



# Establishment of Sound Governance

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About FENC



Basic Information

Far Eastern New Century Corporation (formerly known as Far Eastern Textile Limited) was established in 1954 and is listed on the Taiwan Stock Exchange.

FENC focused on textile-related operations during the initial stage. After laying a solid foundation, FENC expanded into up- and downstream fields owing to stable and sound operations and a firm commitment to developing innovative technologies. The Company grew steadily, focusing on its core business areas and the constant creation of new value for its customers and shareholders. From petrochemical raw materials in the upstream, polyester materials in the mid-stream, to spinning, weaving, dyeing, and apparel manufacturing, from production to sales, we have established a comprehensive operation and marketing system. In addition, FENC has achieved brilliant results that made possible great contribution to the economy, environment, and the society at large.

FENC and its subsidiaries span different fields and business units including petrochemicals, polyester, textile, telecommunications, property development, and other investments. In consideration of the fact that property development and other investments only accounted for 7% of all operations in 2013 and 2014 and the telecommunication business unit releases its own CSR reports (refer to the FET CSR Report), the organizational scope of this report mainly covers the petrochemical, polyester, and textile production businesses. It should be noted that only subsidiaries with annual revenues of at least NT\$2 billion were included in this report. If FET were added, the total disclosure ratio would amount to 92% of the consolidated annual revenues in 2014. For more details about FENC investment businesses, please refer to the [FENC corporate website](#) and the [annual reports](#).

