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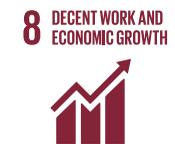
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Target Readers:

- Employee / Labor Union
- Direct Customer
- Government
- Business Partner (Supplier / Contractor)
- External Audit Agency
- Shareholder / Investor / Financial Institution



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2022 Highlight



Listed for **55** Years
Uninterrupted Profiting
and Dividend Sharing Streak



Top 5%
Corporate Governance Evaluation
for TWSE/TPEX Listed Companies



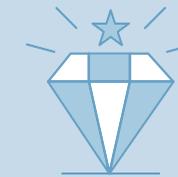
Virtual Option for
Shareholder Meetings
Support for **Financial Supervisory
Commission's Digital Policy**



Designating **Information Security Units**
and Appointing **Chief Information Security Officer**
**Improving Information Security
Management Mechanism**



Establishing **ESG Portal**



First Corporation in Taiwan
to Patent the **Audit Approach**



ESG Topics
Included in
All Board Agenda



Enhancing **Credit Customer
Information Management**
Platform and Mechanism



Optimizing **Customer Profit
Contribution System**



Establishing Operational Procedures for
**the Preparation and Verification
of Sustainability Report**

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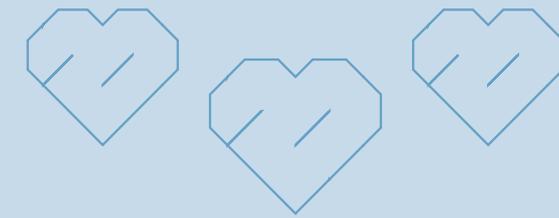
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Target and Progress



	Industry Leading Status	Corporate Governance Evaluation	Risk Management System	Management of Information Security	Exemplary Sustainable Corporation
2030 Target	Maintaining industry leading status with key products	Top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	Conducting a minimum of 3 social engineering drills and 3 training sessions to heighten FENC-wide information security awareness	Implementing 3 annual sustainable projects Taking part in 3 annual sustainable conferences or awards
2025 Target	Maintaining industry leading status with key products	Top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	Conducting a minimum of 3 social engineering drills and 3 training sessions to heighten FENC-wide information security awareness	Implementing 3 annual sustainable projects Taking part in 3 annual sustainable conferences or awards
2023 Target	Maintaining industry leading status with key products	Top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	Conducting a minimum of 3 social engineering drills and 3 training sessions to heighten FENC-wide information security awareness	Implementing 3 annual sustainable projects Taking part in 3 annual sustainable conferences or awards
2022 Target	Maintaining industry leading status with key products	Top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	New Goal	Implementing 3 annual sustainable projects Taking part in 3 annual sustainable conferences or awards
2022 Progress	Completed Maintaining industry leading status with key products	Completed Top 5%	Completed <ul style="list-style-type: none"> Optimize the customer profit contribution system. Establish a designated information security entity and appoint the Chief Information Security Officer. Launch factory risk ranking projects. 	New Goal	Completed For details on implementation, please refer to the corresponding chapters in this report.
Action Plan	<ul style="list-style-type: none"> Expand production capacity and diverse production base. Research and develop innovative products. Elevate employee competency. 	<ul style="list-style-type: none"> Learn from the results of Corporate Governance Evaluation and best practices around the world. Make continuous improvements based on corporate conditions. 	<ul style="list-style-type: none"> Expand the scope of risk control systems. Optimize risk control systems with dynamic adjustments. Establish risk control platforms. Take stock of major risks regularly with tracking and improvement. Report risk control progress to the Board. 	<ul style="list-style-type: none"> Update the email templates for phishing drills annually and develop the platform for AI social engineering drills in house. Hold information security training using the most up-to-date training materials. 	<ul style="list-style-type: none"> Continue stakeholder dialogue, engagement and feedback. Engage heavily in sustainability campaigns and stay on top of current trends. Strive for domestic and international sustainability awards. Improve international ESG ratings.

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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 to expand production capacity and establish a 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 the 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 protect 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-evaluations.
- 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 risk factors posing a major impact on corporate activities and establish an 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.
- Establish a risk control system to make dynamic adjustments and optimization and ensure system effectiveness.
- Implement staff training to increase risk awareness.
- Conduct monthly Risk Management Meetings to monitor risk indicators and regulatory compliance.
- Regularly conduct plant risk ranking projects 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
- All Businesses



Fortify Digital Resilience

Significance and Purpose of Management for FENC

In response to the growing cyber security threats around the globe, FENC established the Information Security Management System (ISMS) to achieve the information security objectives and minimize impacts brought by information security incidents.

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish information security policies.
- Provide comprehensive management and guidelines regarding the organization, staff, physical security, technology and compliance.
- Conduct training to heighten information security awareness among staff.
- Track information security indicators and supplier compliance with information security clauses.
- Report to the Board on a regular basis to ensure supervision and management of all risk issues by the highest governing entity.

Authority

- Information Security Department
- FENC sites



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 the sustainable corporation through non-stop refinement in the perpetual pursuit of perfection.

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish the Sustainability Committee at the Board level and hold a minimum of one annual committee meeting. Meeting resolutions are presented to the Board by the convener of the Sustainability Committee.
- Establish the Sustainability Policy and FENC Sustainability Strategic Blueprint to implement various sustainable 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 property development and investment businesses through diversified management strategies and highly efficient asset mobilization. FENC has been listed on the Taiwan Stock Exchange since 1967 and maintains a 55-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 best practices for environmental, social and corporate governance. FENC will keep delivering exceptional results in environmental protection, social inclusion and corporate governance.

To maximize synergistic effects, FEIS merged with OPSC on December 31, 2022. FEIS, the surviving entity, created the Petrochemical and Polyester Businesses to capitalize on the strength of vertical integration. The two entities consolidated administrative resources to further synergize on the management front.

[FENC's 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 estate and equity investments that shall bring happiness and prosperity to the community where we serve.

Core Value

勤 Diligence

Everyone must always work diligently to renew themselves and the company. With diligence, we may make up for our inadequacies and overcome hardships.

誠 Sincerity

Customers, the general public, and colleagues must all be treated with sincerity; cooperation and teamwork must be based on mutual trust.

樸 Thrift

Live a simple life and cherish your blessings. Thus, one may live a happy life with few earthly desires.

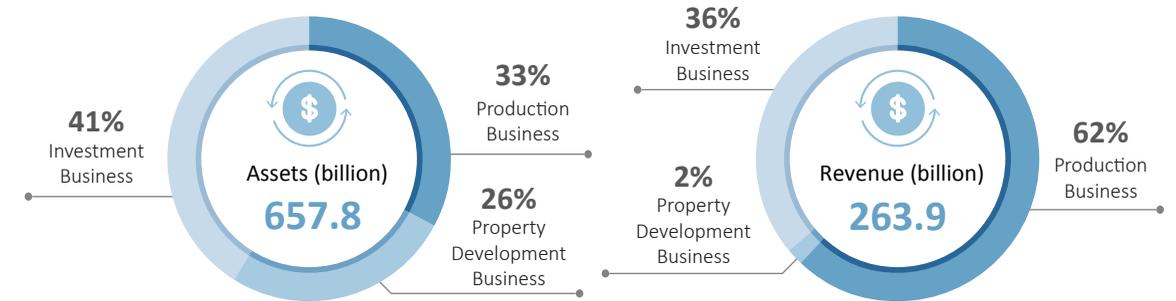
慎 Prudence

Always make a careful assessment before undertaking any task; those who plan ahead are those who will succeed.

