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2 Enabling Unlimited Innovation

Target Readers:

Direct Customer	Business Partner (Supplier / Contractor)
Shareholder / Investor / Financial Institution	

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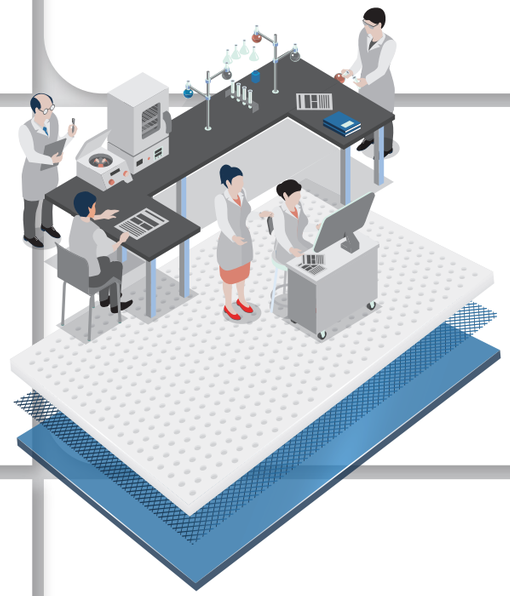
2023 Highlight

Green Product Revenues
NT$ **47.7 Billion**
4% Growth

Multiple Recognitions at **ISPO Textrends**

Developing
45% Bio-Based
Nylon 6,10 Fibers

Developing **Shrinkable Film**
Products With **50% rPET** Content



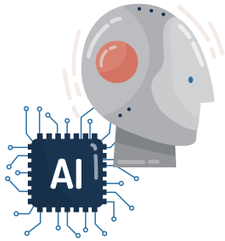
Developing
Biodegradable Technologies
for Staple Fiber Products

912
Patent Approvals

Developing **Carbon-Fixing**
Dyeing and Finishing Auxiliaries and Elastomers

Standardizing PET Quality Testing
at Worldwide Production Sites

Work Flow Innovations With
Generative AI



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Target and Progress

	Introducing Innovative Production	Growth in Green Product Revenue	Obtaining Product Certifications	Improving Customer Satisfaction
2030 Target	Establishing a smart demonstration plant	70% growth	Obtaining the latest international product standards and passing customers' certifications	Implementing **3** customer satisfaction initiatives yearly
2025 Target	Introducing **5** innovative production process each year	50% growth	Obtaining the latest international product standards and passing customers' certifications	Implementing **3** customer satisfaction initiatives yearly
2024 Target	Introducing **5** innovative production process each year	45% growth	Obtaining the latest international product standards and passing customers' certifications	Implementing **3** customer satisfaction initiatives yearly
2023 Target	Introducing **5** innovative production process each year	40% growth	Obtaining the latest international product standards and passing customers' certifications	Implementing **3** customer satisfaction initiatives yearly
2023 Progress	Completed Please refer to 2.1 Instigating Production and Product Innovation.	Completed NT$ 47.685 billion 46% growth	Completed Please refer to 2.2 Developing Green Products, 2.3 Honing Product Management.	Completed • Host 2023 product showcase. • Collaborate with customers on product development.
Action Plan	• Continue incorporating AI and Industry 4.0 applications. • Develop low-carbon production.	• Accelerate research and development of green products. • Expand production capacity. • Enhance sales to customers.	• Enhance production and provide quality products. • Align with international certification standards.	• Gain insights into customer needs through meetings and plant visits. • Respond to customer requests on a timely manner and conduct review and improvements based on customer feedbacks.

Note: The base year for green product revenues has been modified to 2020 with updated target growth rates.

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Material Topics

Production and Product Innovation

Significance and Purpose of Management for FENC

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

Management Approaches and Effectiveness Evaluation Mechanisms

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

Authority

- Production Units
- R&D Center

Green Products

Significance and Purpose of Management for FENC

To respond to the risks and opportunities posed by climate change while helping brand customers fulfill their green commitments, a total green transformation has begun at FENC. The Company revolutionized the product lineups with climate-mitigating features as in the eco-friendly series to foster sustainable development.