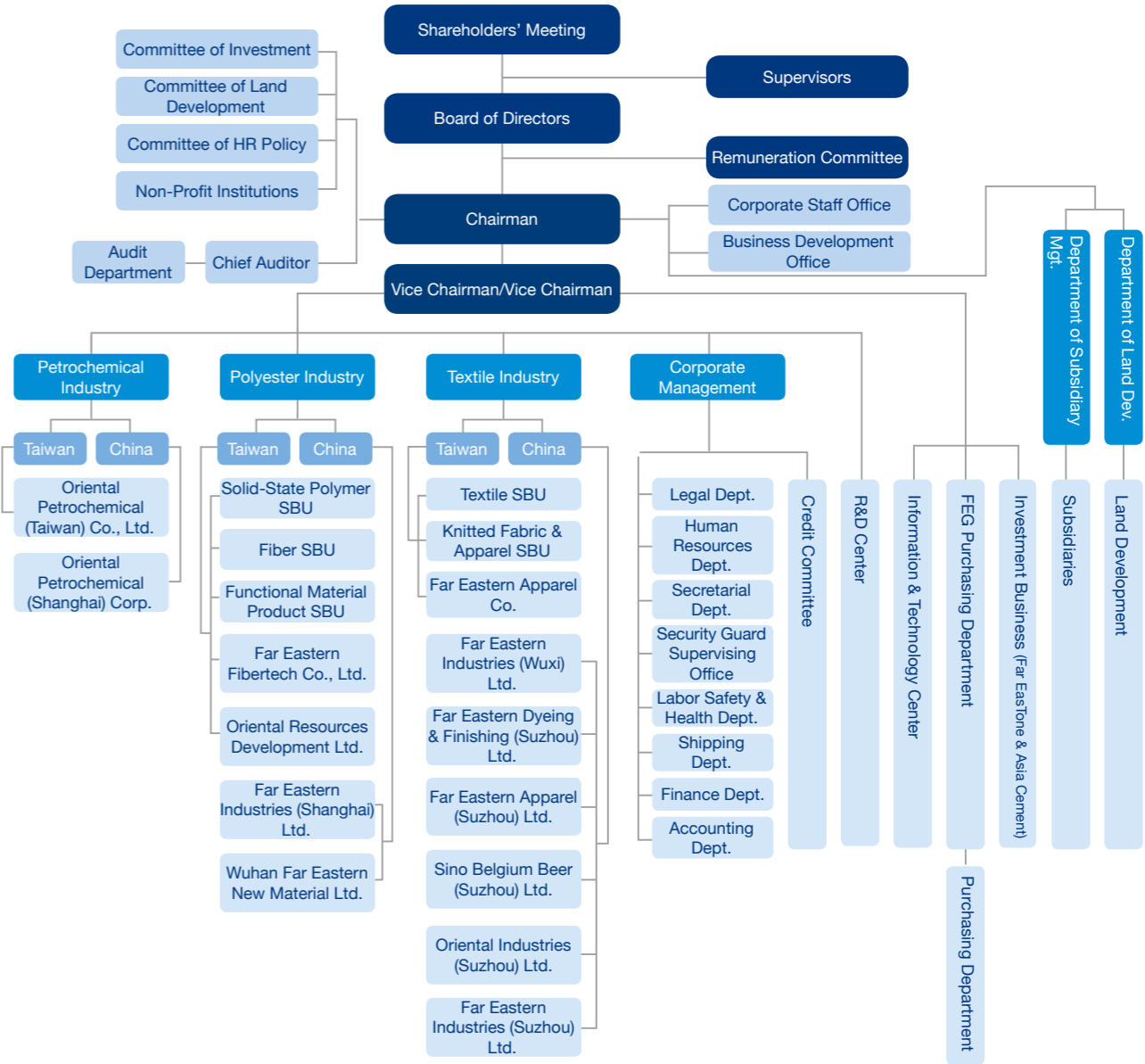
Unit: NT\$ thousand

Item	2013	2014
Total assets	472,999,472	496,604,290
Total liabilities	213,550,261	233,285,536
Total equity	259,449,211	263,318,754

During the period covered by this report, there were no major changes in the size, structure, ownership, or supply chain of the Company.



Organizational Chart



Department	Operations
Petrochemical Industry	Production and sales of PTA
Polyester Industry	Production and sales of polyester chips, polyester staple fibers, polyester filament, polyester films and functional materials
Textile Industry	Printing, dyeing and finishing of yarns, silks, fabrics and cloths; production and sales of miscellaneous natural, man-made, synthetic fiber yarns and fabrics, blended yarns and fabrics, woven finished clothing and knitted finished clothing; production and sales of industrial fabrics including tire cords and framework materials for various industrial goods
Corporate Management	Arrange the planning and enforcement of the Company's legal, human resources, general administration, shipping, security, labor safety and health, finance and accounting related matters



## An Overview of the Market Environment and Industry Conditions

Looking ahead, the world's advanced economies are expected to post an average economic growth of 2.4% in 2015, 0.6 percentage points higher than in 2014. Among these, US economic growth should rise 1.2 percentage points to 3.6% (Source: International Monetary Fund), reflecting a general strengthened momentum among the advanced group of economies. Combined with the continued expansion of emerging economies, China's expanded efforts to scrap its outdated production capacity, and the suppression of irrational expansion, polyester utilization rates should thus see a gradual increase in 2015. From 2015 to 2017, the average output growth rate of polyester worldwide will rise to 6%, double the 3% rate in 2014. This is an indication of healthy development for the overall polyester business chain.

Furthermore, new polyester product applications are continuously being created and their uses constantly expanding. At present, polyester products are widely used in industrial applications such as in the automotive, electronics, logistics, agricultural and fishery, construction, medical supplies, petroleum exploration industries and so on, all of them continually adopting relevant polyester products. The Company will continue to expand operations and product applications while at the same time focusing on the R&D of green products in our bid to create a more sustainable competitiveness.

## Corporate Spirit and Mission

The Far Eastern Group's Founder, Mr. Yu-Ziang Hsu, has always upheld "trustworthiness " as his guiding principle in business management. In addition to the Group Founder's commitment to constancy, honesty, and openness, he has also enshrined "Sincerity, Diligence, Thrift, and Prudence" as Far Eastern's founding motto. FENC Chairman Douglas Hsu added "Innovation" to this motto, expecting the group to embrace a spirit of innovation and reform in the face of a rapidly changing and highly competitive environment.

- 誠

Sincerity  
Customers, the general public, and colleagues must all be treated with sincerity. Cooperation and teamwork must be based on mutual trust.
- 勤

Diligence  
Everyone must always work diligently to renew themselves and the Company. With diligence, we make up for our inadequacies and overcome hardships.
- 樸

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

Prudence  
Always make a careful assessment before undertaking any task. People who plan ahead are those who will succeed.
- 創新

The Far Eastern Group's firmly held goal is to constantly create new value for customers and shareholders. The Group's highest ideal is to make every enterprise under its flag a leading company in its own sector.

