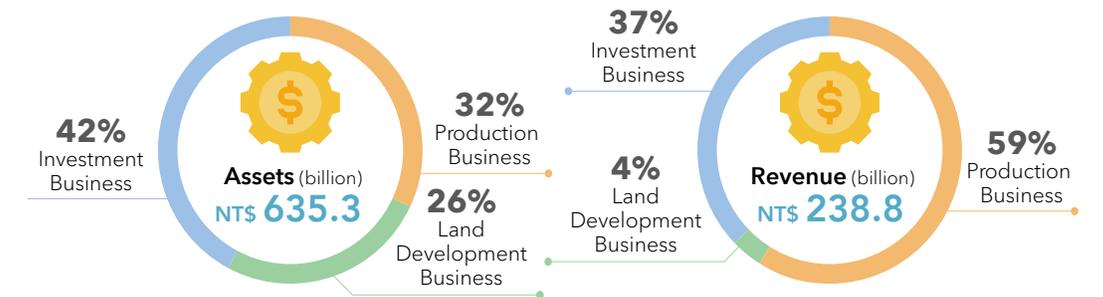
Mission Statement

Having innovative thinking, superior technology, and excellent managerial skills, we aim to lead the polyester industry and maximize the value of our holdings in real estates and equity investments that shall bring happiness and prosperity to the community where we serve.

Founding Principles



Assets and Revenue in 2021



Note: The status of FENC production sites remain the same in 2021.

1.1.1 Financial Performance

Healthy financial performance is the cradle of success for sustainability projects. It is also the key to sustainable corporate development. Each year, FENC sets the annual operating and capital expenditure budgets. Once the budgets are approved by the Board of Directors, the Accounting Department presents the Company's financial performance during each Board meeting. The presidents of each business reports on the state of operation at the Board meetings and the monthly operation review meetings, which enables the highest governing entity to monitor budget status. FENC chooses professional, accountable and independent certified accountants to audit the Company's finance and internal control. The accountants' independence and qualification are evaluated and reported to the Board annually based on The Norm of Professional Ethics for Certified Public Accountant of the Republic of China issued by CPA Association R.O.C. (Taiwan) and FENC's Corporate Governance Principle. The certified public accountants selected for 2021 were evaluated and approved by the Board on March 24, 2021.



Taiwan Ratings (2021)

Financial Performance

Unit: NT\$1,000

	2019	2020	2021
Total Assets	576,079,699	616,955,270	635,324,427
Total Liabilities	304,758,516	347,530,630	365,912,667
Shareholders' Equity	271,321,183	269,424,640	269,414,918
Operating Revenues	250,146,590	206,769,281	238,806,217
Net Income (Attributable to Parent Company)	10,732,669	8,062,699	9,684,584

Note: FENC consolidated financial statement

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Economic Values Distributed to Stakeholders

Unit: NT\$1,000

	2019	2020	2021
Operating Cost	205,396,660	166,373,605	192,320,517
Employee Wages and Benefits	22,865,446	19,790,390	23,318,469
Payments to Investors (Interest Expense and Dividends)	20,612,117	17,700,487	16,664,889
Payments to Government (Income Tax)	2,695,092	3,142,945	2,982,820
Investments in Community	139,578	238,392	112,099

Note: FENC consolidated financial statement includes business locations in Taiwan, Mainland China, Vietnam and Japan.

Accrued Income Tax Expense

Unit: NT\$1,000

	2019	2020	2021
Taiwan	2,354,409	2,241,434	2,338,061
Mainland China	292,177	859,003	388,621
Malaysia	12,389	15,058	3,546
Hong Kong	5,764	11,409	50,087
U.S.	3,110	6,195	5,788
Bermuda	996	5,966	7,230
Vietnam	25,483	4,882	(7,096)
Singapore	-	4,550	3,533
Netherlands	-	45	-
Japan	764	(5,597)	193,050
Income Tax	2,695,092	3,142,945	2,982,820
Ratio of Income Tax to Revenue	1.08%	1.52%	1.25%

To align with international trends on tax governance, comply with tax laws and fulfill corporate sustainability, FENC established Tax Governance Policy in 2020 to govern tax affairs at FENC as well as all subsidiaries. The policy encompasses regulatory compliance, transparency, risk control, integrity-based communication and professional training.

Policies on tax governance are fully implemented at FENC. All FENC sites must comply with local tax laws and transactions among the affiliates must be conducted under the arm's length principle. The Company does not engage in colorable transactions or transactions without economic substance, nor does it evade taxes by reporting profits at a low-tax-rate country or tax haven. All tax matters are disclosed to stakeholders as open information through means such as financial reports and information regarding corporate sustainability to increase transparency.

To avoid risks associated with regulatory changes, the Company established tax risk identification mechanism. When tax laws are amended, the mechanism facilitates assessment, prepares necessary response and considers gaps in tax obligations in a timely fashion. FENC also designated a tax affairs team to help all subsidiaries to communicate tax related matters with local tax authority in each country.

The Board of Directors serves as the highest decision-making and supervisory entity for tax governance at FENC. All major transactions and policy decisions are preceded by tax risk assessments. Compliance is ensured through internal audits in accordance with the tax law. Prior to the end of a calendar year, the Company files country-by-country reports and transfer pricing reports for the previous year per regulatory requirements.

Annual Report 

Financial Report 

Tax Governance Policy 



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Initiating Market Innovations through ESG Financing



To deepen public understanding of sustainability and engage investors on multiple fronts, FENC takes an aggressive approach towards the capital market with diversified innovations and financing channels. On May 24, 2021, FENC issued NT\$1.2 billion of social bonds, the first among Taiwanese corporations. The funds are being used towards social investments such as empowering the underprivileged and providing pandemic control goods. The funds are also allocated towards local procurement and employment assistance for small and medium enterprises during the pandemic. Being widely received by investors, the social bond was approved with a record-low coupon rate.

Sustainable finance is gaining momentum in the international community. However, most efforts are from the financial, service and governmental sectors. As a private corporation, FENC initiated multiple sustainable financing innovations. It is the only corporation in Taiwan to have issued 3 classes of sustainable bonds – green, sustainability and social bonds. The Company established an investment framework based on the 17 sustainable development goals (SDGs) from the United Nations and integrated it with FENC's sustainable development guidelines. The bonds issued are in line with international standards. FENC is the only non-financial institution in Taiwan inducted into the Sustainable Bonds Database of International Capital Market Association in Taiwan, marking a momentous milestone for Taiwan with the presence of its Taiwanese capital influence on international sustainable finance.

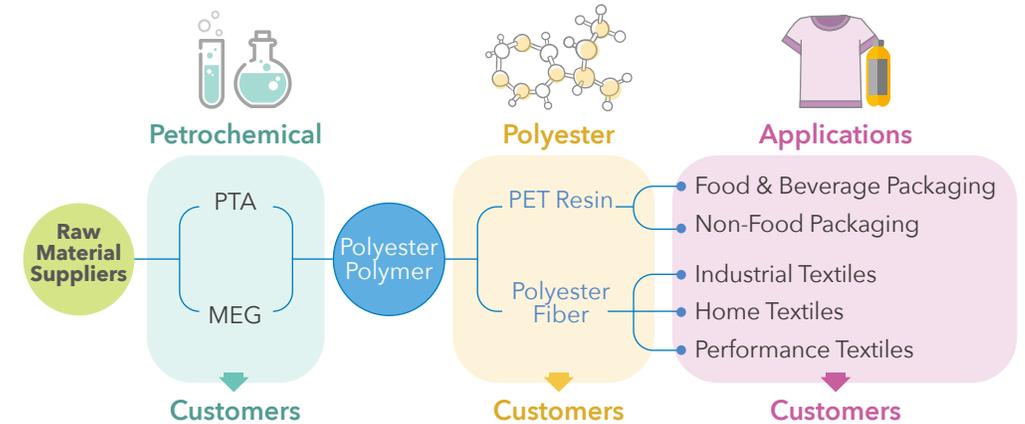
OPTC has long been focusing on carbon and waste reduction as well as recycling. The plant ties its corporate operation with sustainable performance, entering into a loan agreement with an ESG margin ratchet where borrowers may take advantage of a lower interest rate when meeting ESG credentials in GHG emissions, energy and water conservation as well as corporate social responsibilities. OPTC is the first petrochemical corporation in Taiwan to secure a sustainability-linked syndicated loan, which is backed by enthusiastic offerings from a consortium of 14 financial institutions, including the 8 state-funded banks. OPTC secured the loan within 2 months and signed the loan agreement on August 30, 2021.