Management Approaches and Effectiveness Evaluation Mechanisms

- Focus on recycle, replace and reduce as well as develop eco-friendly products.
- Obtain green product labels and certifications.

Authority

- Petrochemical Business
- Polyester Business
- Textile Business

Product Accountability and Life Cycle Assessment

Significance and Purpose of Management for FENC

FENC supplies to major international brands worldwide. With multiple production sites offering a wide spectrum of products, FENC satisfies customers with products of the highest quality.

Management Approaches and Effectiveness Evaluation Mechanisms

- Ensure product certification and compliance with international standards.
- Conduct life cycle assessments to understand potential environmental impacts posed by FENC products and mitigate such impacts through improvement measures.
- Establish a management mechanism governing materials and applicable issues to ensure full product compliance.

Authority

- Petrochemical Business
- Polyester Business
- Textile Business

Customer Relations Management

Significance and Purpose of Management for FENC

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

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish Regulations Governing Customer Relationship Management as the principle guiding customer relations.
- Actively participate in various exhibitions, showcase the latest products and record exhibition performance (including customer data, signed order quantities and business development status).
- Managers of business units are to monitor the interaction between sales and customers and conduct customer satisfaction surveys to maintain customer orders.

Authority

- Petrochemical Business
- Polyester Business
- Textile Business

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2.1 Instigating Production and Product Innovation

FENC is committed to continuous improvement and growth through the relentless promotion of new product launches and the enhancement of research capabilities. This includes focusing on the development of differentiated products that are high-value, eco-friendly, and highly functional. In addition, the company is actively adopting artificial intelligence technology to improve production efficiency and management effectiveness, thereby creating a competitive edge through digitalization.

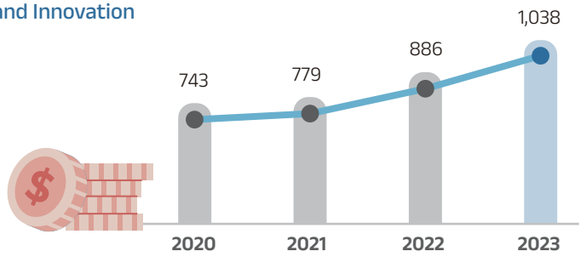
Diverse Innovative Momentum

1. Dedicated R&D units: Far Eastern Group R&D Center (R&D Center) in Taiwan and Sharon Center in the U.S. are dedicated to product research and development. Synergizing their resources and expertise, the two entities focus on the development of highly specialized products as well as the advancement and applications of recycling technologies. Product categories span high-functional polyester, environmental protection and recycling, health and medical services, automotive materials as well as functional apparels. R&D Center, being the largest research center in Taiwan for polyester materials, has been an endless source of innovations for FENC.

2. Product development departments within each business unit: With a diverse product lineup, FENC established product development departments under each business unit to accelerate customer engagement and product launch. The Company also founded Innovation Direct to Market (IDM) and a cross-industry technological platform to align with the R&D resources from brand customers and fast-track the commercialization of innovative products.

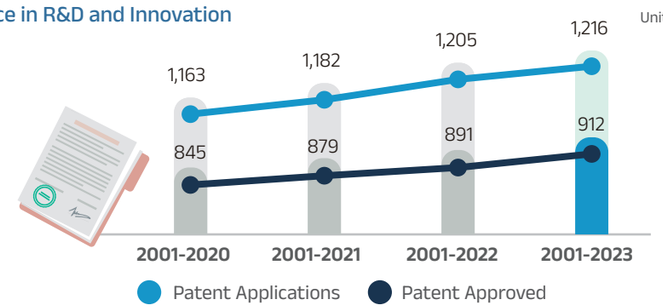
Funds for R&D and Innovation

Unit: NT$ Million



Performance in R&D and Innovation

Unit: Number of Patents



Note:
1. R&D Center was founded in 2001.
2. FENC acquired Sharon Center in the U.S. in 2018, and the transfer of patent ownership has been ongoing. Sharon Center received approval on 559 patents. As of the end of December 2023, ownership for 483 of them has been transferred.