### Mission Statement

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

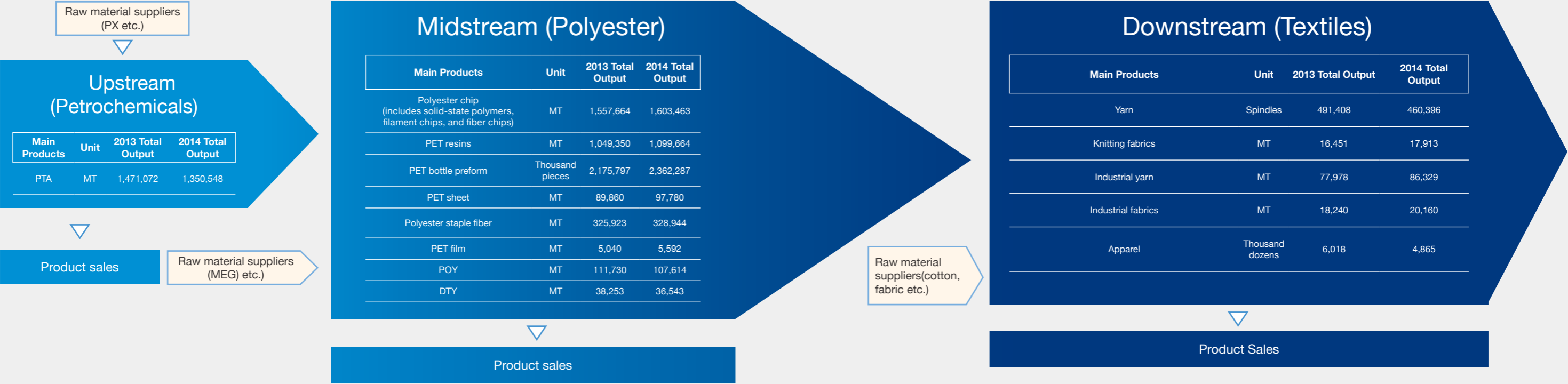
## Awards and Recognitions

Time	Award-winning Units	Awarding Unit	Awards
December 2014	Far Eastern Industries (Shanghai) Ltd.	Shanghai Spark Development Zone	Awarded the honorary title of an Advanced Collective in the field of Work Safety in 2014
December 2014	Oriental Industries (Suzhou) Ltd.	Jiangsu Provincial Government	Honored as a Three-Star Enterprise in the field of energy efficiency in China
November 2014	FENC	Bureau of Energy, Ministry of Economic Affairs	Awarded a trophy for exceptional performance by the Bureau of Energy at the 2014 Conference for the Formal Establishment of Energy Conservation Service Teams by Corporate Groups
November 2014	FENC	Ministry of Labor	Presented with a Bronze Medal for Talent Quality Management System (TTQS) by the Workforce Development Agency of the Ministry of Labor
September 2014	Oriental Industries (Suzhou) Ltd.	Jiangsu Provincial Government	Rated as an outstanding unit in the field of corporate energy management systems in Jiangsu
July 2014	FENC	Taiwan Stock Exchange	Received the highest A++ rating in the field of information disclosure of TWSE/GTSM listed companies
June 2014	Far Eastern Industries (Wuxi) Ltd.	Wuxi City Government	Awarded the honorary title of an Advanced Enterprises in the field of Energy Conservation in Wuxi City in 2013
May 2014	Far Eastern Industries (Shanghai) Ltd.	Shanghai City Government	Rated as one of the Top100 financially strong enterprises in Fengxian District in 2013
April 2014	FENC	Global Views Monthly	Awarded the "10th Annual Corporate Social Responsibility Awards - Global Views Excellent Service Awards" for the project "The Greenest Bottle, starts with a Genuine Heart"
March 2014	Far Eastern Apparel Co., Ltd.	Common Health Magazine	Tonia Nicole was voted the healthiest brand in the bedding category by readers of Common Health Magazine in 2014
February 2014	Far Eastern Industries (Wuxi) Ltd.	Jiangsu Provincial Government	Honored as a Three-Star Enterprise for energy efficiency in China
January 2014	FENC R&D Center	Textile Research and Development Association International	Honored with the 2013 Textile R&D Innovation Award
December 2013	FENC	National Health Insurance Administration, Ministry of Health and Welfare	Presented with the Convenient Service -Friend of National Health Insurance Award
December 2013	Far Eastern Industries (Wuxi) Ltd.	Jiangsu Provincial Government	Recognized as a Three-Star Enterprise for energy efficiency in Jiangsu
December 2013	Far Eastern Dyeing & Finishing (Suzhou) Ltd.	Suzhou City Government	Presented with a Three-Star Energy Certification by the Suzhou City Government
December 2013	Oriental Petrochemical (Taiwan) Co., Ltd.	Industrial Development Bureau, Ministry of Economic Affairs	Honored with the Safety and Health Excellence Award
December 2013	Oriental Resources Development Co., Ltd.	Institute for Biotechnology and Medicine Industry	NuROs Bone Graft Substitute was honored with a Bronze Quality Award for biotechnology and medical supplies in 2013
December 2013	FENC	Health Promotion Administration, Ministry of Health and Welfare	Health Promotion Label
November 2013	FENC Hsinpu Chemical Fiber Plant	Industrial Development Bureau, Ministry of Economic Affairs	Selected as a plant with excellent achievements in the field of voluntary GHG emission reduction in 2013
November 2013	FENC	Taiwan Institute for Sustainable Energy	Honored with a Taiwan TOP 50 Corporate Sustainability Reporting Award and an Excellence Award in the sustainable innovation category for outstanding achievements in the field of corporate sustainable development
October 2013	FENC	Ministry of Economic Affairs	Presented with the 2013 Industrial Innovation Award for PET heat shrinkable film materials by the Ministry of Economic Affairs
August 2013	FENC	Ministry of Economic Affairs	Top contribution award in emerging target markets – Textile industry in 2012
August 2013	Far Eastern Industries (Shanghai) Ltd.	Shanghai City Government	Honored as one of the TOP 100 export businesses, 100 most powerful enterprises, and 50 strongest manufacturing businesses in Shanghai.
August 2013	Oriental Resources Development Co., Ltd.	ROC Fine Manufacturer Association	The biomedical technology SBU received the National Quality Gold Brand Award for the following products: SavDerm Antiseptic Wound Dressing, Savderm Antiseptic Hydrocolloids Dressing, Wound Closure Strip Pack, Liquid Bandage, and Kilmicron Antibacterial Agent
May 2013	FENC	Coca-Cola Company	The 1st Global Sustainable Procurement (GSP) Supplier Awards was launched by Coca-Cola. FENC was honored as the "2013 Supplier of the Year" out of 900 firms.
March 2013	Far Eastern Group	Asia Pacific Enterprise Cooperation	Far Eastern Group was recognized with the Asia Pacific Corporate Humanistic Spirit Award and Corporate Philanthropy Award for the expansion plan of Far Eastern Memorial Hospital and Art Campus Special District project for Yuan Ze University. FE EcoArk was also acclaimed by judges and earned the Green Energy Award.
January 2013	Far Eastern Industries (Suzhou) Ltd.	Suzhou City Government	Selected as a Three-Star Enterprise in the field of energy efficiency in Suzhou City