Already spearheading the development of circular economy, FENC is now leading the promotion of sustainable finance in Taiwan with innovative momentum, creating a win-win for the governmental, corporate and investment sectors. For these efforts, FENC won the Gold Award from Taiwan Sustainability Action Awards in 2021. It is the hope that these actions will inspire more corporations to join in and contribute to social development.



1.1.2 Production Business

Main Products and Value Chain



Sales Ratio



Note: Please refer to our annual report for more information on the volume and value of the production.



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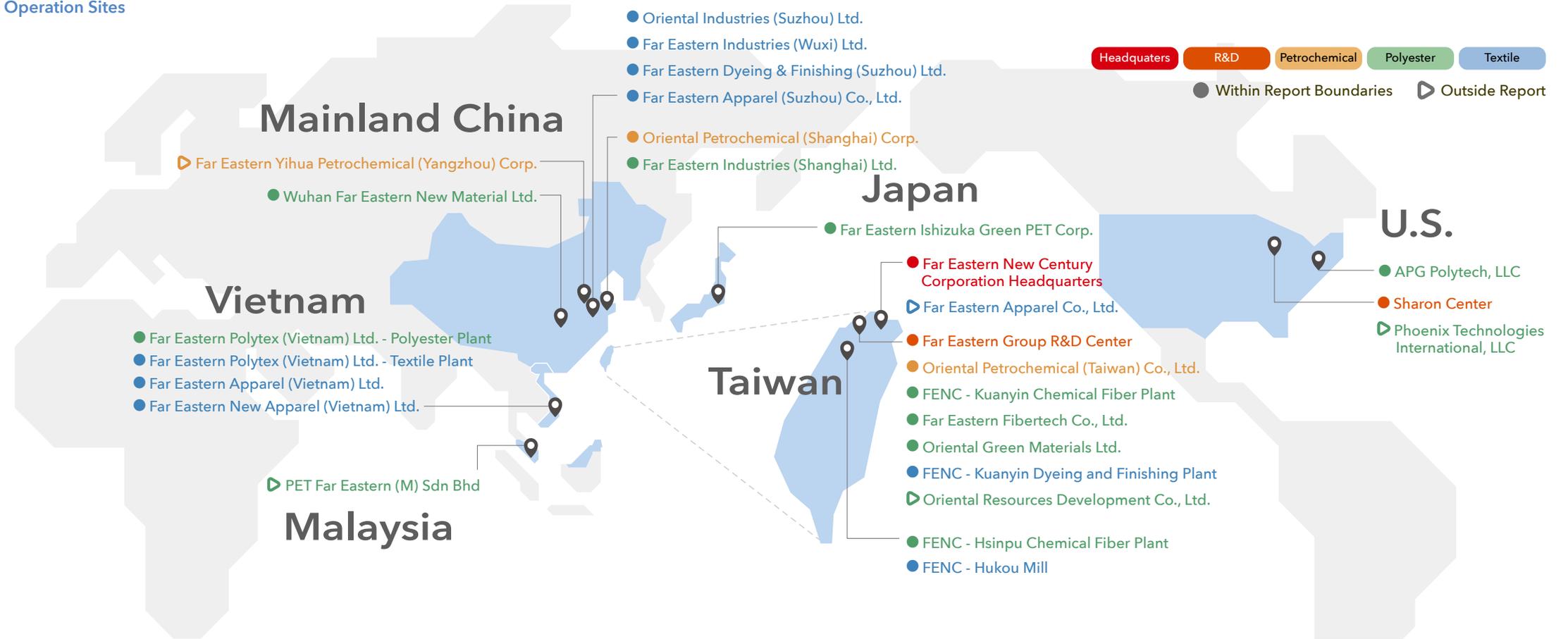
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Operation Sites



The global economy saw a strong rebound as the COVID-19 pandemic eased and the pace of vaccination picked up. The International Monetary Fund (IMF) projected the growth rate of global GDP at 6.1%, the highest that it has ever been in the last half a century. Pent-up demand from the terminal market also pushed up crude oil prices. Thanks to the economic recovery, PET and polyester production increased led by strong market demand.

The year 2022 has been a turbulent one this far. Escalating geopolitical threats fueled by Russo-Ukrainian War, the resurgence of COVID-19 infections and skyrocketing oil prices added to the weight carried by major corporations. In the first half of 2022, the price of PTA, driven by higher raw material costs, is on the upward trend while that of PET remains high.

Amid the market volatility driven by fluctuating raw material prices, FENC has gained trust from international brands with its diverse product structure, differentiated product lineup, multi-continental production sites, global

market deployment and vertically integrated production and salessales and marketing chains. The Company continues to engage in production optimization amid the challenging business environment. By establishing PET industry chains in Taiwan, Mainland China and Vietnam and constructing the largest PTA and PET plants in the American Continent, the Company is staying well ahead of its industry peers with the deployment of local production. To strive towards the global carbon reduction vision and transition to low-carbon production models, FENC creates recycled ocean plastic polyester filament made of waste PET bottles from the ocean and turns waste textile into 100% biocomponent staple fiber using mechanical recycling. With the proprietary TopGreen®ChemCycle technology, the Company turns waste polyester into raw materials. With these innovative recycling and production technology, FENC has successfully built a green business model.

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1.2 Governing with Steady Pace

To ensure accountability, balance the legal rights of shareholders and protect the interests of stakeholders, FENC regards “integrity” as the highest guiding principle for sound corporate governance, and to support corporate management and operation to maximize shareholder benefits.



FENC referenced Corporate Governance Evaluation to finetune the management system for the year 2021. Key projects are as follows:

1. The Board election was held to enhance Board diversity. One of the 2 newly elected members is an independent Board member.
2. The Board reported on the outcome of corporate governance implementations regularly, including ethical management, intellectual property and risk control.
3. Disclosure was made regarding any one-on-one communications among the independent board members, internal audit managers and accountants.
4. The English version of the FENC annual report was uploaded 16 days prior to the shareholders' meeting.

1.2.1 Integrity and Anti-corruption

Corruption and unethical conducts are detrimental to corporate reputation and stakeholder rights. To reduce the risk of corruption, FENC implemented ethical management and anti-corruption policies. Implementations in 2021 are as follows:

- Articles of Incorporation
- Corporate Governance Principles
- Best Practice Principles of Ethical Corporation Management
- Code of Ethics
- Whistle-blowing and Disciplinary Method of Violating Ethical Conduct and Ethical Management (Chinese)
- Legal Compliance Execution Report (Chinese)

Code of Conduct

Best Practice Principles of Ethical Corporation Management and Code of Ethics approved by the Board

System

1. Conflict of interest stipulated in the Rules of Procedure for Board of Directors – Donations from stakeholders or major donations to non-stakeholders: Rules of Procedure for Board of Directors stipulates that such conduct shall be reported to the Board;
2. The whistle-blowing and disciplinary method of violating ethical conduct and ethical management;
3. Provisions of anti-money laundering measures under Control System on Preventing Economic Sanction from Financing of Terrorism;
4. Remuneration system;
5. Internal control system and provisions governing its implementation, including management policy, authorization system and segregation of duties;
6. Risk assessment mechanism, which applies to dealings with governmental entities;
7. Anti-corruption clause, which shall be included in procurement contracts.

Scope

Corrupt conducts subject to FENC anti-corruption policy include unlawful conducts that cause embezzlement of corporate assets or infringement of shareholder rights, such as corruption, money laundering, bribery, kickback, commission, facilitating payment, illegal political donation, inappropriate charitable donation, unreasonable presents, improper conduct and unfair trade.

Audit System

1. Integrity and anti-corruption practice are listed under mandatory audit in the internal audit system.
2. Self Evaluation on Corporate Corruption is conducted quarterly based on the scope of anti-corruption policy. The result is presented to the Board for review to ensure the implementation of the anti-corruption policy.
3. FENC shall conduct investigation in the presence of the likelihood that suppliers and subcontractors, including agents and trade companies, violate integrity practice. Once verified, said company will be removed from FENC's list of eligible suppliers.