創新 Innovation

FEG's goal is to constantly create new values for customers and shareholders. The Group aims to make every enterprise under its flag a leading company in its industry.

Assets and Revenue in 2022



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 president 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 the CPA Association R.O.C. (Taiwan) and FENC's Corporate Governance Principle. The certified public accountants selected for 2022 were evaluated and approved by the Board on March 8, 2023.

twA

Taiwan Ratings
(2022)

Financial Performance

Unit: NT\$ Million

	2020	2021	2022
Total Assets	616,955	635,324	657,758
Total Liabilities	347,531	365,913	386,086
Shareholders' Equity	269,425	269,415	271,672
Operating Revenues	206,769	238,806	263,945
Net Income (Attributable to Parent Company)	8,063	9,685	8,160

Note: FENC consolidated financial statement

[Annual Report](#)

[Financial Report](#)

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Economic Values Distributed to Stakeholders

Unit: NT\$ Million

	2020	2021	2022
Operating Costs	166,374	192,321	213,924
Employee Wages and Benefits	19,790	23,318	24,704
Payments to Investors (Interest Expense and Dividends)	17,700	16,665	18,124
Accrued Income Tax Expense	3,143	2,983	3,808
Investments in Community	238	108	106

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

Accrued Income Tax Expense

Unit: NT\$ Million

	2020	2021	2022
Taiwan	2,241	2,338	2,938
Mainland China	859	389	405
Malaysia	15	4	10
Hong Kong	11	50	18
U.S.	6	6	201
Bermuda	6	7	(5)
Vietnam	5	(7)	53
Singapore	5	4	6
Netherlands	0.01	-	-
Japan	(6)	193	184
Total Income Tax	3,143	2,983	3,808
Ratio of Income Tax to Revenue	1.5%	1.3%	1.4%

Tax Governance

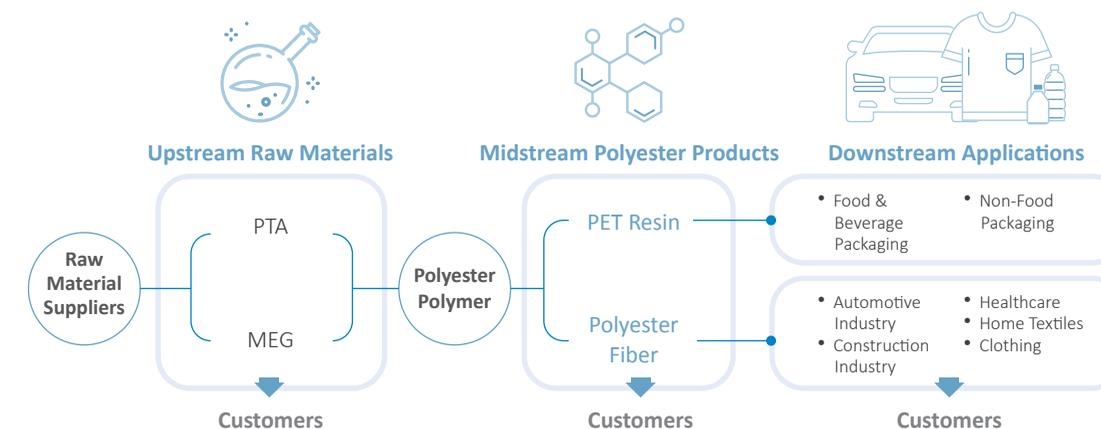
To align with international trends on tax governance, comply with tax laws and fulfill corporate sustainability, FENC established Tax Governance Policy in 2020 to govern tax affairs at FENC as well as all subsidiaries. The policy encompasses regulatory compliance, transparency, risk control, integrity-based 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 a tax risk identification mechanism. When tax laws are amended, the mechanism facilitates assessment, prepares necessary responses 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 authorities 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.

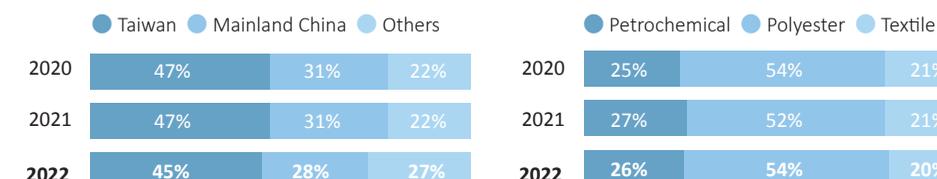
[Tax Governance Policy](#)

1.1.2 Production Business

Main Products and Value Chain



Sales Ratio



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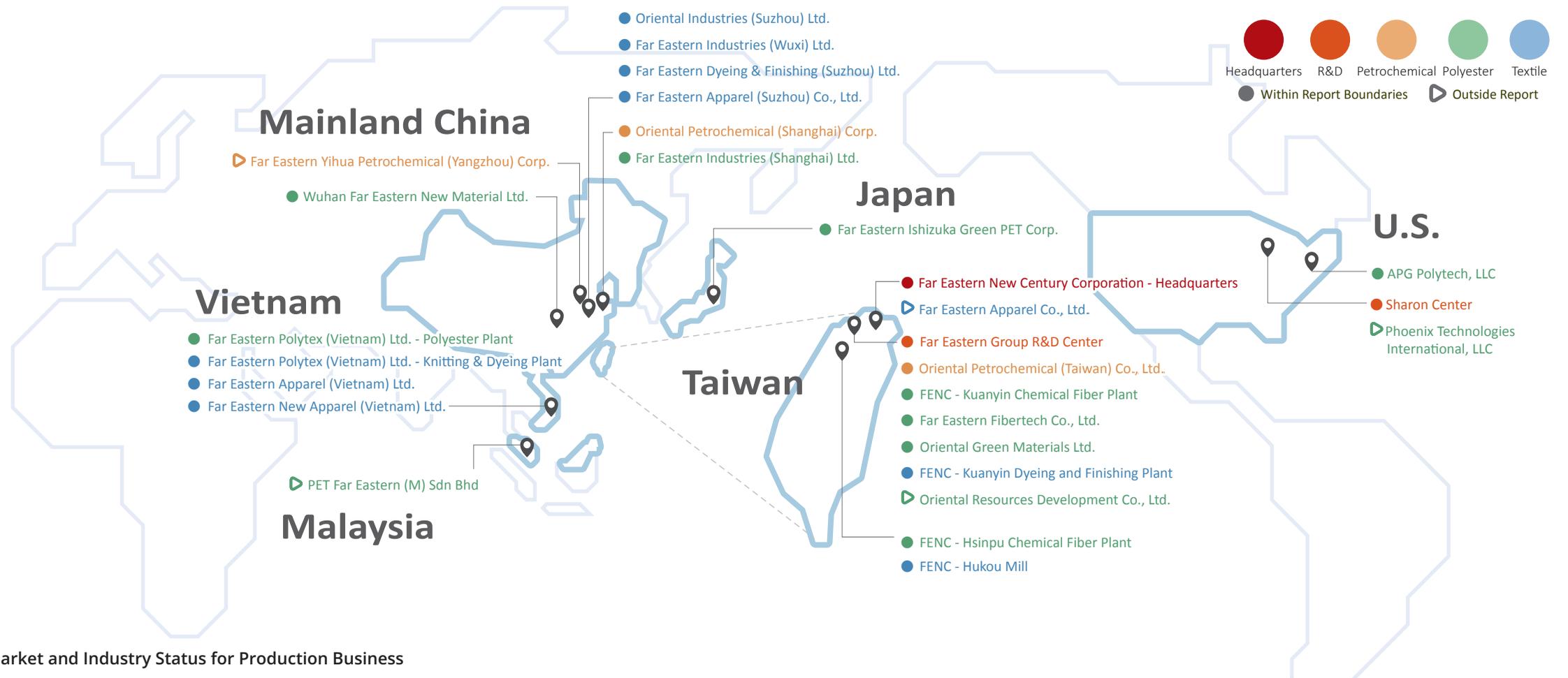
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Operation Sites