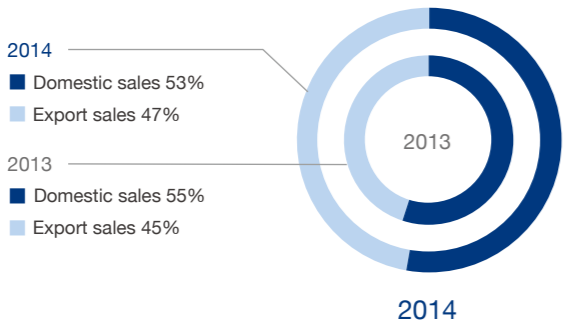
Main Products and Operation Bases

Main Products and Value Chain

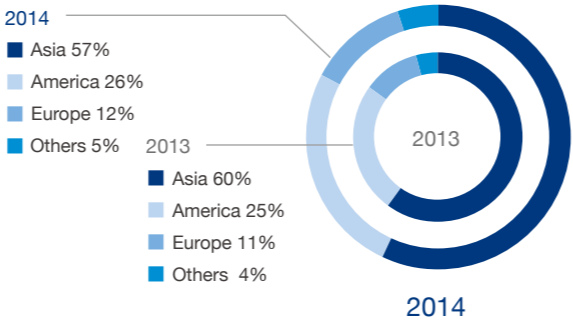


Sales Profile

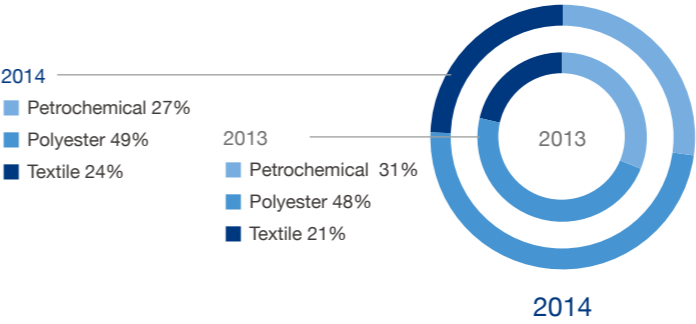
Domestic/Export Sales Value Ratio



Sales Value Ratios by Market



Industry





Operations Base



Participation in External Organizations

FENC participated in the following external organizations in 2013 and 2014:

Type	Taiwan	China
Industry associations	<ul style="list-style-type: none"><li>• Environmentally Biodegradable Polymer Association</li><li>• Taiwan Nonwoven Fabrics Industry Association</li><li>• Taiwan Nanotechnology Industry Development Association</li><li>• Taiwan Silk &amp; Filament Weaving Industrial Association</li><li>• Taiwan Chemical Industry Association</li><li>• Taiwan Man-Made Fiber Industries Association</li><li>• Taiwan Nanotechnology Industry Association</li><li>• Taiwan Spinner's Association</li><li>• Taiwan Synthetic Resin &amp; Adhesives Industrial Association</li><li>• Taiwan Weaving Industry Association</li><li>• Chinese Taipei Packaging Association</li><li>• Taiwan Textile Printing Dyeing &amp; Fining Industry Association</li><li>• Association of Bio-based Material Industry (Industrial Technology Research Institute)</li><li>• Taiwan Textile Federation</li><li>• Taiwan Biomass Energy Industry Association (Taiwan Institute of Economic Research)</li><li>• Better Cotton Initiative (BCI)</li><li>• Industrial Safety and Health Association of the R.O.C.</li><li>• International Cotton Association (ICA)</li><li>• Northern Taiwan Association for Promotion of TOSHMS, Occupational Safety and Health Administration, Ministry of Labor</li></ul>	<ul style="list-style-type: none"><li>• China Cotton Textile Association</li><li>• Cotton Textile Association</li><li>• China Chemical Fiber Association</li><li>• China Chemical Fiber Association-Polyester Industry and Filament Division</li></ul>
R&D Association and Society	<ul style="list-style-type: none"><li>• Cradle to Cradle Taiwan</li><li>• Chinese National Federation of Industries- Intellectual Property Right Alliance</li><li>• R&amp;D Alliance for Compound Medical Equipment and Cell Therapy Products</li><li>• Polymer Society, Taipei</li><li>• Society of Plastic Engineers Taiwan</li><li>• R&amp;D Alliance for Cosmetics and Skin Care Products</li><li>• Industrial Technology Research Institute -Materials Research Society Taiwan</li></ul>	<ul style="list-style-type: none"><li>• Information Society</li><li>• Society for Environmental Sciences, Shanghai City, Fengxian District</li></ul>
Other Associations	<ul style="list-style-type: none"><li>• Chinese Human Resource Management Association</li><li>• Association of Industrial Relations, R.O.C.</li><li>• Chinese National Association of Industry and Commerce, Taiwan</li><li>• The Institute of Internal Auditors, R.O.C.</li><li>• Taiwan Responsible Care Association</li></ul>	<ul style="list-style-type: none"><li>• Shanghai Association of Enterprises with Foreign Investment</li><li>• Council of China Environment News</li><li>• Taiwan Responsible Care Association*</li><li>• New Area Taiwanese Businessmen Association</li><li>• Council of Shanghai City Work Safety</li></ul>

Note: Mainly participated in seminars in China

FENC and our subsidiaries as well as their products comply with relevant rules, regulations, principles, and initiatives (in addition to rules formulated independently by brand clients) and have acquired relevant certificates such as Bluesign, Global Recycle Standard (GRS), Oeko-Tex as we fulfill our corporate social responsibility and enhance the competitiveness of our products. For more information about brand clients, please refer to the chapter on [Joint Creation of Supply Chain Value](#).



Sharing of professional experiences and bringing Taiwan in sync with international trends

The Industrial Development Bureau of the Ministry of Economic Affairs put in place the Product Category Rules (PCR) pursuant to the ISO14025 Environmental Product Declarations and ISO14067 Carbon Footprint Declarations to promote carbon footprint statements and bring Taiwan in sync with international practices. Based on its excellent reputation and technologies in the field of fiber recycling, FENC serves as the proposer in the field of PCR of polyester filament fiber and yarn by recommendation of the Taiwan Man-Made Fiber Industries Association. The Chinese and English versions of the PCR were completed and made public internationally in 2014