Training and Promotion

1. A minimum of one anti-corruption training for Board members and all employees to promote the scope of FENC anti-corruption policy and possible effects at the individual and corporate levels. In 2021, the training will be expanded to cover non-permanent employees.
2. Prior to being included in FENC's list of eligible suppliers or engaging in business transaction with FENC, suppliers and subcontractors, including agents and trade companies, must undergo anti-corruption training or education.
3. Internal publication, meetings, signage at the plants.

2021 Implementation

The Whistle-blowing and Disciplinary Method of Violating Ethical Conduct and Ethical Management went into effect in January 2022. Under its provisions, anonymous grievance claims are accepted to protect the rights of the claimants.

2021 Results

1. There were no incidences of corrupt conducts at FENC.
2. Anti-corruption training was conducted for 90% of the permanent employees. Due to the COVID-19 pandemic, the training schedule in Vietnam was affected, hence reducing the completion rate of anti-corruption training.
3. All Board members completed the anti-corruption training, representing 100% in completion.
4. All new recruits in 2021 signed the declarations to commit to FENC's Best Practice Principles of Ethical Corporation Management, representing 100% in completion.
5. A total of 14,664 suppliers and contractors, including agents and traders, completed the anti-corruption training promotion, representing 94% in completion.

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1.2.2 Board Structure and Remuneration

The Board of Directors serves as the highest governing entity at FENC. As the 24th Board election concluded in 2021, FENC welcomed a new generation of Board members that would enrich corporate diversity. A total of 5 Board meetings were held in 2021. With a comprehensive system in place, the Company continues to optimize the Board performance.

[Board Regulations](#)

[Profile of Board Directors](#)

Functional Committees

Remuneration Committee
Established in 2011

Independent Board members serve as the convening body of the Remuneration Committee, which provides assistance to the Board in the establishment of performance review policies governing Board members and managers. The Committee is also responsible for establishing remuneration policy, system, standards and structure. FENC conducts regular performance reviews of employees, managers and Board members through the Remuneration Committee and determines salary, bonus and other forms of compensation. The Committee conducts industry payroll survey and provides recommendation to the Board for discussion. In 2021, the Remuneration Committee convened 2 times.

[Remuneration Committee](#)

Audit Committee
Established in 2015

Audit Committee is composed of all independent Board members and convenes quarterly. The objective of this committee is to monitor the appropriateness of financial reporting, implementation of internal control, compliance with company regulations, management of potential or existing risks, as well as selection and evaluation of the independence and performance of certified public accountants. The Audit Committee convened 5 times in 2021.

[Audit Committee](#)

Sustainability Committee
Established in 2020

Independent Board members serve as the convening body of the Sustainability Committee, which actively fulfill the following responsibilities granted by the board of directors, including "Promote and strengthen the corporate governance and integrity", "Implement and develop matters related to corporate sustainability" and "Supervise other matters related to corporate sustainability approved by the Board". In 2021, the Sustainability Committee convened 1 times.

[Sustainability Committee](#)

Board Management and Performance Review

1 **Nomination**



Nominations are made in accordance with Election Procedures of Director and Corporate Governance Principles, while comments from the independent Board members and the candidates' experience and education are also taken into account. In accordance with Company Law, shareholders with over 1% of the issued shares of FENC may nominate candidates for the Board in writing. The 24th Board election was completed at the 2021 shareholders' meeting.

2 **Independent Supervision**



The Board exercises its power and fulfills its duties in accordance with the Articles of Incorporations, Rules of Procedures for Board of Directors (including provisions on conflict of interests) and all applicable regulations.

3 **Training**



Each year, FENC invites external experts to hold 2 training sessions for the Board members. The training sessions offered in 2021 include From Disruption to Formation - The Path to Digital Transformation and Framework of Geopolitical Recognition for the U.S., Mainland China and Taiwan amid Global Conflicts. A total of 18 Board members attended the training sessions, and all Board members completed a minimum of 6 training hours.

4 **Remuneration and Evaluation**



Performance evaluation for the Board, Board members and functional committees are conducted in accordance with FENC Board Performance Evaluation Rule. External independent agency or teams of experts and scholars conduct the evaluation once every 3 years. In 2021, the results of all self-evaluation are "exceptional," which is the highest level.

Actual percentages and dollar amount in compensations provided for the Board members are determined by the Remuneration Committee based on the Articles of Incorporations. Compensation for the Board members in 2021 account for 1.88% of the net profit after tax.

Performance Evaluation of Board Directors

Core Competency

Properly exercise its rights and full obligations, including comprehension of corporate objectives and missions; understanding of Board duties; degree of participation in corporate operation; communication and management of internal relations; professional capability and training for Board members.

Environment

Establish and provide supervision on environmental goals, including energy and resource management; report on GHG emissions; pollution prevention and control; creating sustainable production process.

Society

Establish and provide supervision on social goals, including disaster relief for communities; non-profit and charitable programs; management of supply chain; occupational safety and health; human resources; employee competitiveness and welfare.

Governance

Establish and provide supervision on governance goals, including examination of operational budget and planning; review of systems and reports on accounting, finance, R&D, production and sales, integrity practice, risk control and internal audit.

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1.2.3 Shareholder Benefits

FENC values the rights of each shareholder and treats every one of them with equal importance, which is in accordance with Company Act, Securities and Exchange Act and other applicable regulations. Shareholders may exercise their rights to vote and participate in the decision making process during the shareholder meetings. In addition, accumulative voting system, which is advantageous for minority shareholders, is adopted for Board election in accordance with Company Law.

Proposals pending ratification, matters for deliberation and elections are voted on as individual motions with the option of electronic voting. The result is disclosed immediately during the shareholder meeting. In addition, the Company designates special agents to handle investor relations, and provides contact information to investors and shareholders in order to strengthen stakeholder dialogues and respond to their comments and suggestions.

Meeting Rules of Stockholders

1.3 Perfecting Risk Management

Opportunity is a double-edged sword. With great opportunity comes great risk. The COVID-19 pandemic has demonstrated to the world that internal control is of paramount importance when it comes to reducing business risks and seizing opportunities to fulfill sustainable management.

1.3.1 Risk Control Policy

To reinforce corporate governance and establish sound risk control to reach corporate targets, the Board approved Risk Control Policy on November 12, 2021. The objective is to ensure sustainable management, reduce damages and enhance corporate profit. Risks and opportunities should be evaluated accordingly for all business conducts to identify, evaluate, monitor and control risks, keeping risks within manageable range to rationalize risks and benefits.

Risk Management Policies

Risk control at FENC is governed by a 3-tiered framework that spans throughout the Board, the corporate management as well as the business departments and units. The obligations of each applicable entity are outlined within the Risk Control Policies. In the event of unanticipated major risks, an emergency response team shall be established to formulate immediate responses and handle the risk conditions to ensure regulatory compliance while minimizing potential damages and impacts. Monthly risk control briefings are presented to the Board members and senior executives. Risk issues discussed include management, sales, industry operation as well as energy and carbon reduction to keep the Board members and senior executives informed while making policy decisions.