Market and Industry Status for Production Business

The resurgence of the COVID-19 pandemic, the war between Russia and Ukraine and the surging inflation had led to economic downturns in 2022 with the global GDP growth sliding to 3.4% according to the International Monetary Fund. With rising raw material prices and insufficient market demand, the pressure to destock looms over the industry chain.

In 2023, the global economy has been recovering at a sluggish pace with a gloomy forecast of 2.9% GDP growth. Geopolitical tensions, fluctuating raw material prices and volatile global financial markets continue to represent the major risks that are burdening the supply chain operation. As the world races towards net zero, the wave of green transformation is unstoppable.

Amid these challenges, FENC stands out with unparalleled advantages, including a vertically integrated production and distribution system; a multifaceted product structure; production sites spanning across Asia and the U.S.; a global sales network; solid partnerships with international brands. While reducing operational risks, these advantages give FENC the means to set a high bar for corporate resilience among industry peers. FENC's long-term devotion to the circular economy has made it an integral link of the global green supply chain. The expanded rPET production capacity propelled its leading status further in 2023, and the wide array of environmental protection and energy conservation endeavors put it in line with stakeholders' carbon-reducing goals. With these critical advantages, FENC is poised for a great leap forward.

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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 2022. Key projects are as follows:

- In support of the Financial Supervisory Committee’s policy on promoting virtual shareholder meetings, FENC’s shareholder meetings are held with both in-person and virtual options.
- FENC has designated information security entities and has appointed the Chief Information Security Officer to enhance its information security mechanism.
- The Board monitors and controls the scheduling of GHG inventory and verification on a quarterly basis.
- All quarterly financial reports are presented to the Board for discussion and resolution after being approved by the Audit Committee.
- To prevent insider trading, FENC established the Corporate Governance Principle and Procedures for Handling Material Inside Information, which stipulate that the Board members shall not engage in the trading of FENC shares during the close periods, which refer to 30 days before the publication of the annual financial report and 15 days before the quarterly financial report.
- The English version of the FENC annual report was uploaded 18 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 minimize the risk of corrupt conducts, FENC established an integrity and anti-corruption system with annual implementation of special projects.

[Articles of Incorporation](#) [Corporate Governance Principles](#)

[Legal Compliance Execution Report \(Chinese\)](#) [Code of Ethics](#)

[Best Practice Principles of Ethical Corporation Management](#)

[Whistle-blowing and Disciplinary Method of Violating Ethical Conduct and Ethical Management \(Chinese\)](#)

Integrity and Anti-Corruption System

Highest Guiding Principle	Integrity
Code of Conduct	Best Practice Principles of Ethical Corporation Management and Code of Ethics approved by the Board
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.
Management System	<ol style="list-style-type: none"> 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. The whistle-blowing and disciplinary method of violating ethical conduct and ethical management. Provisions of anti-money laundering measures under Control System on Preventing Economic Sanction from Financing of Terrorism. Remuneration system. Internal control system and provisions governing its implementation, including management policy, authorization system and segregation of duties. Risk assessment mechanism, which applies to dealings with governmental entities. Anti-bribery clauses included in procurement contracts to strictly forbid the acceptance of kickbacks, handling charges or financial gains in any form
Audit System	<ol style="list-style-type: none"> Integrity and anti-corruption practice are listed under mandatory audit in the internal audit system. 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. 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	<ol style="list-style-type: none"> 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. Require corporate ethics in new employee training. Conduct anti-corruption training tailored to procurement units that involve direct interests in procurement projects. Prior to being included in FENC’s list of eligible suppliers or engaging in business transactions with FENC, suppliers and subcontractors, including agents and trade companies, must undergo anti-corruption training or education. Internal publication, meetings, signage at the plants.

2022 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.

2022 Results

- There were no incidences of corrupt conducts at FENC.
- Report the implementation of ethical management to the Board to fulfill FENC’s vision as a corporation with integrity. Reported subjects include online self-evaluation on regulatory compliance; training outcomes; subjecting non-permanent employees to the anti-corruption policy to fulfill this corporate philosophy.

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- All Board members completed the anti-corruption training, representing 100% in completion.
- Reach 100% coverage in the provision of anti-corruption promotion, 90% coverage in anti-corruption training among all permanent FENC employees, 97% coverage in the provision of anti-corruption promotion and 97% in anti-corruption training among non-permanent FENC employees.
- All new recruits in 2022 signed the declarations to commit to FENC's Best Practice Principles of Ethical Corporation Management and Code of Ethics, representing 100% in completion.
- Provide anti-corruption promotion or training to 5,823 suppliers and contractors, including agents and traders, which represents 88% coverage.

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. All Board members bring a wealth of knowledge and experience to FENC. Equipped with backgrounds in law, finance, economy and sales as well as management expertise, decision-making skills and industry insights, the Board is able to lead the Company to navigate through and respond to various impacts.

Four Board meetings were held during the reporting year with a total of 92 resolutions discussed regarding management strategies, risk control, product innovation, carbon reduction, talent incubation and sustainable development. The Board continues to thrive under a robust system.

[Board Regulations](#) [Profile of Directors](#) [The Diversity Policy and Implementation of the Board of Directors' Composition](#)

Functional Committees

Remuneration Committee
Established in 2011

An independent director serves as the convener 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 2022, the Remuneration Committee convened 2 times.

[Remuneration Committee](#)

Audit Committee
Established in 2015

Audit Committee is composed of the entire number of Independent Directors 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 4 times in 2022.

[Audit Committee](#)

Sustainability Committee
Established in 2020

An independent director serves as the convener 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 sustainable development" and "Supervise other matters related to corporate sustainable development approved by the Board". In 2022, the Sustainability Committee convened 2 times.

[Sustainability Committee](#)

Board Management and Performance Review

1 Nomination



Board nominations are made in accordance with Election Procedures of Director and Corporate Governance Principles, while comments from the independent Board members as well as the candidates' experience and education are also taken into account. Other considerations include diversity, independence, ability to respond to corporate impacts and stakeholder feedbacks. Board member elections are held during the shareholder meetings after Board review. In accordance with Company Law, shareholders with over 1% of the issued shares of FENC may nominate candidates for the Board in writing.