Government Subsidies

Taiwan				China				
Application item	Content	Subsidy amount	Period	Application item	Content	Subsidy amount	Period	
Technology Assistance Program of the Industrial Development Bureau	Hollow Fiber Membrane Trial Manufacture and Certification Assistance Program	NT\$ 1 million	2014/04-2014/11	Disabled Person Employment Security Fund	Disabled Person Employment Security Fund of Far Eastern Dyeing & Finishing (Suzhou), Oriental Industries (Suzhou), Far Eastern Industries (Suzhou), and Far Eastern Apparel (Suzhou)	RMB 720,000	2013-2014	
				Energy conservation subsidies and incentives	Wuzhong District Subsidies for Corporate Transformation, Upgrade, Energy Conservation, Emission Reduction granted to Far Eastern Dyeing & Finishing (Suzhou)	RMB 200,000	2014	
Technology Development Programs	Process Development for Lignocellulosic Ethanol Technology	NT\$ 5.634 million (Third stage)	Third stage: 2013/01-2013/07		Oriental Petrochemical (Shanghai) Energy Conservation Improvement Project	RMB 1.392 million	2013-2014	
					Far Eastern Industries (Wuxi) was granted energy conservation incentives by the provincial, city, and new district governments	RMB 1.279 million	2013-2014	
Industrial Development Bureau Pilot application and promotion assistance program for manufacturing industry energy management systems	Selected as a benchmark plant for establishment of manufacturing industry ISO50001 energy management systems in 2013 (subsidies will be used to establish an ISO50001 system)	NT\$ 600,000	2013		Far Eastern Industries (Suzhou) was selected as a Three-Star Enterprise for energy efficiency in Suzhou	RMB 100,000	2013	
					Far Eastern Industries (Suzhou) received a refund of energy audit costs for passing an assessment or key energy consuming enterprises in Suzhou conducted by the government	RMB 60,000	2013	
Innovative Technology Applications and Services Program of the Ministry of Economic Affairs	Global Integration Project	NT\$ 14.7 million	2012/01-2013/12		Far Eastern Dyeing & Finishing (Suzhou) was selected as a Three-Star Enterprise for energy efficiency by Suzhou City Government	RMB 100,000	2013	
					New District Technology Development Program	Formulation of national standards for Internal carbon coated polyethylene terephthalate (PET) bottles	RMB 45,000	2013

Total government subsidies amounted to NT\$ 21.93 million and RMB 3.9 million in 2013 and 2014.

Financial Performance

Unit: NT\$ 100 million unless indicated otherwise

Item (consolidated entities)	2010 (ROC)	2011 (ROC)	2012 (IFRS)	2013 (IFRS)	2014 (IFRS)
Operating revenues	2,002	2,356	2,368	2,388	2,355
Gross profit	474	463	443	466	479
Operating income	218	178	122	134	119
Non-operating income (expenses)	11	35	12	104	97
Income before income tax	229	213	134	238	216
Net income	199	177	112	209	172
Other comprehensive income (net)	NA	NA	(16)	23	22
Total comprehensive income	NA	NA	96	232	194
Net income attributable to owner of the company	128	111	49	132	110
Net income attributable to non-controlling interests	71	66	63	77	62
Total comprehensive income attributable to owner of the company	NA	NA	33	155	129
Total comprehensive income attributable to non-controlling interests	NA	NA	63	77	65
EPS (NT\$/share)	2.62	2.26	1.02	2.69	2.25
Economic Value Distributed to Stakeholders					
Operating costs	1,528	1,893	1,925	1,922	1,876
Employee salaries and benefits	123	142	168	173	184
Investor dividends	115	159	149	143	147
Income tax	30	36	22	29	44
Community investments (NT\$ thousand)	9,547	372	4,991	2,580	1,601

Note: Data for 2013 were restated numbers from the 2014 Consolidated Financial Report.

# Corporate Governance

## Governance Framework

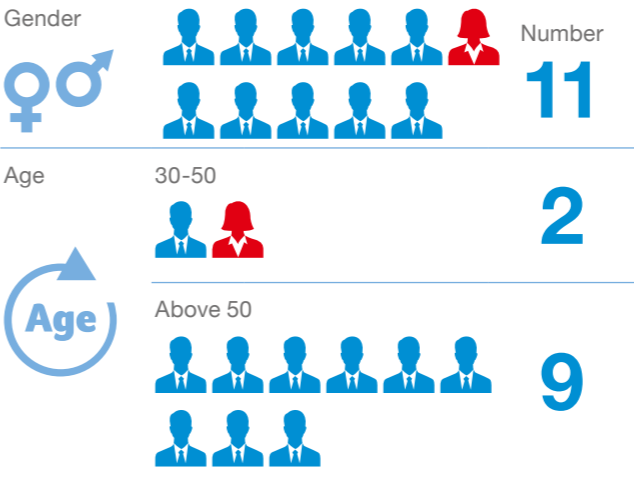
The FENC Board of Directors consists of 11 Board members with rich operational and academic experiences, one of whom is female. A comprehensive and independent supervisory mechanism has been established for the Board to ensure effective management and prevention of conflicts of interests. Three Independent Directors and three Supervisors, including one female, have thus been appointed. Relevant powers are exercised in accordance with laws and regulations and FENC Articles of Incorporation, as well as the Meeting Rules of the Board of Directors (including regulations governing refusal). The tenure for Directors and Supervisors is three years. The last election date was June 2012. Starting from the next term, the Company will adopt a new nomination and selection system for the Board of Directors. This includes consultation with Independent Directors for their opinions, and evaluation of the educational background of each member, while complying with the “Election Procedures of Directors and Supervisors” and the “Corporate Governance Principles” to help ensure that diverse and independent stakeholder opinions are taken into consideration. FENC plans to establish an Audit Committee in June 2015.