Multiple Recognitions for Sustainable FENC Products at ISPO Textrends

FENC submitted six innovative products for consideration at the ISPO Textrends in Germany, and all six were recognized by the jury. Three were chosen as Top10 for excellence and three as Selection for their outstanding performance. This incredible feat is a testament to FENC's leadership role in sustainability, innovation and the development of functional materials. The features of the products awarded as Top10 are as follows:

1. FENC® Eco-friendly EM2/Modal fabric:
The production of FENC® Eco-friendly EM2/Modal fabric involves low-temperature spinning, which requires a temperature 20°C lower than that for the regular polyester production, thus reducing energy consumption and carbon emissions.

2. FENC® ECO Seam Tape:
FENC® ECO Seam Tape, which is made of recycled polyester, has over 50% recycled content. The product reduces environmental impact as it can be recycled with waste apparel.

3. FENC® LC23002 (rPET/NY6 microfilaments nonwoven):
FENC® LC23002 (rPET/NY6 microfilaments nonwoven), which is composed of 80% recycled polyester and 20% nylon 6, is a microfilament nonwoven fabric produced with the hydroentangling technique. The finishing process is water- and solvent-free. Compared to conventional production techniques, this technology cuts carbon emissions significantly and produces products with exceptional abrasion resistance.

ISPO Textrends, which is considered the Oscars in the global textile industry, is a world-class platform that showcases textile products. The awards allow FENC's sustainable innovations and its R&D prowess to shine under international spotlight. They also motivate FENC to lead the market trends by capturing the needs of consumers around the globe.

FENC® Eco-friendly EM2/Modal fabric fabric

FENC® ECO Seam Tape

FENC® LC23002

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Accelerating Digital Transformation

FENC incorporates an extensive mix of intelligent management systems to strengthen its smart production framework, such as the operation management information platform, intelligent recruitment system, WebHR integration system, customer contribution E-management system and business intelligence (BI) big data platform. To build smart factories, the Company introduced the robotics and automated manufacturing, product quality prediction model, drone inspection as well as smart energy management system.

Foreseeing the technological revolution to be ushered in by the arrival of generative AI, FENC has readied itself with the technological deployment backed by this innovation, which is utilized to automatically collect industry information, keep meeting minutes as well as analyzing production and sales data. The Company also takes advantage of AI-powered copywriting and image generators to create electronic greeting cards for customers, maximizing the technology to improve work efficiency and enhance customer relations. The Company will further develop generative AI applications to build the internal knowledge base and AI-assisted decision-making system, honing its competitive advantage with the power of technology.

FENC spares no effort when it comes to promoting digital transformation. While compliance is ensured, employees are encouraged to leverage generative AI to enhance production efficiency and work flow innovation using functions such as text-to-image, audio-to-text, search, dialogue, translation, summaries and content creation. In 2023, a feasibility assessment on generative AI conducted by units under the Corporate Management identified over 70 operations as opportunities to incorporate AI, including document management, meeting minutes, search and smart answering. Specifically, generative AI is capable of automatically compiling the laws, regulations and amendments across the world to provide the most current regulatory updates. To accelerate the adoption of this technology, FENC held a design contest for employees to vote on holiday cards created with the text-to-image function, and the creative designs were sent to customers as holiday greetings. The employees eagerly participated. While helping them get familiarized with generative AI and its functions, the contest raised their legal and compliance awareness regarding the use of this innovation, and enhanced customer relations through the greetings.

2.2 Developing Green Products

To embrace the risks and opportunities brought by climate change and help global brands fulfill their green commitments, FENC has focused its core strengths on green innovations and initiated a full-fledged green transformation. The Company is cultivating green competitiveness with 3R – recycle, replace and reduce as product strategies, developing eco-friendly products while safeguarding environmental sustainability.