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 and all applicable regulations. Based on the provisions regarding conflicts of interest in Meeting Rules of Board of Directors, Board members or the juristic persons they represent with conflicts of interest regarding agenda items shall explain to the Board the essential contents of such interest. In the presence of potential damages to the Company's interest, said Board members shall recuse themselves from discussing or voting on the agenda item in question, and from voting on behalf of another Board member. There were no incidences of conflicts of interest among the Board members in 2022.

3 Training



Each year, FENC invites external experts to hold two training sessions for the Board members. The 2022 courses include Insights for Taiwan Regarding the Russo-Ukrainian War and A Global Perspective on Future Talent Deployment. The attendance count among Board members reached 17, and all members completed a minimum of six training hours in the reporting year.

4 Remuneration and Evaluation



Annual self-evaluations on the performance of the Board, Board members and functional committees are conducted in accordance with FENC Board Performance Evaluation Rule. Every three years, a performance review is conducted by independent external agencies or a panel of experts and scholars. In 2022, the results of all self-evaluations are "exceptional," which is the highest level. The next performance review to be conducted by external agencies is to take place in 2023. 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 2022 accounts for 1.90% 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; create 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 Rights

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

Risks and opportunities are often two sides of the same coin. Where one goes, the other follows. With the Russian invasion of Ukraine, resurgence of the COVID-19 pandemic and surging inflation, the year 2022 was a challenging one, and one that highlights the necessity of a robust risk control mechanism, through which corporations may minimize operational risks and seize development opportunities, ultimately making sustainability a reality.

1.3.1 Risk Management Policies

To reinforce corporate governance and establish sound risk management to reach corporate targets, the Board approved Risk Management Policies on November 12, 2020. 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](#)

The organizational structure of the Company in the field of risk management includes the Board of Directors, Corporate Management, and Operating Business and relevant divisions. The obligations of each applicable entity are outlined within the Risk Management 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.

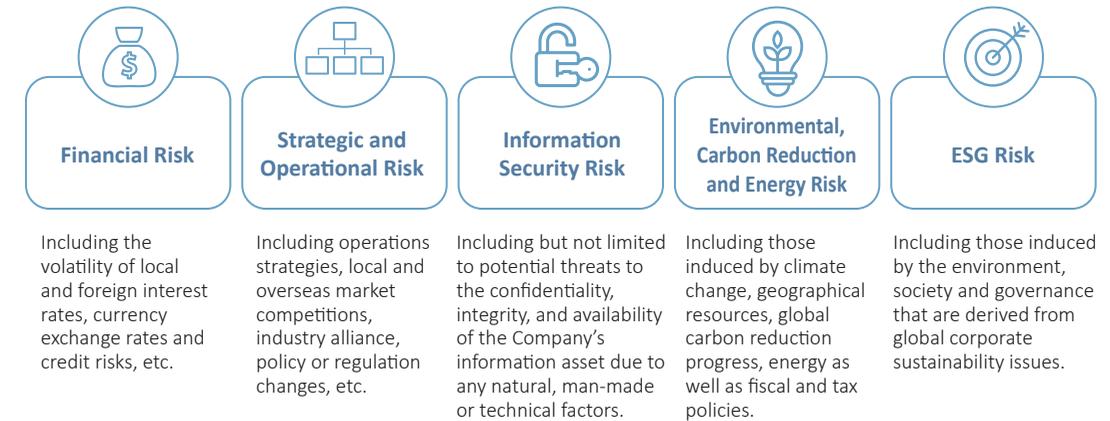
Structure of Risk Control Organization

Board of Directors	The Board of Directors serves as the highest decision-making unit of the risk management. 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 management process and outcome.
Corporate Management	Corporate Management is responsible for the overall risk management and establishment of preventive measures. Monthly task: The units conduct regular meetings to review the risk management status and monitor the implementation and coordinated operation of risk management. Yearly task: The units shall submit a risk management report to the Board of Directors at least once a year. The 2022 report was presented to the Audit Committee on November 2, 2022, and to the Board of Directors on November 9, 2022.
Operating Business and Relevant Divisions	All units shall identify major risks and conduct risk planning, implement necessary process of risk management and report management status to Corporate Management on a regular basis.

1.3.2 Identification and Management of Major Risks

Major Risks of FENC

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



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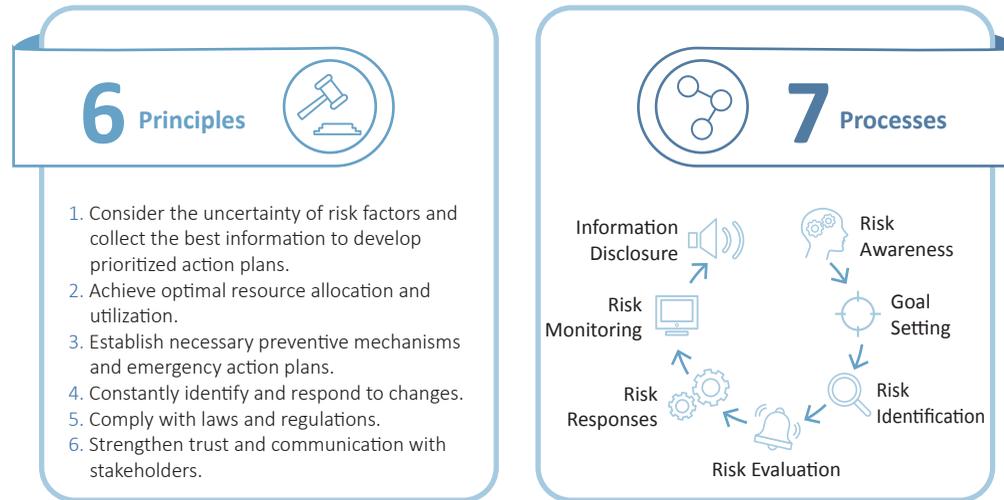
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Risk Management Principles, Mitigation and Control Measures, and Identification and Management Procedures

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 Management Mechanism

Regular Meetings

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

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 2022, the Company held 12 risk control meetings, establishing advanced indicators and responses to avert risks, and addressing irregularities in the indicators with corresponding measures, improvements and optimization for prevention.

Process of Risk Alert System



Starting from 2019, risk indicators are implemented in a systematic approach with a 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.

Priority tasks for 2022

- Enhance pandemic measures by offering the option of virtual shareholder meetings.
- Adopt necessary measures to secure credit recovery amid the war between Russia and Ukraine.
- Reduce capital costs by planning for financing support measures as the interest rate rises.
- Respond to the shifting marine shipping market and control transportation costs by signing long-term contracts.
- Establish designated information security units and appoint the Chief Information Security Officer to strengthen information security management and promote digitization.
- Improve credit ratings and market values through special projects.
- Implement ESG projects such as GHG inventory and reduction.

Coverage Areas 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.

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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 a company-wide regulatory compliance system.

1. 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.

2. Coverage Areas

The system is to confirm key regulations concerning corporate operations. Regulations governing penalties for Board members and managers, damages to corporate image, major civil offenses and administrative liability are given priority status for implementation. Areas prone to deficiency are listed as the focus of the annual audit. Given the above criteria, 85 regulations and 602 control points are identified.