Title	Name	Curriculum Vitae	Other Positions in FENC and/or Other Companies
Chairman	Douglas Tong Hsu	National Chiao Tung University, Taiwan, Honor Ph.D. in Management, University of Notre Dame, USA, MS., Columbia University, USA, Post graduate study in Economics	Chairman of Asia Cement Corp.(ACC), Oriental Union Chemical Corp.(OUCC), U-Ming Marine Transport Corp. (U-Ming), Far Eastern Department Stores Ltd.(FEDS), Far EasTone(FET), and Vice Chairman of Far Eastern International Bank(FEIB)
Vice Chairman	Yue Ding Industry Co., Ltd. Johnny Shih (Representative)	Columbia University, USA, Master in Computer Science	Chairman of Everest Textile, Vice Chairman of OUCC, Director of ACC & FET, Independent Director of CTCI Corporation
	Asia Cement Corporation Peter Hsu (Representative)	Stanford University, USA, Master in Operation Research	Director of ACC & FET, Supervisor of U-Ming
Director	Asia Cement Corporation Raymond Hsu (Representative)	Australian Mining and Metallurgy College, Australia	Chief Auditor of FENC, Chairman of Fu Kwok Knitting & Garment Co., Ltd.
	Asia Cement Corporation Shaw Y. Wang (Representative)	National Chung Hsing University, Taiwan, Business Administration Department National Taiwan University, Taiwan, the Executive Program in Business Administration	Executive Director of Group Foundation, Supervisor of ACC, Executive Director of FEIB
	Asia Cement Corporation Richard Yang (Representative)	American Graduate School of International Management	Managing Director of Surfview Capital Ltd.
	Far Eastern Department Stores, Ltd. Kwan-Tao Li (Representative)	Kellogg-HKUST, MBA	Chief Senior Counselor, Lee and Li, Attorney-at-law, Supervisor of ACC
	Far Eastern Department Stores, Ltd. Tonia Katherine Hsu (Representative)	Sarah Lawrence College, New York, USA, BA (History, Humanities, Creative Arts)	Sotheby's, New York, USA (Arts Administration, Asian Liaison)
Independent Director	Bing Shen	Harvard University, USA, MBA	Independent Director of FEIB, Director of CTCI Corporation
	Bao-Shuh Paul Lin	Chief Director of Microelectronics and Information Systems Research Center, National Chiao Tung University, Taiwan, University of Illinois, Chicago, USA, Ph.D. in Computer Science	-
	Johnsee Lee	Illinois Institute of Technology, USA, Ph.D.	Director of Taiwan Semiconductor Manufacturing Corp., Independent Director of Zhen Ding Technology Holding Limited & San Fu Chemical Co., Ltd.
Supervisor	U-Ming Marine Transport Corp. T.H. Chang (Representative)	President of ACC	Director of ACC & U-Ming, Vice Chairman of Asia Cement (China) Holding Corp.
	U-Ming Marine Transport Corp. Alice Hsu (Representative)	Sheridan College, Retail Management	-
	Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation Champion Lee (Representative)	Texas A&I University, USA, Master in Business Administration	Supervisor of ACC, Director of FET & U-Ming

Note: For more details about cross shareholding and related parties, please refer to the information disclosed on the [Market Observation Post System](#)