Climate Mitigation Series

Product development focuses on the mitigation of climate change with replace, recycle and reduce at its core.

Replace

Replace fossil fuels: FENC devotes long-term research and development efforts to biomass as a replacement for fossil fuels to minimize their environmental impacts. Products that are most representative of the fruit of this effort are bio PET, which is made of biomass materials, and FENC®TOPGREEN®Bio3 PET Filament, which is made of recycled waste gas.

Recycle

Recycle waste materials: FENC leads the global rPET industry with multiple innovations, including rPET resins made of recycled PET bottles. While rPET itself is value-adding, the production process reduces GHG emissions by 63% compared with that of virgin PET. Applications of rPET are wide-ranging, including food and non-food packaging, functional apparels, footwear and automotive materials as well as household goods. In recent years, the Company went on to develop textile recycling and chemical recycling technologies for polyester to expand the materials that can be recycled.

Reduce

Reduce energy and resource consumption: FENC improves the energy and resource efficiency of the entire value chain. The Company reduces energy consumption during production, processing, delivery and usage to minimize GHG emissions associated with its products, which range from fast reheat PET resin, light-weight PET preform, refillable resin and dope-dyed filament.

Eco-Friendly Series

FENC has developed an impressive lineup of eco-friendly products. By using organic raw materials as well as toxin-free auxiliary materials, catalysts and additives, the Company aims to reduce pollutants derived from production and minimize negative environmental impacts. Featured products in this series include TOPGREEN®Sb free PET, FENC®TopClean and PFC Free Nylon 66 Filament.

Green Product Revenues

FENC's green products generated NT$47.7 billion in revenues in 2023, a 4% jump from the previous year and a record high. The progress fueled growth momentum for the Company.

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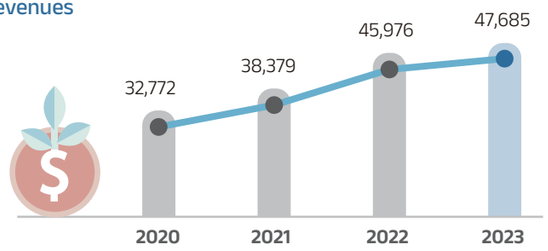
Green Product Revenues

Unit: NT$ Million

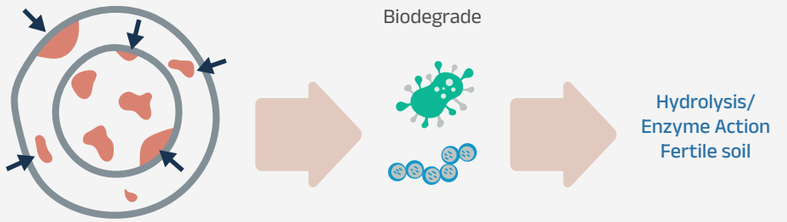


Green Products

Development of Biodegradable Technologies

Biological recycling (biorecycling) uses biodegradable technologies to decompose the previously non-biodegradable plastics (e.g., polyester or PET) in the landfill or the ocean to maintain the health of the planet. FENC has successfully developed staple fiber products using this innovation. By introducing special materials into the fiber during spinning, biodegradation may take place under specific conditions, which cuts down waste plastics from the environment. Their expansive applications include medical supplies, automotive materials, home textiles and clothing. According to research, this fiber reaches over 90% biodegradation in 646 days when landfilled under appropriate conditions.

In 2023, FENC attended the world's largest nonwovens exhibition, INDEX™23 in Geneva, Switzerland, and its product, the low-carbon, biodegradable BioPE/rPET staple fiber was recognized by the INDEX™ award. Held every three years, the award represents the most prestigious honor in the nonwovens industry. FENC's expertise on biodegradable technologies has given conventional polyester fibers biodegradability and prevented plastic waste and microplastics from polluting the environment. With unique attributes and expansive applications, this bicomponent product impressed the jury, thus winning the INDEX™23 Innovation Award.