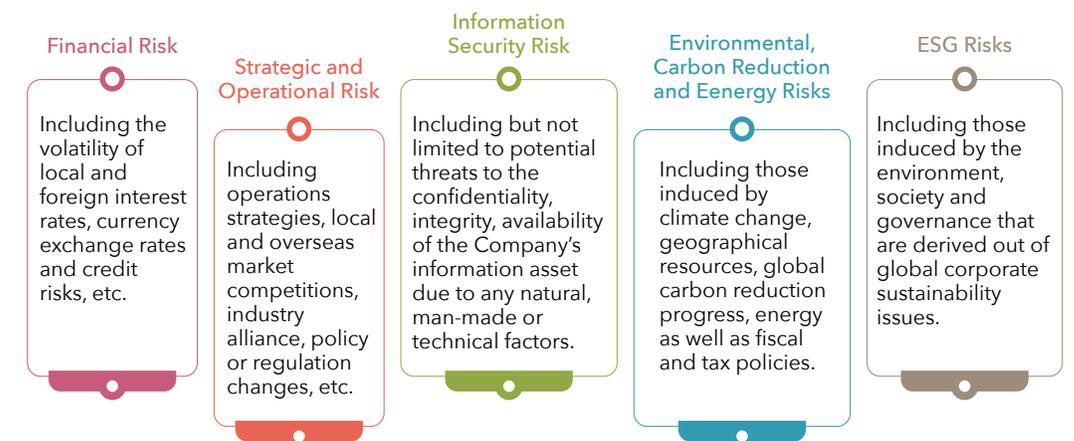
Structure of Risk Control Organization

Board of Directors	The Board of Director serves as the highest decision-making entity regarding risk control. The Audit Committee and Sustainability Committee oversee the control management of business risks as well as sustainability risks, respectively, to ensure the effectiveness of the risk control process and outcome.
Corporate Management	Corporate Management is responsible for the overall risk control and establishment of management standards. Monthly task: The units conduct regular meetings to review and examine the risk control status, monitor risk control implementation and coordination on the overall operation. Yearly task: The units shall present the risk control report to the Board at least once a year. The 2021 report was represented to the Board on November 11, 2021.
All Businesses and Applicable Units	All units shall identify major risks and conduct risk planning, implement essential risk assessment and control, and report the status of risk control to the Corporate Management on a regular basis.

1.3.2 Identification and Management of Major Risks

Major Risks

FENC identifies potential risks and their sources for all departments. For more details on measures established, please refer to the corresponding chapters in FENC Sustainability Report or FENC Annual Report.



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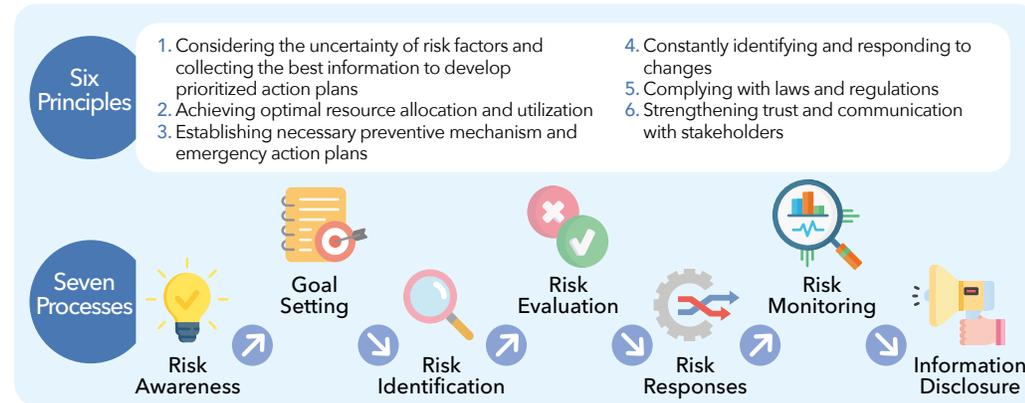
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Management Principles, Mitigation and Control Measures, and Identification and Management Procedures

FENC establishes risk indicators and stays on top of environmental and regulatory changes through regular tracking. Once the risks are defined through internal meetings, evaluation is conducted by designated units on the potential threats and impacts on the Company to formulate action plans. Responses and control measures are carried out through special projects. The implementation and progress are reported to the highest governing entity on a regular basis.



1.3.3 Risk Control Mechanism



TSAA Recognition for Comprehensive Risk Control

Taiwan Institute for Sustainable Energy (TAISE) held the first Taiwan Sustainability Action Awards (TSAA) in 2021. FENC received the Bronze Award for its comprehensive risk control innovation, an action plan involving the establishment of corporate policies to implement risk control as well as the compliance with and practice of FENC Human Rights Policy and various labor standards. Other implementations include the risk ranking project; regulatory compliance; risk alert system, pledge to Task Force on Climate-related Financial Disclosures (TCFD), Company-wide pandemic control measures and risk notification system. These measures received high remarks from the industry and academic jury members.



1. Regular Meetings

	Important Meeting	Interval	Corresponding Issue	Highest Ranking Attendee
Board Meeting	Board Meeting	Quarterly	● Environment ● Social ● Governance	Chairman
	Audit Committee	Quarterly	● Governance	Independent Directors and Directors
	Remuneration Committee	Semi-Annual	● Governance	
Themed Meeting	Sustainability Committee	Annual	● Environment ● Social ● Governance	Chairman
	Management Meeting	Annual	● Environment ● Social ● Governance	
	Human Resources Management and Development	Semi-Annual	● Social ● Governance	
	Special Report on R&D	Semi-Annual	● Environment ● Governance	
	Seminar on Industry Strategies	Semi-Annual	● Governance	
Regular Meeting	Budget Review	Annual	● Governance	President of Corporate Management
	Environment Sustainability	Annual	● Environment	
	Operaton Review Meeting	Monthly	● Environment ● Social ● Governance	
	Sales Meeting	Semi-Monthly	● Governance	

2. Risk Alert System: Advanced Response with Regular Tracking

FENC established Risk Alert System in 2015. The administrative units conduct monthly follow-ups and examine corporate risks. In 2020, the Company held 12 risk control meetings, establishing advanced indicators and responses to avert risks, and address irregularities in the indicators with corresponding measures, improvements and optimization for prevention. Starting from 2019, risk indicators are implemented in a systematic approach with risk management platform. For instance, the Company introduced credit rating and instant credit calculator to address credit risks and crediting management. The system automatically conducts the calculation to determine reasonable credit limits, which enhances the quality of credit decisions.

Process of Risk Alert System



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Scope of Risk Alert System

Risk Category	Detail
Human Resources	Continuing staff employability; employee benefits and wellbeing; employee turnover and hiring procedure; labor relations; performance review.
External Environment	Geopolitics; trade liberalization; corruption; non-tariff barriers.
Corporate Assets	Protection of intangible assets (intellectual property); preservation and continuing operation of physical assets; management of financial assets.
Legal Affairs	Legal training, anti-fraud and anti-corruption; documentation and information management; regulatory monitoring and compliance; contractual agreement and subsequent management; litigation and dispute resolution.
Finance and Accounting	Fair presentation of financial reports; compliance and completeness of information disclosure; customer credit and account receivable management; tax audit; financing and capital management; capital expenditure procedure and control; investment management; insurance and hedging.



Zero Default for 13 Consecutive Years



COVID-19 continued to impair the global economy and supply chain stability in 2021. While extending the 2020 projects on tracking credit risk exposure, credit control and country risks, FENC launched several digital information management projects and established the Customer Credit Management Platform, Credit Customer Information Management Platform and Major Overdue Tracking Management Platform using big data and AI. The platforms help optimize credit risk control and enhance risk alert responses to minimize the risk of default. FENC has maintained a no-default record for 13 years. Specific actions taken are as follows:

1. Customer Credit Management Platform was established to track and compile global credit data and conduct risk exposure analysis.
2. The Credit Customer Information Management Platform was established to automatically integrate and analyze import and export credit customers' latest operational, fundamental and fiscal risks.
3. The Major Overdue Tracking Management Platform was established to document the chronology of debt collection and final outcomes to enhance the efficiency of overdue tracking and share the experience from the collection process.
4. The list of customers with major overdue was compiled and reviewed regularly as part of a special project. Credit transactions with customers on this list were restricted or suspended.
5. Efforts in and frequency of overdue collection and reporting were increased. The percentage of account overdue that exceeds 3 months is 0%

3. Regulatory Compliance System: Regular Self-Evaluation on Compliance to Reduce Risk of Violation

In 2014, the President of Corporate Management served as the chief supervisor and established Company-wide Regulatory Compliance System:

- Objective
 - Enhance employees' legal awareness to avoid illegality.
 - Protect corporate interests and image.
 - Reduce operational risks for the Board and management team.
 - Improve corporate efficiency.
- Target

Confirm key regulations concerning corporate operation. Regulations governing penalty for Board members and managers; damages to corporate image; major civil offense; administrative liability are given priority status for implementation. Areas prone to deficiency are listed as the focus for annual audit. Given the above criteria, 80 regulations and 590 control points are identified.