Detail

Category	Focus	Task	2022 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 2022.
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"> • Develop robotic process automation (RPA), which extracts regulatory updates daily from the Executive Yuan Gazette Online and the Financial Supervisory Commission, and weekly from sources related to the economy, health and safety, labor affairs and fire safety. The updates are sent to applicable personnel immediately. • Amend Meeting Rules of Stockholders, Corporate Governance Principles, Procedures for Handling Material Inside Information and Meeting Rules of Board of Directors to align with regulatory amendments. • Review and revise pension withdrawal rules at the U.S. subsidiaries in compliance with the U.S. federal and local tax regulations.
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"> • Prevent violations and ensure corporate compliance through corruption prevention and control promotion and training to familiarize staff with anti-corruption policy and regulations.
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, provide guidance for all departments on improvements and follow up. 	<ul style="list-style-type: none"> • All departments conducted self-evaluation on regulatory compliance and completed the necessarily forms. • All departments formulate and implement improvement plans to address deficiencies identified in the self-evaluations. • On-site inspections were conducted with supplementary information provided. 	<ul style="list-style-type: none"> • Adjust quarterly self-evaluations to be conducted monthly to promptly monitor regulatory compliance at all departments and subsidiaries, effective in July 2022. • Conduct on-site compliance audits at all plants and subsidiaries in October and at Corporate Management in December.

Coverage Areas of Regulatory Audit

Target	Compliance Detail and Number of Control Points
Shareholder	Financial report (18), internal control (17), issuance of credit and endorsement/guarantee (17), acquisition and disposal of assets (42), convening of meeting (75)
Customer and Competitor	Fair trade (5), import/export (8)
Corporate Asset	Business accounting (9), tax management (58), patent and trademark (20), Copyright Act (13), trade secret (6), personal data protection (11)
Employee	Labor condition (59), welfare and insurance (28), labor relations (33), labor retirement (23), health and safety (69)
Society	Corporate corruption (18), political donation (8)
Environment	Environmental protection (65)

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

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Major Violations in the Past Two Years

Company	Violation	Fine (NTD)	Improvement Plan
2022 (Two Cases)	FEDZ	\$999,000	1. A buffer tank is added to allow time for the particle matters to settle. The improvement has brought the water samples up to standard. 2. The BOD level is tested more frequently.
	FEIS	\$442,000	1. The oil agent was improved to reduce the phosphorous concentration. 2. Daily management is enhanced. The phosphorous concentration is tested daily to keep the wastewater quality above the governmental standards for discharge.
2021 (One Case)	OPTC	\$585,000	1. 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. 2. 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.

Note:

1. The threshold of disclosure for monetary penalties is set at NT\$300,000. The threshold of disclosure for non-monetary penalties is business suspension. There were no incidences of such suspension during the reporting period.
2. FENC's investment businesses in mainland China underwent inspections on their business operation and occupational competency by the local law enforcement agencies during 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. All improvements have been completed.

Risk Ranking Project

FENC operates on a multi-national scale with production sites spanning across Taiwan, mainland China, Vietnam, Japan, Malaysia and the U.S. To ensure workplace safety and support corporate growth, the Company regularly commissions risk ranking consultants to conduct reviews over its worldwide locations and identify weaknesses. Improvements are made to address the deficiencies with monthly tracking until they are fully resolved.

The Company launched its fourth risk ranking project in March 2022. The scope encompasses its 21 plants worldwide. The project evaluates 44 international risk indicators covering software, hardware and emergency response. Improvements targeting the results identified during the third risk ranking, which took place in 2019, were also evaluated. The fourth risk ranking was scheduled to be completed at the end of 2022. However, the COVID-19 pandemic and the tightening of governmental restrictions prompted several plants to adjust the schedules accordingly. The entire project will be completed by the end of the second quarter in 2023.

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 2022, 2,046 employees completed the 54 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 Occupational Safety and Health Management](#).

FENC conducts training programs that target specific risks. In order to closely monitor regulatory compliance at each department and subsidiary, quarterly self-evaluations on regulatory compliance are also conducted, effective as of July 2022. As of the end of 2022, a total of 4,273 employees completed the regulatory compliance training and exam.

Oversight and Management of Internal Control System

1. Operation of Internal Audit

Aside from conducting annual audits mandated by governmental regulations, the audit staff evaluates operational risks and develops the annual audit plan for the coming year with details listed. The plan is implemented upon the approval of the Audit Committee and the Board.

Once completed, the audit report is forwarded to the Audit Committee for review prior to the end of the subsequent month. Quarterly progress reports on improvements made are presented to the Audit Committee and the Board for review. Major violations or potential damages to the Company are immediately reported to the President of each Business, the Audit Committee and the Board.

2. 2022 Implementation

FENC conducted 62 audit projects in 2022 and identified minor internal control risks. The majority of the improvement projects have been completed. As of the end of December 2022, deficiencies identified in 12 audit projects remained outstanding with improvement measures in progress.

3. 2022 Priority Task

• Internal Control Self-Evaluation

Internal audit self-evaluations at FENC are implemented through an electronic platform, which optimizes the process with enhanced efficiency and benefits for all units and subsidiaries. After the results are reviewed by the audit units, they become the basis for evaluating the effectiveness of FENC's internal control system by the Board and Presidents. Along with the deficiencies identified and improvements made, these records serve as references for the Internal Control System Statement, and they are published in the annual report and the Market Observation Post System to demonstrate the Company's commitment to implementing effective internal control.

• Digital Transformation

FENC is creating an auditing data platform that leverages the data analysis technology and risk dashboard to analyze data accuracy and monitor indicators of anomalies. The platform helps identify operational risks and provides recommendations to improve operational performance and efficiency.

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- **Subsidiary Supervision**
FENC conducts regular reviews over subsidiary operations and management, examining documents such as the financial report, inventory status and credit recovery. When anomalies are detected, the subsidiary is notified in the form of a work report to facilitate immediate adjustments and improvements.
- **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 Audit Organization and Internal Control Approaches](#)



First Corporation in Taiwan to Patent the Audit Approach

FENC's Group Auditing Department obtained the approval of a patent titled "The Audit Approach" on January 21, 2023. The patent approval set a precedent in Taiwan. The Audit Approach is applied towards the detection of anomalies in the procurement cycle during internal control. It consolidates the big data dashboard, RPA and machine learning within the auditing operation of Far Eastern Group (FEG) to improve auditing efficiency and reduce costs while adding transparency in FENC's sustainability endeavors.

Sustainable development is paramount to FEG, which ensures corporate ESG performance, credibility to stakeholders and ethical practices through a transparent and just audit mechanism. The patent approval strengthens the collaborative bond and communication between FEG and its stakeholders. It also improves internal audit and control by helping the audit staff identify issues and risks with higher precision and reliability. The optimization of risk assessment approaches and control procedures would reduce failures and protect FEG's interests and assets.

It is firmly believed that the continual optimization of management and operation procedures will lead the way to sustained corporate development. This patent is a token of the Company's commitment to excellence in technological development and management. It is also a testament to its dedication and action towards sustainable development, which will propel the Company to be an innovative and competitive corporation.