FENC® TOPGREEN® PE/PET Fiber

- Attracting more than 600 microorganisms in the landfill and ocean
- Biodegraded natural substances over time

Green Product Certification

- Global Recycled Standard (GRS) Version 4.0
- SCS Recycled Content Certification Version 7.0
- Ocean Bound Plastic Recycling Standard (OBP) Version 2.0
- The Association of Plastic Recyclers (APR)
- Carbon Footprint of Products: ISO 14067:2018 Based on Life Cycle Assessment ISO 14060:2006 ISO 14044:2006
- Water Footprint of Products: ISO 14046:2014 Based on Life Cycle Assessment ISO 14060:2006 ISO 14044:2006
- Taiwan Green Mark
- Registration, Evaluation, Authorization and restriction of Chemicals (REACH)
- OEKO-TEX® STANDARD 100 Tested for Harmful Substances
- bluesign® Standard
- Global Organic Textile Standard (GOTS-NL) Version 6.0
- Organic Content Standard (OCS) Version 3.0
- Regenagri Content Standard, regenagriCS
- Responsible Wool Standard, (RWS) Version 2.2

Green Initiatives

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

- Taiwan Circular Economy 100 (TCE100)
- The National Association for PET Container Resources (NAPCOR)
- The Association of Plastic Recyclers (APR)
- Packaging Recycling Organization Vietnam (PRO-Vietnam)
- Association of Taiwan Bio-based and Sustainable Material Industry (TBSM)
- Japan Clean Ocean Material Alliance (CLOMA)
- Japan Container and Packaging Recycling Association (JCPRA)
- Zero Discharge of Hazardous Chemicals (ZDHC)
- Textile Exchange (TE)

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Development of Dyeing and Finishing Auxilliaries and Elastomers With Carbon Fixation Benefits

As the world commits to net zero by 2050, FENC is stepping up the development of low-carbon and carbon-fixing materials to phase out existing products and accelerate the transition to zero emissions. In 2023, FENC synergized the resources within Far Eastern Group and leveraged the carbon capture technology provided by Oriental Union Chemical Corp. for the development of carbon-fixing CO_2-based dyeing and finishing auxiliaries. The Company also integrated its existing technology and equipment for polyester production to create the CO_2-based elastomer, NIPU (non-isocyanate polyurethane), as an alternative to TPU (thermoplastic polyurethane) in applications such as waterproof and breathable textile coating, shoe materials, artificial leather and automotive interiors. Carbon emissions from the production of CO_2-based NIPU are 43% to 66% less than those from TPU. It is carbon-fixing, recyclable and reusable, which contributes to environmental sustainability. Free from the toxic isocyanate and phosgene during production, it is a true innovative breakthrough.

Development of 45% Bio-Based Nylon 6,10 Fibers

FEFC responds to sustainable development trends with strong actions. To reduce the world's dependency on fossil fuels, FEFC signed an agreement with the upstream Ascend Performance Materials in the U.S. to co-develop bio-based nylon products and markets.

The partnership gave birth to the 45% Bio-based Nylon 6,10 fibers in 2023 using biomass materials. Castor oil, which is extracted from plants that are not food sources, replaces petrochemical materials partially in the production of this low-carbon nylon fiber. With high strength, toughness, and heat and wear resistance, as well as being highly dyeable, antibacterial, and antistatic, the versatility of this fiber makes it ideal for textile products, such as outdoor clothing, sportswear and underwear. At the end of 2023, FENC's brand customers already started testing this fiber, which is poised to be a highly competitive green product on the market.

2.3 Honing Product Management

FENC has a diverse product structure that caters to leading international brands in the food, household goods, apparel and automobile industries. With worldwide market distribution, FENC must supply quality and competitive products that are tailored to customers' high standards while complying with local regulations. FENC believes there is always room for improvement, never ceasing to optimize production and product quality and seeking to strengthen product management by integrating digital technology.