Target	Compliance Detail (Number of Control Point)
Shareholder	Financial report (19), internal control (16), issuance of credit and endorsement/guarantee (17), acquisition and disposal of assets (42), convening of meeting (74)
Customer and Competitor	Fair trade (5), import/export (8)
Corporate Asset	Business accounting (9), tax management (60), patent and trademark (18), Copyright Act (13), trade secret (5), personal data protection (11)
Employee	Labor condition (59), welfare and insurance (28), labor relations (33), labor retirement (19), health and safety (69)
Society	Corporate corruption (18), political donation (8)
Environment	Environmental protection (59)

Note: The number indicated with the parenthesis refers the number of control points.

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• Detail

Category	Focus	Task	2021 Performance
Establish Communication	<ul style="list-style-type: none"> A clear and adequate system for the conveyance, consultation, coordination and reporting of regulatory information was established. The SOP and grievance mechanisms for violations were established, including the email for reporting regulatory compliance issues and for the Audit Committee and Audit Department. 	<ul style="list-style-type: none"> Designate regulatory compliance personnel. Report violations and penalty immediately. 	<ul style="list-style-type: none"> The compliance staff from all departments report monthly on violations and penalty. No grievance claims were filed in 2021.
Regulatory Update	<ul style="list-style-type: none"> Track the latest regulatory amendments and updates on a regular basis and convey the changes to all units immediately. Provide advanced risk alert on violations for all units. 	<ul style="list-style-type: none"> Convey the latest regulatory changes to applicable units and personnel. Update Company regulations in accordance with regulatory changes. 	<ul style="list-style-type: none"> The Environmental Protection Administration, Executive Yuan amended the Regulations of Fine Determination for Violation of Waste Disposal Act and briefed the managers from FENC sites during on-site inspections.
Regulatory Training	<ul style="list-style-type: none"> Publish information on regulatory enactment, case studies and regulatory education. Conduct training on key regulatory amendments. Provide in-person and online training on regulatory compliance for new employees (intellectual property/copyright/Criminal Code and corporate corruption/labor conditions/trade secret). 	<ul style="list-style-type: none"> Designate appropriate staff to undergo training. 	<ul style="list-style-type: none"> To improve managers' awareness of legal risks and emergency response, FENC invited 4 attorneys from Lee and Li Attorneys-at-Law to give a lecture on January 13, 2021. With backgrounds in public prosecution and environmental safety, the attorneys spoke on the topic, Corporate Response to Criminal Risks and Environmental Safety and Health Risk Control. A total of 252 employees participated, including the managers and plant managers, security staff and environmental safety staff from FENC sites as well as the legal staff from FENC affiliates.
Compliance Evaluation	<ul style="list-style-type: none"> Implementation of regulatory compliance was reported to the Board quarterly. Self-evaluation checklists were established targeting the regulatory control points. The Legal Department collaborated with the Human Resources Department, Labor Safety and Health Department and Audit Department to complete on-site inspections, report to the Board, provide guidance for all departments on improvements and follow up. Suppliers and contractors at all FENC sites were required to comply with corporate social responsibilities regarding labor and human rights; health and safety; environmental protection; business ethics. 	<ul style="list-style-type: none"> All departments conducted self-evaluation on regulatory compliance and completed the necessarily forms. On-site inspections were conducted with supplementary information provided. Suppliers and contractors were required to sign FENC's Supplier Corporate Social Responsibility Commitment Statement or include equivalent clauses in the transaction documents. 	<ul style="list-style-type: none"> To ensure the confidentiality of trade secrets or classified information, employees at 9 FENC sites were required to sign the confidentiality agreement with customers or business partners during the technological promotion or development process as legal protection. A total of 6,001 suppliers signed the Supplier Corporate Social Responsibility Commitment Statement, accounting for 85% of the total suppliers.



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Enhancing Awareness with Regulatory Compliance System at FIGP



FIGP established the regulatory compliance system in 2021. The system encompasses 3 implementation aspects:

1. Annual Confirmation on Regulatory Compliance

Regulations governing each plant are listed with checklists compiled to ensure regulatory compliance. The department in charge and details of the regulations are indicated. The outcome of regulatory compliance is verified at the fourth quarter of each year based on the checklist.

2. Monthly Regulatory Compliance Meetings

To raise departmental awareness on regulatory compliance, monthly meetings are held on the subject and the presence of departmental heads is required. The meetings aim to verify the outcome of monthly implementation and serve as a reminder of tasks to be implemented in the following month. The percentage of employees participating in the training and their feedback are compiled. When Improvements are needed, specific departments are assigned during the meeting to address the issue within a given deadline, and the progress is to be tracked after the meeting.

3. E-learning on Regulatory Compliance

Each year, 12 priority training categories are selected. The management department prepares training materials for all employees each month. Employees may provide feedback and comments in the shared folder. This approach improves employees' awareness of regulatory compliance. The management department then compiles the feedback for discussion during the subsequent meetings.



Major Violations in 2021

	Violation	Fine (NTD)	Improvement Plan
OPTC	The test results for odorous pollutants in the discharge pipe exceeded the limit stipulated in the Standards for Air Pollutant Emission from Stationary Pollution Sources.	NT\$585,000	<ol style="list-style-type: none"> The investigation conducted by the Production Development Department found mild traces of production fluids, which caused the odor that violated the regulatory requirement. A condensate system was installed for venting and cooling as a mitigation measure. After the improvement, OPTC hired SGS Taiwan Limited to evaluate the odorous pollutants in the discharge pipe. The concentration reading from the first test was 234 and 309 for the second. Both are under the maximum limit of 2,000 stipulated in the Standards for Air Pollutant Emission from Stationary Pollution Sources. The improvement is satisfactory.
FIGP	During an investigation, the local tax office found omissions in the bookkeeping records for the corporate income tax, sales tax, withholding tax and stamp tax. The tax base used was also non-compliant.	NT\$245,000	<ol style="list-style-type: none"> The tax return was corrected and the tax payment was remitted. Improvements were made to the inventory form and the tax forms were corrected. Applicable units confirmed the accuracy of the tax base.
FENC Kuanyin Dyeing and Finishing Plant	The pressure difference of the air pollution control device in the gravure printing operation did not match the limit listed on the stationary pollution source permit. The operation was deemed non-compliant.	NT\$100,000	<ol style="list-style-type: none"> Cleaning operations were immediately scheduled within the week to ensure compliance with the pressure difference requirement. Unit managers are now required to review and verify the operation record of stationary pollution sources to ensure that the pressure difference complies with regulatory standards. The printing operation and emission values are monitored every 2 hours based on the air pollution monitoring form to determine whether the values are acceptable.

Note: The threshold of disclosure is set at NT\$100,000 and 3 violations exceeded this threshold in 2021.

FENC has several investment businesses in Mainland China. The local law enforcement agencies conducted inspections on the business operation and occupational competency in the second quarter of 2021. A few compliance issues were identified, including environmental protection, fire safety, equipment and tax affairs. The authorities issued deadlines for improvements with fines totaling RMB\$36.5 million. The Businesses which these companies fall under investigated the compliance issues, identified the causes and established special projects to address each deficiency. All but one had been resolved prior to the given deadlines. The remaining deficiency involves modifications of the plant layout, which requires a longer time frame. Temporary mitigation measures have been established and the remaining improvement is scheduled to be completed in the second quarter of 2022.

4. Risk Ranking Project

FENC's production sites span worldwide, including Taiwan, Mainland China, Japan, the U.S. and Southeast Asia. To ensure safety at all production sites and support corporate growth, FENC commissions loss prevention consultants to conduct audit and risk ranking at these sites. The last round was completed in 2019 and a total of 312 risks were identified. Risk improvements, which were tracked monthly, had been completed by the end of 2020. The Company plans to kick off another round of audits with risk ranking for 25 plants worldwide in

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2022. The assessment will cover software, hardware and emergency response with a total of 44 international risk indicators. Identifying risks and weaknesses with the help of consultants helps enhance corporate strength. The risk-ranking project is expected to conclude by the end of 2022.