Enhance Credit Customer Information Management Platform and Mechanism

The global business environment continued to transform at a record pace in 2022. During the year, FENC scrutinized credit risks by leveraging synergistic effects within the management, enhanced credit management by consolidating the information systems from its worldwide locations, improved the performance of the Credit Customer Information Management Platform and bolstered the credit check and credit lending practices.

1. Obtain the Latest Global Credit Data with SAP Data Streaming for Overseas Affiliates

The latest credit data from the SAP systems of subsidiaries from Vietnam, mainland China, Japan, Malaysia and the U.S. are consolidated and reported to the Headquarters. With 100% accuracy, the system maximizes the power of big data analysis.

2. Optimize Credit Customer Information Management Platform to Enhance Visualization and Digital Archiving

The Credit Customer Information Management Platform is enhanced with an optimized user experience, including data visualization, expansion of historical database, data streaming for real-time worldwide credit data and the option of an English interface. The platform facilitates the online browsing of nearly 150 key credit customers in import/export.

3. Create National Intelligence Sharing Platform for Opportune Geopolitical Risk Analysis

The platform shares information such as national intelligence, risk alerts, business intelligence and economic sanctions from 193 countries. Taking advantage of RPA, the system automatically updates the national risk atlas and national risk levels to reduce information gaps, keep the Company current on changes in the geopolitical sphere and control export risks with consistency.

4. Introduce Corporate Governance Evaluation into Customer Credit Rating System for Objectivity

Corporate Governance Evaluation, which is updated by Taiwan Stock Exchange (TWSE) annually, is one of the criteria for evaluating companies listed on TWSE and Taipei Exchange (TPEX). As the world zooms in on ESG, the evaluation sheds light on the performance of customers listed on TWSE and TPEX.

5. Establish Credit Risk Warning Indicators to Identify and Alert against Potential Risk Groups

FENC established multiple warning indicators and customized customer selection criteria. With the use of the Business Intelligence (BI) system, high-risk customers are identified in advance through the monthly automatic selection and risk marking functions, and business units are notified to activate overdue collection when appropriate.

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Stabilizing Production with Emergency Procurement amid Raw Material Shortages

OPTC produces PTA, a primary raw material for FENC's polyester production. In early 2022, an accident prolonged the annual maintenance unexpectedly. The incident caused PTA shortages and disrupted the polyester production. OPTC responded immediately, coordinating and forming an emergency response team with the procurement team for primary raw materials, Shipping Department and Fu-Ming/Fu-Da Transport Corporation.

Within a short time frame, the procurement team located qualified suppliers, negotiated reasonable purchasing prices and prepared the contracts. However, the purchases had to be shipped during the Chinese New Year, a time when shipping charges were at the peak, shipping schedules were unpredictable and container slots were lacking. The Shipping Department applied for import duty exemptions for PTA at the Industrial Development Bureau and confirmed the shipment schedule with the suppliers. The department then immediately took care of customs clearance and moved on to the unloading and pick up operations. Arrangements were made with Fu-Ming/Fu-Da Transport Corporation to transport the materials between Taipei Port and OPTC, which then proceeded to transfer the materials.

This crisis was averted thanks to the collaboration of the units and subsidiaries of FENC. With swift actions, this inter-departmental and inter-company team ensured the stability of FENC's production operation and protected customers' interests with uninterrupted supply.



Optimizing Customer Profit Contribution System to Maximize Corporate Performance

FENC spent six months developing the price simulation system for polyester products. The system leverages big data analysis to generate cost estimates with higher precision. The system also helps FENC gain insights into customer needs to improve its performance.

1. Reduce Operational Risks with Integrated Analysis

The system incorporates multiple data sets as well as cost factors such as raw material prices and shipping costs. Despite market volatility, it carefully calibrates cost control with great precision to reduce operational risks.

2. Establish Sales and Service Strategies Tailored to Customer Demand and Value

The Customer Contribution System helps FENC gain an in-depth understanding of the values and needs of each customer and provide more closely tailored services to ultimately enhance customer relations, determine optimal sales and service strategies and improve customer experience.

3. Consistent Demand Forecast with Supply Chain Coordination

To suppliers, the Customer Contribution System provides consistent and dependable demand forecasts, which reduce supply chain risks, improve production efficiency and enhance their partnerships with FENC.

Market changes are accelerating and competition is growing fierce. The Customer Contribution System will help establish and maintain rapport between FENC and its customers and suppliers, hence creating a win-win.



Full Credit Recovery Amid Economic Sanctions on Russia

Being acutely aware of the credit risks caused by economic sanctions imposed upon Russia after its invasion of Ukraine, FENC responded with agility as well as precision forecast and successfully recovered US\$3.61 million in credit.

1. Risk Forecast with Scenario Analysis

The Company started paying close attention to the development of the war between Russia and Ukraine at the end of 2021, preparing scenario analyses with response measures and a series of risk control drills.

2. Agile Response to the Outbreak of War

When Russia began invading Ukraine on February 24, 2022, FENC immediately held an inter-departmental emergency meeting to take stock of areas with risk exposure, solidify guidelines for actions to be taken by applicable units and establish consensus regarding duties and jurisdictions. In light of the constant shifts in global dynamics as warfare and geopolitical tensions escalate, the Company remained alert with its risk control response and reviewed the progress of its credit operation weekly.

3. Mission Accomplished Through Team Efforts

FENC foresaw the butterfly effect of the economic sanctions against Russia and overcame cash flow and logistics challenges with the help of FENC's worldwide trade management units. In mid-July, after five months of coordinated efforts, the Company was able to recover US\$3.61 million, the totality of its credit lending.

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1.4 Fortifying Digital Resilience

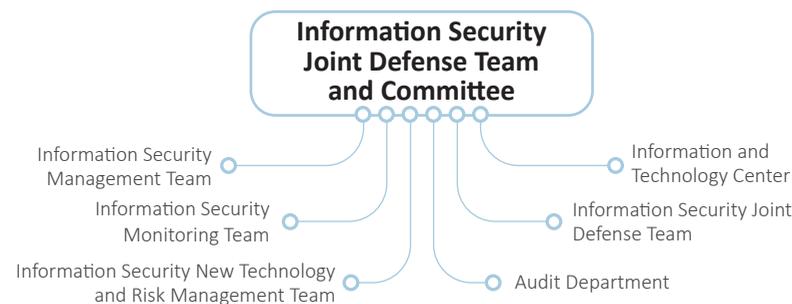
While the arrival of the digital age ushered in growing complexity and sophistication in business activities, it also ushered in threats to information security. Upholding sustainable competitiveness amid capricious times is now a critical issue upon which corporations ponder. Driven by the urgency of information security management, FENC established the Information Security Department in 2022 based on Regulations Governing Establishment of Internal Control Systems by Public Companies and Information Security Control Guidelines for TWSE/TPEX Listed Companies. Headed by the Chief Information Security Officer, which is selected among executives at the vice-president level, the department oversees the implementation of information security tasks to demonstrate FENC's determination to defend corporate information security.