Life Cycle Assessment

To comprehend the degree of potential environmental impacts caused by raw materials, FENC conducts life cycle assessments in accordance with the ISO 14040 and 14044 standards or Product Environmental Footprint (PEF), quantifying environmental impacts caused by raw materials, energy, resources and GHG emissions during the product life cycle with systematic approaches. Among FENC products covered in the life cycle assessment, the boundary for PTA, polyester filament, recycled polyester filament, bio PET filament, dope dyed filament and polyester tire cord fabric is cradle-to-gate, including processes such as raw material acquisition and production. The boundary for PET and rPET is extended to delivery. The assessment covers processes from raw material acquisition through the end of delivery. According to the product life cycle assessment, the environmental impacts from rPET and recycled polyester filament made of recycled PET bottles are lower than those from their virgin counterparts, and the statistics have been verified externally by TÜV Rheinland.

In the future, the Company will gradually expand the product life cycle assessment process to more products and broaden the boundaries. A clear assessment of the scale and significance of potential environmental impacts from FENC products will help the Company tackle these impacts from product management, R&D and design.

Life Cycle Assessment

Business	Product	Boundary
Petrochemical Business	PTA	Raw material acquisition, manufacturing
Polyester Business	Solid state polymer: PET, rPET	Raw material acquisition, manufacturing, distribution
	Fiber: polyester filament, recycled PET filament, bio PET filament, dope dyed filament	Raw material acquisition, manufacturing
Textile Business	Industrial fiber: polyester tire cord fabric	Raw material acquisition, manufacturing

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Product Quality and Safety Certification

- ISO 9001 Quality Management System
- IATF 16949 Automotive Quality Management Systems
- FSSC 22000 Food Safety System Certification
- ISO 22000 Food Safety Management System
- HACCP Hazard Analysis and Critical Control Points
- Halal Certification
- India BIS Certification
- DNV Approve of Manufacturer Certificate
- ABS Certificate of Manufacturing Assessment

Standardization of PET Quality Testing at FENC's Worldwide Production Sites

When quality testing is conducted on PET samples collected at different points, slight variations would occur in the laboratory results due to their attributes. FENC has a worldwide PET production network, which spans across Taiwan, mainland China, Vietnam and the U.S. To ensure quality consistency with uniform standards across all production sites, analyses were conducted at four production sites in 2023. A total of 1,200 data entries from a multitude of standard samples were collected and analyzed for a cross comparison on the laboratory results regarding product quality.

Based on the result, the deviations were calibrated to ensure quality consistency at all production sites with enhanced training for the personnel overseeing laboratory instruments. The staff overcame differences in language, time and hardware to standardize the quality testing across FENC's global network. Regardless of the location, sales staff and brand customers now share a common language when it comes to quality.

Concerned Substance and Issue Management

- Products, raw materials and production processes at FENC do not involve (not applicable) genetic engineering, nanotechnology, stem cell research, conflict minerals, animal testing or endangered species.
- Safety Data Sheet (SDS) is provided for all FENC products in compliance with regulatory requirements, and managed and updated by designated personnel. Hazard assessment is conducted through the requirements listed on SDS, which cover risk identification, implement, required documentation, information provision and communication. The assessment ensures the safety of product usage, storage, delivery and disposal.
- None of the products produced by Polyester and Textile Businesses are under hazard categories 1 and 2 of Globally Harmonized System of Classification and Labeling of Chemicals (GHS). PTA, a product under Petrochemical Business, is classified under health hazard category 2 (serious damage / Category 2B of eye irritation: the effects are fully reversible within 7 days of observation; Category 2 for reproductive toxicity: suspected human reproductive toxicant.)
- During the reporting period, there were no incidences or disputes involving inappropriate usage, storage, transport or waste disposal regarding Company products.