5. Strengthen Risk Control Training

To ensure sustainability, reduce damages and boost profits, all units must conduct risk prevention training to minimize potential risks. Potential risks include financial risks; strategic and operational risks; information security risks; environmental and energy risks. In 2021, 6,608 employees completed the 62 training programs offered by the Company. The Company also provided training on occupational safety and health risks. For details, please refer to [4.3 Reinforcing Environmental Safety and Health Management](#).

In addition to risk-specific trainings, FENC provides regulatory compliance training at all production sites on an ad hoc basis to enhance staff's legal knowledge and reduce the risk of violations in their business conducts. FENC launched the online platform, FENC Academy, providing online training and exams for employees at production sites in Taiwan, Mainland China and Vietnam, etc. A total of 18,848 employees completed the regulatory compliance training and exam as of the end of 2021. To strengthen managerial staff's legal risk awareness and response, FENC invited 4 attorneys from Lee and Li Attorneys-at-Law to give a lecture on January 13, 2021. With backgrounds in public prosecution and environmental safety, the attorneys spoke on the topic, Corporate Response to Criminal Risks and Environmental Safety and Health Risk Control. A total of 252 employees participated, including the managers and plant managers, security staff and environmental safety staff from FENC production and operation sites as well as the legal staff from FENC affiliates.

6. Oversight and Management of Internal Control System

Aside from conducting audits in accordance with regulatory requirements, the audit units formulate annual audit plans for the coming year based on the results of operational risks assessments. The plans go into effect once approved by the Audit Committee and the Board. When deficiencies or irregularities are identified, the audit unit communicates with the audited unit, requests improvement proposals, and conducts follow-ups until all improvements are completed.

After completion, the audit report is submitted to the Audit Committee for review prior to the end of the following month. Quarterly progress reports on improvements made shall be presented to the Audit Committee and the Board for review. Major violations or damages to the Company shall be reported to the Audit Committee, the Board and the President of each Business immediately in the form of a written report, which serves the documentation purpose for the Internal Control System Statement. The report shall be published in the annual

report and the Market Observation Post System to demonstrate the Company's commitment to implementing effective internal control.

• 2021 Implementation

In 2021, FENC conducted 52 audits. Among them, 35 are projects required by the authority and 17 are critical Company audits. A total of 102 internal control deficiencies are identified. Most are minor and have been improved. As of the end of March 2022, 11 deficiencies remained outstanding. Improvements are scheduled to be completed in the fourth quarter of 2022.

• 2021 Training for Audit Personnel

Each year, the audit staff undergo internal audit training held by organizations certified by the Financial Supervisory Commission and complete the hours in accordance with regulatory requirements. They are also required to attend training and seminars from internal and external sources such as consulting firms or academic institutions. In addition, staff take part in the annual meeting of the Institute of Internal Auditors-Chinese Taiwan to polish their professional skills and knowledge of risk control. Before the end of each January, the Company files the names of internal auditors and the training they have received on the Market Observation Post System.

Internal Auditing Organization and the Process of Self-Internal Auditing

7. Management of Information Security

• Information Security Management System (ISMS)

FENC introduced ISO 27001 Information Security Management System in 2014. Beginning in 2016, the Company has been obtaining certifications from external audit agencies, implementing the Plan-Do-Check-Act (PDCA) system to ensure information security.

• Ensure Effectiveness of Information Security Protection

To prevent threats to information security, the Company adopts the multi-layered network to reinforce defense. In addition, the Company has put security defense systems as well as threat detection and emergency response mechanisms in place. These measures systematically step up intelligence sharing as well as vertical communication, reporting and monitoring to improve the overall maturity of data security governance and reduce information security risks. Teams have been established in Taiwan and Mainland China to integrate policies on information security management across all locations.

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• Implement Staff Safety Management and Training

FENC enhances promotion of information security to strengthen staff's awareness, the goal is to internalize such awareness into their daily routine. The Company also encourages staff to take part in information security training and obtain certifications. Adequate knowledge and skills are required for system developers and managers to reduce the risks of human errors and abuse of assets.

• Policies Governing Remote Work and Use of Mobile Devices

FENC enacted Operational Guidelines for Office Operations and Management Guidelines for Cyber and Telecommunications Security. The purpose is to manage risks that may be derived from the use of mobile devices and to safeguard cyber security during the accessing and processing of corporate data when employees work from home. The Information and Technology Center holds annual trainings on information security, and the training implementation is verified through the third party to ensure confidentiality, integrity and availability (CIA).

• Review of Business Continuity Plan

FENC has a Business Continuity Plan (BCP) in place. BCP details the maximum tolerable period of disruption, recovery point objective as well as recovery time objective for critical systems and services. Also included are protocols for testing and drills, which are conducted at least once a year. During the review meeting held after the drill concludes, the operational management unit reports the outcome of the drill to the information security implementation team. The BCP is amended based on the report, and the information security implementation team issues notifications to the applicable staff to continue enhancing corporate resilience. For the 2021 drill, the delivery process was put to the test when the Systems Applications and Products in Data Processing (SAP system) was damaged. All participating units maintained operational functions during the drill. FENC plants will be incorporated into the subsequent testing to ensure a comprehensive coverage of the drill.

1.3.4 Climate Risk Management

FENC takes an aggressive stance against climate-related risks, trying to turn risks into business opportunities. In 2019, FENC adopted Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to identify critical climate-related risks and opportunities for the Company. In 2021, all FENC sites have implemented climate action plans based on the outcome of the identification.

TCFD Climate-related Financial Impact

Governance of Climate-Related Risks

A sound climate governance framework is valuable for identifying climate-related risks and opportunities. At FENC, the assessment of climate-related impacts on corporate sustainability is taken seriously and emphasized across the Board and the executive level. The Company established a robust risk governance framework, formulating sustainability strategies and guidelines through the Sustainability Committee, which reports to the Board, to fulfill the corporate responsibility in climate leadership and supervision.

● Structure of Climate Risk Management



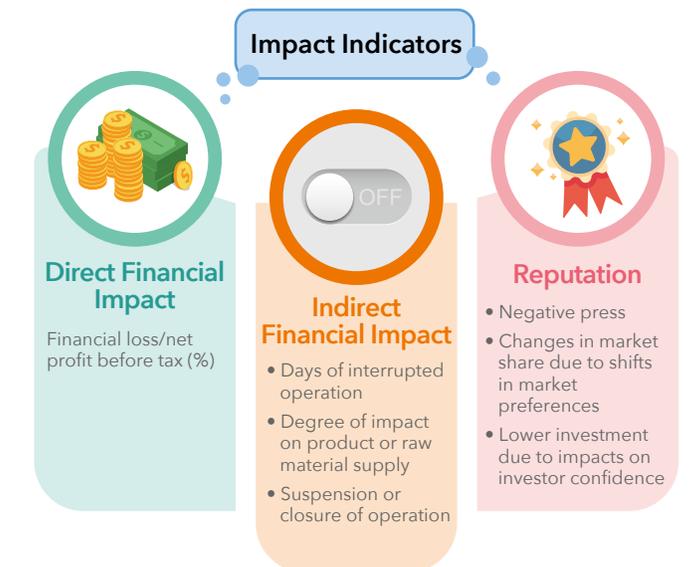
Identification of Climate-Related Risks

Step 1 Establish Lists of Critical Risks and Opportunities and Conduct Risk Ranking

FENC consulted the official and recommended lists of risks from TCFD as well as those compiled by benchmark corporations within the same industry and arrived at 24 climate-related risks. With direct and indirect financial impacts as well as reputation as the indicators, the 24 risks were evaluated to assess the direct impacts on corporate operation and indirect impacts from suppliers and customers on FENC. The result is a list of 10 critical climate-related risks.

FENC identifies key climate-related opportunities and devotes operational resources to respond to the opportunities brought about by climate change.