Information Security Department

On November 9, 2022, the Board of Directors at FENC approved the establishment of Information Security Department and the appointment of Alan Tsai, Executive Vice President of Corporate Management, as the Chief Information Security Officer. The department is in charge of the implementation of information security tasks, such as the establishment and tracking of indicators for information security performance, protection of information security and conducting related training. The department works in conjunction with the Information and Technology Center to manage corporate information security.

Information Security Joint Defense Team and Committee

To implement and bolster information security, FENC established the Information Security Joint Defense Team and Committee. While the Information Security Department is in charge of the implementation and monitoring of information security as well as applications of new technology, an information security defense team is established under each unit to reinforce the defense shield. Units with such a team in place include the Corporate Staff Office as well as the Human Resources, Accounting, Finance, Legal, Secretarial, Shipping, Labor Safety and Health Departments under Corporate Management. Information security staff from each unit provide assistance in implementing information security tasks, creating an integrated inter-departmental shield against cyber threats. The Audit Department conducts internal audits over information security undertakings to ensure compliance with the internal control system as well as governmental regulations. The Information and Technology Center is in charge of the maintenance and repair of the information security facilities.



Building Cyber Resilience at FENC

On January 4, 2023, FENC held a launch meeting for the Information Security Joint Defense Team. Among those present are information security personnel from all units in Corporate Management. The President of Corporate Management chaired the meeting, and the Chief Information Security Officer led a team from the Information Security Department to present the work plans. In particular, they outlined six major strategies as the pillars of FENC's cyber resilience, including building a diverse and professional information security department, establishing the information security joint defense team, complying with international information security regulations and certifications, enhancing supply chain information security, creating an information security governance system integrated with ESG and setting up zero trust frameworks for software and hardware.



Key information security tasks for 2023 are as follows:

1. Implement a comprehensive information security SOP and incorporate cutting-edge technology.
2. Simulate cyberattacks from the supply chain perspective to assess system security as references for reinforcing and improving information security.
3. Establish an information security management system in accordance with international standards and aim at obtaining the ISO 27001:2022 certification.
4. Continue to promote information security training and heighten information security awareness and alertness among staff.
5. Conduct regular drills targeting social engineering attacks and track improvements regarding social engineering and information security awareness among staff.

FENC will progressively step up the function and scope of the Information Security Joint Defense Team in the future to cover all production units and overseas locations. Ultimately, a comprehensive information security framework will be built as an integrated defense strategy to increase the efficiency of managing information security risks and enhance corporate sustainability.

Establish and Comply with ISMS

FENC started incorporating the ISO 27001 information security management system in 2014, establishing protocols regarding the management of information authorization, data backup, system development, supplier management and intellectual property. Since 2016, FENC has been third-party verified every three years. The latest verification on ISO 27001:2013 was obtained in September 2022 and it will remain effective until September 2025. FENC continues to implement the Plan-Do-Check-Act (PDCA) management for the ISMS.

Establish Information Security SOP

FENC joined Taiwan CERT/CSIRT Alliance (see note) and established the SOP for dealing with information security incidents. The SOP delineates applicable procedures and measures, including reporting proceedings and staff accountability. The goal is to eliminate information security incidents within the least amount of time and establish correction and prevention plans accordingly. In 2022, there were no major information security incidents at FENC and no financial losses caused by information security incidents.

Note: CERT/CSIRT refers to Computer Emergency Response Team (CERT) and Computer Security Incident Response Team (CSIRT).

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Implement Information Security Incident Reporting and Handling

Services for the monitoring and surveillance of information security incidents have been incorporated to consolidate security logs from multiple sources, including the firewall, intrusion-detection system, anti-virus software system and end-point detection and response. The incidents are detected, collected, analyzed and managed to effectively avert potential cybersecurity threats. Information concerning data security is consolidated and managed to effectively provide alerts before, real-time warnings during and analysis after the incident. The services ensure a proper protocol to be followed in the case of such incidents and minimize the harm and damages to the key information systems, assets and operations.

Strengthen Information Security Management and Training

In addition to promoting information security and providing training among staff, system developers and managers are required to comply with rules and regulations governing system establishment and safety management. FENC aims to heighten information security awareness to minimize risks.

Ensure the Effectiveness of Information Security Protection

To prevent cyber threats, the network infrastructure adopts a multi-layered design armed with a multitude of information security protection systems as well as threat detection and response mechanisms. The design facilitates intelligence sharing, vertical communication as well as report and monitoring to build robust information security governance and reduce risks.

Information Security Management Framework



1.5 Implementing Sustainable Development

FENC is in pursuit of sustainable development through its corporate influence. While balancing the quest for corporate profits and ESG performance, the Company strives to create higher values for all stakeholders.

Guidance for Sustainability Governance

1. Sustainable Development Principles

Sustainability is deeply ingrained in FENC's corporate DNA, and sustainable governance is an integral part of its core businesses. In 2014, the Company established the Sustainable Development Principles for FENC as well as its subsidiaries under the production business as the highest governing principles for corporate sustainable development. FENC amended the Sustainable Development Principles in 2022 based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies issued by TWSW and TPEX. 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, and Remuneration Committee as well as additional regular meetings attended by the Board members in 2022 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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• Operation of Sustainability Committee

FENC's Sustainability Committee headed into its second year in 2021 and members of the Board were appointed to serve on the committee on July 29, including two independent Board members, one of whom served as the convener, and one external Board member. The three committee members are well qualified for the positions and duties, including corporate governance, management of non-profit organizations, protection of employee rights, corporate risk control and strategic planning. The first meeting was held in October 21.

To strengthen sustainable governance at FENC, the Sustainability Committee meetings were modified from an annual occurrence to a semi-annual meeting in 2022. During the reporting year, the meetings were held on April 21 and October 14. Humphrey Cheng, President of Corporate Management, presented the implementation progress, report, project and performance to the three committee members. Specific subjects presented included FENC's Sustainability Report; enhancement of climate-related financial disclosure; strengthening of human rights risk management; development of sustainable financing products; refinement of circular economy and low-carbon production; promotion of GHG inventory and verification; social engagement and projects. All resolutions were approved unanimously by the attending members. Johnsee Lee, FENC's independent Board member and convener of the Sustainability Committee, presented the outcome to the Board on May 10 and November 9.

FENC's audit units conducted audits over the operation of the Sustainability Committee in 2022 based on the Sustainability Committee Charter. The audit confirmed that there were no wrongdoings of any kind concerning the committee members, duties, convening of meetings as well as rules of procedure.