2.4 Building Customer Rapport

FENC has a robust production and marketing framework powered by a vertically integrated production network that spans across the petrochemical, polyester and textile industries, which gives the Company the ability to respond to market trends and formulate R&D strategies with agility. Among FENC's customers are major international brands across a wide spectrum of industries, and the Company bolsters these partnerships through diverse communication channels, such as in-person and virtual meetings, email correspondence, product launches and corporate visits. FENC also accepts invitations from international brands to attend their supplier conferences on a regular basis to assess customer needs.

For a clear assessment of customer satisfaction towards its products and services, FENC conducts one to two customer satisfaction surveys yearly. The survey mechanism is designed and implemented by the production and sales departments. All customer feedbacks are examined during internal review meetings with follow-ups on improvements.

FENC's Customer Relations

Identify Customers
- Formulate sales strategy
- Observe industry condition
- Increase product visibility

Sell Products
- Share industry trends
- Offer product innovation
- Establish long-term relationship

Provide After Sales Service
- Administer satisfaction survey
- Deliver customize service
- Optimize product value

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Compliance with Customer Requirements

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

- Ethics provisions from brand customers and SEDEX Members Ethical Trade Audits (SMETA)
- Fair Trade Certified USA (FTC USA)
- Social & Labor Convergence Program (SLCP)
- Safety compliance standards of brand customers
- Green supply chain management
- Customs-Trade Partnership Against Terrorism, C-TPAT

Co-Developing 50% rPET Shrinkable Film and Obtaining the World's First SCS Certificate

As the green revolution sweeps the globe, PVC packaging, which is difficult to recycle, is being phased out and replaced by PET, the more eco-friendly option. FENC has successfully developed the PET shrinkable film as an alternative. In recent years, the Company is diving even further with the development of rPET shrinkable films using recycled PET bottles, and the product is favored by major brands. In November 2023, FENC formed a partnership with Kao Taiwan (Kao) and created the 50% rPET shrinkable film, marking a significant step in the development of circular economy. During the collaboration, FENC and Kao joined forces and overcame technical challenges. The mutual trust and respect built during the process won FENC access to Kao's production line and results from the joint testing, a testament to this close partnership. The development is based on the production process for FENC's 30% rPET shrinkable film. After eight months of repeated testing between FENC and Kao, and continuous production calibration based on the test results, such as the heat control, FENC is able to dramatically increase the rPET content in the shrinkable film from 30% to 50%. Additionally, while rPET shrinkable films often differ in appearance from their virgin counterparts, this breakthrough eliminated such difference and cut carbon emissions drastically by 23.5% to 25%. This technology is the first in the world to receive the certificate from System Certification Services (SCS) and its applications will continue to be expanded to amplify its environmental contribution.

Leading Sports Apparel and Fashion Trends with Sustainable Textile

FENC seizes opportunities to join exhibitions and conferences from home and abroad. In 2023, the Company showcased its products at the Intertextile Shanghai Apparel Fabrics in mainland China and Taipei Innovative Textile Application Show (TITAS), the most influential event in the textile industry in Taiwan, promoting its sustainable innovations to a broader customer base.

As an industry leader, FENC charts the trajectory of industry development through its innovative products. During the two events referenced above, FENC formulated its strategies with "sustainability" as the anchor, and with "global sports" and "fashion trends" as the focus. The Company featured products made of recycled materials from the ocean, land and air . The ocean recycled anti-bursting jersey, which is made of waste PET bottles recycled from the sea, was chosen as the material for the champion team uniform during the FIFA World Cup. From the land is FENC's recycled polyester filament, an innovation born out of the mechanical and chemical recycling methods, and sourced from the air is a groundbreaking fabric made of low-carbon polyester transformed from recycled waste gas, which took home the Product Design Winner from the Red Dot Design Award in Germany. The fabric embodies both technological and design ingenuity, making a fashion statement with the unique 3D weaving technique. It caused a sensation during the award, and received inquiries from a large number of buyers during the event.

Through innovative technologies and green products, FENC has shown customers its commitment to sustainable development. While the Company continues to develop products tailored for international sports events, it will also promote cutting-edge carbon reduction technologies to the fashion industry to maximize its green influence.