● Impact Indicators



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List of Climate-Related Risks

X Irrelevant L Low Impact M Medium Impact H High Impact

Risk Type	Sub-type	Detail	Scope of Impact						
			Supplier			Corporate Operation			Customer
			Raw Material Supplier	Equipment Supplier	Logistics	Petrochemical	Polyester	Textile	
Transition Risk	Technology	Costs to transition to lower emissions technology	L	L	L	H	H	H	L
Transition Risk	Policy and Legal	Increased costs of GHG emissions due to GHG regulations	L	L	L	H	H	H	X
Physical Risk	Acute	Typhoon (hurricane)	L	L	L	M	M	L	L
Transition Risk	Policy and Legal	Regulations related to renewable energy development	L	L	X	H	H	H	X
Transition Risk	Reputation	Climate-related risks for corporate reputation	L	X	X	M	M	L	M
Transition Risk	Market	Changing customer behavior	L	L	X	L	M	L	L
Physical Risk	Chronic	Draught caused by changes in precipitation patterns	L	X	X	M	M	M	X
Transition Risk	Technology	Substitution of existing products and services with lower emissions options	X	X	X	M	M	L	L
Physical Risk	Acute	Torrential rain and flood	X	X	L	L	L	L	L
Physical Risk	Chronic	Rising mean temperature	L	X	X	L	L	L	L

List of Critical Climate-Related Opportunities

Opportunity Type	Detail	Management Approach
Resource Efficiency	<ul style="list-style-type: none"> Use of more efficient modes of transportation Use of more efficient production and shipping methods Recycling and reuse 	<ul style="list-style-type: none"> Relocating to more efficient buildings Reduced water usage and consumption
Energy Source	<ul style="list-style-type: none"> Use of low-carbon sources of energy Participation in carbon market 	<ul style="list-style-type: none"> Implement energy conservation and carbon reduction products. Invest in solar power generation.
Products and Services	<ul style="list-style-type: none"> Develop/expand low-carbon products or services Development of climate adaptation and insurance risk solutions 	<ul style="list-style-type: none"> Development of new products or services through R&D and innovation Shifts in consumer preferences
Markets	<ul style="list-style-type: none"> Access to new markets 	<ul style="list-style-type: none"> Incorporate water efficient production and projects. Develop green products.
Resilience	<ul style="list-style-type: none"> Participation in renewable energy programs and adoption of energy-efficiency measures 	

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Step 2 Determine Climate Risk Scenarios

1. Scenario for Temperature Rise

- (1) 2 Degree Scenario (2DS): The Paris Agreement calls for keeping the global temperature rise by the turn of this century below 2°C.
- (2) Nationally Determined Contributions (NDC): With Nationally Determined Contributions, the anticipated global temperature rise by the turn of the century is set to be 3°C.

2. Scope

7 production sites in Taiwan and 7 in Mainland China.

3. Output

Impacts from the 10 critical climate risks on FENC and corresponding financial categories.

4. Approach

FENC invited members of the Sustainability Implementation Committee and managers from production sites under the Petrochemical, Polyester and Textile Businesses to attend 3 meetings to discuss the climate scenarios. A total of 70 members from Taipei, Hsinchu, Taoyuan, Shanghai and Suzhou were in attendance.

Step 3 Analysis of Climate-Related Financial Impact

FENC selected 3 major risks from a list of 10 critical climate-related risks for quantitative impact analysis under the 2DC and NDC scenarios. Corresponding action plans were formulated and implemented.

● Analysis of Climate-Related Financial Impact and Action Plan - Risk

Risk Type	Potential Financial Impact	2021 Action Plan
Typhoon (hurricane)	<ul style="list-style-type: none"> Decrease in sales revenues due to impacts on production Loss in asset values 	<ul style="list-style-type: none"> Focus on flood prevention and reinforce measures against typhoon damages at production sites. Install emergency power generation systems to maintain steady power supply for critical facilities. Purchase diesel generators to maintain steady power supply for critical facilities. Make adjustments to ensure sufficient manpower during disasters.
Costs to Transition to Lower Emissions Technology	<ul style="list-style-type: none"> Increase in operating costs due to investments in renewable energy and facilities that improve energy/resource efficiency 	<ul style="list-style-type: none"> Invest in equipment that improves energy efficiency. Invest in solar energy. Purchase green power.
Increased Cost of GHG Emission Due to GHG Emission Regulations	<ul style="list-style-type: none"> Increase in operating costs due to carbon tax in Taiwan, Carbon Border Adjustment Mechanism (CBAM) in the EU and the national carbon trading scheme in Mainland China 	<ul style="list-style-type: none"> Conduct GHG inventory verification. Invest in low-nitrogen combustion and improve treatment for volatile organic compounds to reduce GHG emissions. Implement energy conservation and carbon reduction projects. Refine GHG emission management.

● Analysis of Climate-Related Financial Impact and Action Plan - Opportunity

Opportunity Type	Potential Financial Impact	2021 Action Plan
Resource Efficiency	<ul style="list-style-type: none"> Increase in operating costs due to the procurement of energy-conserving equipment 	<ul style="list-style-type: none"> Promote energy conservation and carbon reduction projects. Incorporate water-efficient production and projects. Replace equipment with low energy/resource efficiency. Implement waste recycling and reuse. Choose low-carbon transportation options.
Energy Source	<ul style="list-style-type: none"> Increase in operating costs due to increase in investments in renewable energy facilities 	<ul style="list-style-type: none"> Invest in low-carbon energy. Purchase Taiwan Renewable Energy Certification. Establish carbon trading management teams.
Products and Services	<ul style="list-style-type: none"> Increase in operating costs due to investments in R&D resources and product certifications Increase in asset values through obtaining green/smart building certifications Increase in sales revenues from green products 	<ul style="list-style-type: none"> Devote R&D efforts in green/functional products. Obtain green product certifications. Obtain green/smart building certifications.
Markets	<ul style="list-style-type: none"> Increase in operating costs from expansion of production capacity Increase in asset values from the expansion of production sites Increase in sales revenues from rPET products 	<ul style="list-style-type: none"> Expand applications of rPET.
Resilience	<ul style="list-style-type: none"> Increase in operating costs from the procurement of renewable energy facilities and green production Increase in sales revenues from green products 	<ul style="list-style-type: none"> Invest in solar power generation. Develop green production.

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Climate Risk Indicators and Targets

GHG Reduction Targets



Note: The year 2020 is the base year for categories 1 and 2 (scopes 1 and 2) emissions disclosed in this report.

GHG Emission Data and Carbon Reduction Targets

Please refer to [3.2.1 GHG Inventory](#) and [3.2 Responding to Climate Change](#).

Carbon Reduction Strategy and Performance

Please refer to [3.2 Responding to Climate Change](#).

Other Climate Targets and Progress

Please refer to [3 Navigating a Green Future – Targets and Progress](#).

1.4 Implementing Sustainable Development

FENC is in pursuit of sustainable development. While sustaining the quest for corporate profits and meeting societal expectations, the Company is in the business of creating higher values for all stakeholders.

Guidance for Sustainability Governance

1. Sustainable Development Principles

Corporate sustainability is deeply ingrained in FENC's core businesses. The Company implements ESG from the top down through unified policies. FENC's Sustainable Development Principles, enacted in 2014, is applicable to FENC and all subsidiaries under the Production Business. The policy demonstrates FENC's determination to implement environmental, social and corporate governance.

FENC amended the Sustainable Development Principles in 2022 based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies issued by Taiwan Stock Exchange and Taipei Exchange. The amendment was approved unanimously by all Board members present during the Board meeting on March 8, 2022.

[Sustainable Development Principles](#)

2. Sustainability Strategy Blueprint

The Sustainability Strategy Blueprint is derived from sustainability action plans proposed by the Sustainability Implementation Committee as FENC's response to UN SDGs. By completing a wide array of sustainability projects, FENC has formed an alliance with global partners to achieve the sustainable vision.

[Sustainability Strategy Blueprint](#)

Structure of Sustainability Governance

1. Board of Directors

The Board of Directors serves as the highest governing entity regarding ESG governance at FENC. The Presidents of all Businesses and highest-ranking executives of all units present corporate issues concerning sustainability at the quarterly Board meetings and regular briefings. ESG issues discussed during regular meetings of the Board, Audit Committee, Remuneration Committee as well as additional regular meetings attended by the Board members in 2021 include:

- | | | |
|---|--|--------------------------------------|
| (1) External Board evaluation | (6) Human resources management and development | (12) Environmental safety and health |
| (2) Operational performance and market conditions | (7) Board and employee remuneration | (13) GHG and energy management |
| (3) Industry strategies | (8) Risk control | (14) Innovative R&D |
| (4) Financial conditions | (9) Integrity and anti-corruption | (15) Annual Sustainability Report |
| (5) Sales overview | (10) Implementation of regulatory compliance | (16) Stakeholder dialogues |
| | (11) Internal audit | (17) Social engagement |

2. Sustainability Committee

FENC established the Sustainability Committee under the Board on November 12, 2020 to oversee the implementation of sustainable development policies, systems and management approaches. The Committee reports to the Board on a regular basis.