3. Sustainability Implementation Committee

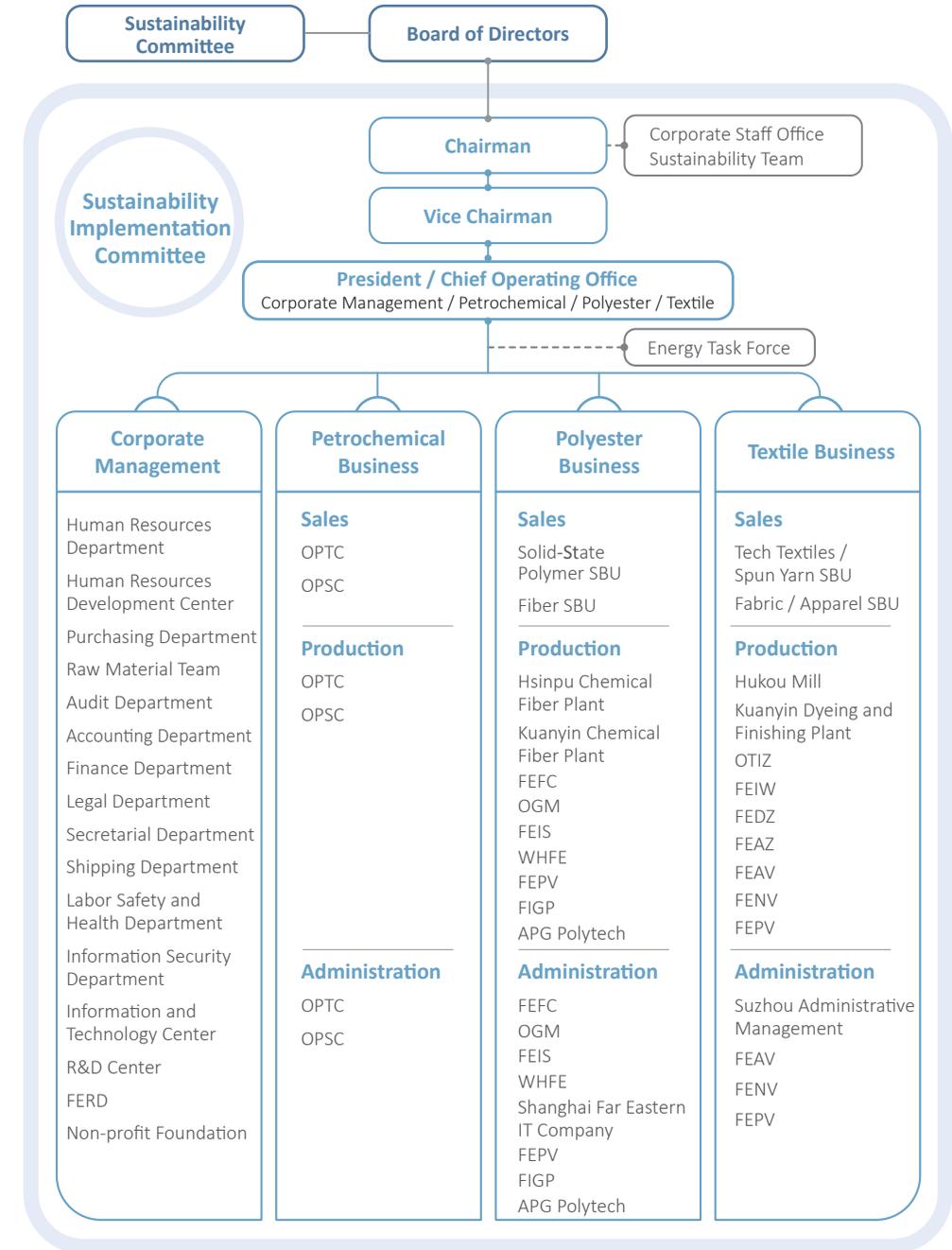
FENC established the Sustainability Implementation Committee in 2014 to facilitate corporate sustainable development. The President of Corporate Management serves as the convener. Specific tasks for the Sustainability Implementation Committee are as follows:

- 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 194 members in 2022. 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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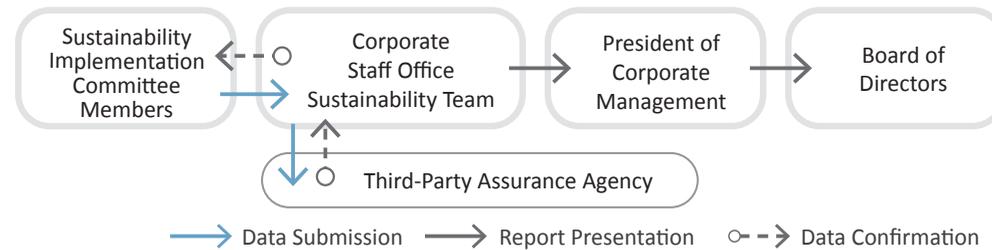
7 Appendix

Disclosure of Sustainability Data

The annual sustainability performance disclosed in this report is first presented by the Sustainability Implementation Committee, which is then verified, analyzed and consolidated by the Sustainability Team at the Corporate Staff Office. The report is finalized and published after receiving third-party verification and approval from the President of Corporate Management.

To bolster the Sustainability Report publication and verification mechanism, FENC established Operational Procedures for the Preparation and Verification of the Sustainability Report in 2022 based on Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies. The operational procedures were incorporated into the internal control system and implementation began after Board approval.

Sustainability Report Preparation Process



Establishing ESG Portal

In the past, preparation of the annual FENC Sustainability Report required designing and emailing surveys to nearly 2,000 recipients from all entities and units within the scope of disclosure. With rising awareness of sustainability and its values among FENC employees and stakeholders, the breadth and depth of the report continue to expand. In 2022, FENC incorporated the ESG Portal, which digitized the forms that used to be delivered through emails. Now, the forms can be completed, submitted and reviewed on the portal with reminders sent for overdues.

The ESG Portal streamlines the data collection process. Its built-in analysis, control and compilation functions screen and filter data in advance for the subsequent data integration process on the portal. The design greatly reduces time and efforts spent on communication and coordination. While adding operational efficiency, the portal also ensures data accuracy and integrity.

The enhancement of the ESG Portal will continue into 2023. In addition to phasing all survey mechanisms online, data collection for the GHG inventory and TCFD report will also be incorporated into the functions of the ESG Portal.



TCSA Top 10 Taiwanese Companies Sustainability Model Award, First Among Traditional Manufacturing

FENC received eight awards from the 2022 Global Corporate Sustainability Awards (GCSA) and Taiwan Corporate Sustainability Awards (TCSA), a raving achievement for FENC's outstanding ESG records. Among the awards FENC received, the Most Prestigious Sustainability Awards – Top 10 Taiwanese Companies Sustainability Model Award and Platinum for Corporate Sustainability Report Award from TCSA put FENC at the top spot in the traditional manufacturing sector.

FENC's decades-long devotion to circular economy has made it possible to recycle not only PET bottles, but waste textiles. The Company also puts its green products under the international spotlight. In 2022, the sports jerseys made of FENC's ocean recycled polyester filament made their FIFA World Cup debut, becoming the uniform for multiple national teams. This exceptional recycling and upcycling capability won FENC its sixth Circular Economy Leadership Award. In order to reach net zero by 2050, FENC established five major carbon reduction strategies, including improving energy efficiency; adopting low-emission fuel alternatives; developing renewable energy; utilizing carbon capture, utilization and storage; fostering raw material transition. The Company built the first net-zero rPET plant in Japan. These efforts brought FENC the Climate Leadership Award. FENC also received its fifth People Development Award for prioritizing workers' rights and developing FENC-wide human resources strategies.

Additionally, by turning industrial waste gas into recycled polyester, FENC and its brand customers pioneered the first apparel products with waste gas as the raw material. This innovation reduces the world's reliance on petrochemical materials while cutting carbon emissions dramatically. For this remarkable breakthrough, FENC was honored with the TCSA Innovative Growth through Innovation Award and GCSA Best Practice Award for World Market- Great Practice of 2022.