[Sustainability Committee Charter](#)

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Committee activities in 2021:

Members of the Board were appointed to serve on the Sustainability Committee on July 29, 2021, including 2 independent Board members and 1 external Board member with the independent Board member as the convener. The 3 committee members are well qualified to assume the responsibilities, including corporate governance, management of non-profit organizations, protection of employee rights, corporate risk control and strategic planning.

The Sustainability Committee held its annual meeting on October 21, 2021. Humphrey Cheng, President of Corporate Management, presented the implementation progress, report, project and performance to the 3 committee members. Specific subjects presented included responses and actions towards climate change and water scarcity; promotion of circular economy and low-carbon production; protection of stakeholder rights; refinement of risk control and anti-corruption systems; corporate and tax governance projects. All resolutions were approved unanimously by the attending members. Johnsee Lee, FENC's independent Board member and convener of Sustainability Committee, presented the outcome to the Board on November 11.

3. Sustainability Implementation Committee

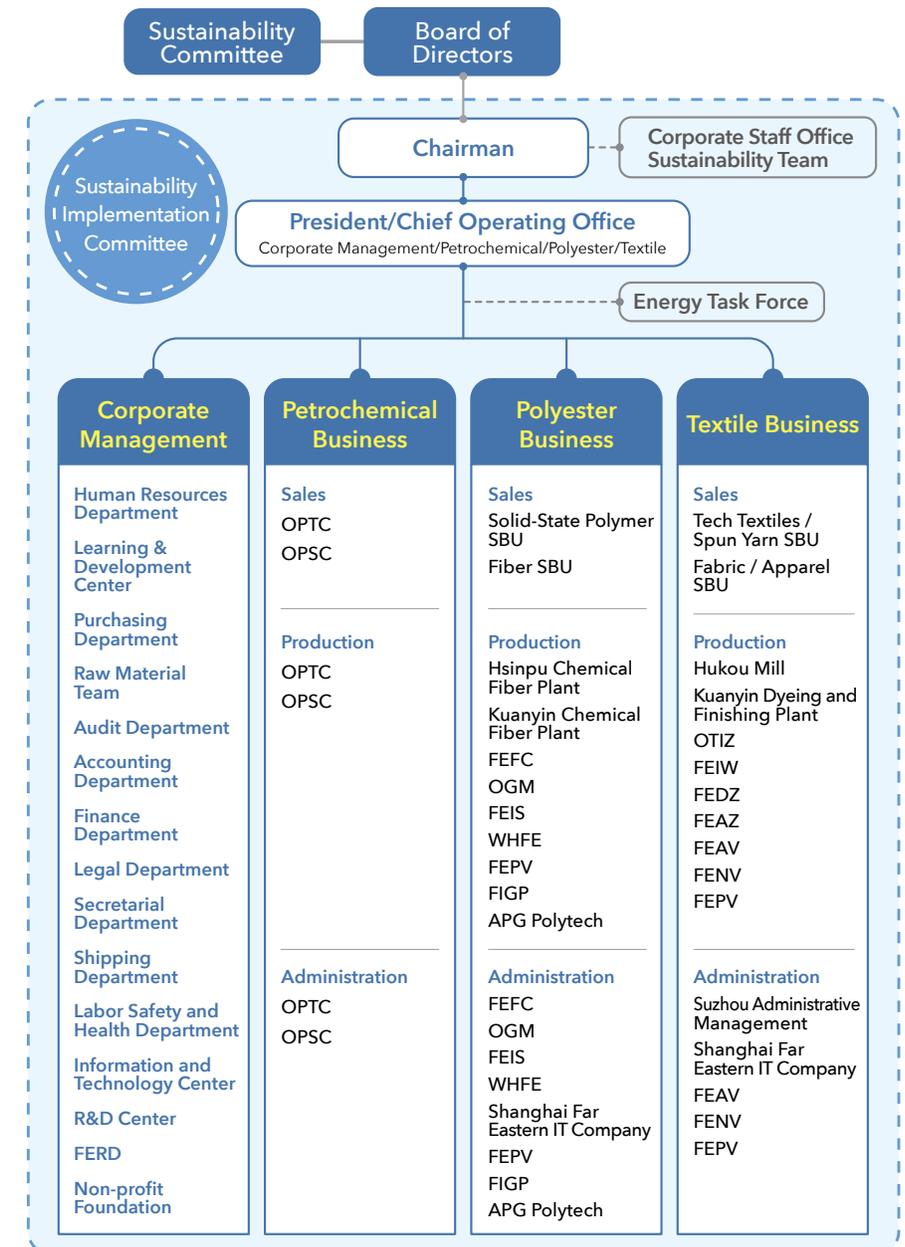
FENC established the Sustainability Implementation Committee in 2014 to facilitate corporate sustainable development. The President of Corporate Management serves as the convener. Specific tasks for the Sustainability Implementation Committee are as follows:

- Compilation and disclosure of sustainability data.
- Planning and implementation of sustainability projects.
- Compilation and submission of sustainability data for external verification.

The Sustainability Implementation Committee consists of 220 members. The committee structure parallels the corporate structure. Among the members are Presidents and Chief Operating Officers from all Businesses, departmental managers at FENC operation sites worldwide and the 3 designated members of the Sustainability Team under Corporate Staff Office.

Profile and Duty of Sustainability Implementation Committee 

Structure of Sustainability Governance



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Disclosure of Sustainability Data

FENC presents its sustainability performance to internal and external stakeholders through the Sustainability Report. The process of report preparation entails several components. The Sustainability Implementation Committee presents the annual sustainability performance, which is then verified, analyzed and consolidated by the Sustainability Team. The Sustainability Report is disclosed with third-party verification and approval from the President of Corporate Management. Each year, the process of report preparation and outcome are reported to the Board. For the 2020 Sustainability Report, the presentation was made to the Board on July 12, 2021.

To ensure a sound preparation process and verification mechanism for the Sustainability Report, FENC plans to establish Operational Procedures for the Preparation and Verification of Sustainability Report and incorporate it as part of the internal control system in 2022.

Influential Press Coverage on FENC's ESG Performance

FENC is dedicated to corporate sustainability and the pursuit of long-term and robust business performance. With high standards in corporate governance, environmental protection and social engagement, its ESG performance is gaining attention. In 2021, the Company accepted interviews by prominent magazines in Taiwan.

The May issue of Global Views Magazine featured an interview with Chairman Douglas Tong Hsu, who shared the secret behind winning 3 major Global Views Corporate Social Responsibility Awards in Far Eastern Group. At FENC, sustainability is not a catchphrase. It takes actions. It takes planning and management, setting schedules and goals to turn ideals into reality.

The Commonwealth Magazine interviewed Chairman Douglas Tong Hsu, President of Corporate Management Humphrey Cheng and Chief Financial Officer David Wang for the September issue. During the interview, they talked about FENC's high standards regarding implementing sustainability projects and its leading status in the development of circular economy, sustainable finance and corporate governance.

The cover of the October issue of Business Weekly featured the top 100 carbon-reducing corporations in Taiwan, in particular, FENC. The magazine highlighted the Company's low-carbon transformation through the development of green products and interviewed Chairman Douglas Tong Hsu, Acting President of Polyester Business Donald Fan and Acting President of Textile Business Judy Lee, who shared how FENC transformed waste PET bottles, ocean plastics and industrial gases from the land, ocean and air into usable resources, turning climate risks into business opportunities.

The November issue of the monthly magazine, Accounting, introduced FENC as a benchmark corporation for its ESG performance, including excellence in circular economy, sustainable finance, corporate governance and pandemic control. Its success has been guiding the way for governmental and investor support for corporate sustainability.

Looking ahead, FENC aims to extend its influence, engaging stakeholders and sharing its experience through a wide spectrum of channels to co-create a bright future with all members of the society.

Sustainability Report Preparation Process