## Board Composition



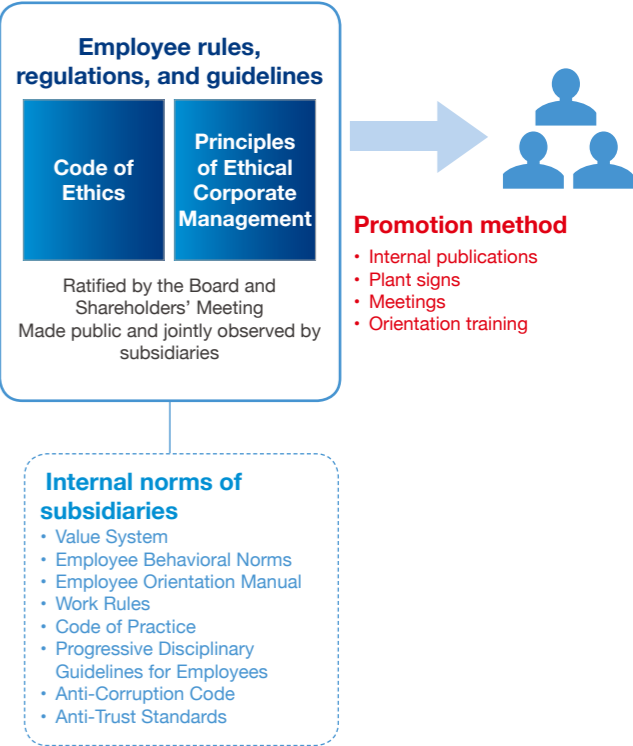
Note:The board does not include members of ethnic minority groups.

The Company has in place the “Remuneration Committee” whereby an Independent Director serves as the convener to assist the Board of Directors in establishing, among other things, the performance evaluation of Supervisors and remuneration-related policies, systems, standards, and structures, the relevant performance evaluations, employee salaries and bonuses, and the Directors and Supervisors’ remuneration payout methods. Upon regular reviews and assessments by the Remuneration Committee, recommendations are submitted to the board for discussion and decision-making.

Remunerations for FENC Directors and Supervisors are linked to the economic dimension of sustainability performance. Pursuant to the regulations set forth in the Articles of Incorporation, 3% and 4% of the earnings of the respective year may be distributed as remuneration for Directors/Supervisors and employee bonuses respectively. The remaining reward payments are given out based on overall operational achievements, the salary reward standards of listed companies, market survey reports issued by professional consulting firms, and after considering the overall corporate financial status as well as risks in the business environment.

## Ethical Corporate Management

FENC Founder Mr. Yu-Ziang Hsu and current Chairman Mr. Douglas Tong Hsu have always insisted that integrity should be the highest guiding principle of business development. Employees, business managers, clients, and investors must embrace the spirit of integrity in the Company’s internal processes and external procurement. To achieve this, strict management guidelines have been formulated for employees and sales personnel. Integrity represents one of the main evaluation items for recruitment, performance appraisals, and promotions. Integrity not only connotes the absence of corruption but also means avoidance of unfair competition.



As far as anti-trust practices are concerned, FENC strictly refrains from coordinating production or sales quantities with same industry businesses or associations to prevent price manipulation and to abide by relevant domestic and international laws and regulations. In the field of organizational framework design, FENC has established a sound internal control system and operational guidelines (including management policies, an authorization system, and functional division of labor). It implements internal audit operation management to prevent corruption and misconduct.

Internal Assessment and Educational Training

Course title	Date	Target	Content
Education on corporate corruption control and explanation of the self-assessment checklist	Started in the 4th Quarter of 2014	Executives of all units and colleagues from the Purchasing Department, Secretarial Department, Finance Department, and Accounting Department	<ul style="list-style-type: none"><li>• Explanation of corporate corruption and relevant laws and regulations through actual examples</li><li>• Introduction of the self-assessment checklist</li></ul>
Education on anti-trust legal compliance	June 2014	Operations	<ul style="list-style-type: none"><li>• Types of anti-trust violations</li><li>• Anti-trust laws in Taiwan, Europe, and the US</li><li>• Taiwan Fair Trade Law Amendment Draft and Anti-trust Law Compliance Rules</li></ul>

In addition to educational training, we conduct internal audits of sales and procurement units on an unscheduled basis. Audits are implemented during the procurement process to better assure control and management of procurement procedures and to reduce related risks. This includes monitoring of price negotiations, bid opening meetings, and purchasing unit authorization to reduce corruption risks. Online bidding systems are also utilized to stamp out corruption and reduce the need for physical assessments by 50%.

In addition, subsidiaries also organize information meetings to allow their sales personnel a better understanding of relevant provisions in the Code of Practice. Employees are required to comply with the code of business conduct with the goal of ensuring that the interests of the Company are not jeopardized, as well as to safeguard the lawful rights and interests of employees. This is also aimed at keeping a positive corporate image. Certain subsidiaries also clearly stipulate in their employee disciplinary guidelines that corruption is a serious infraction. The provision of relevant information serves as the main focus of the first day of orientation training.

Grievance and Consultation Channels

FENC has multiple communication channels in place to facilitate the reporting of corruption and other forms of illegal conduct by stakeholders. An independent investigation mechanism has also been established to allow probing and reporting of relevant incidents. Contact information (phone number and e-mail address) of the FENC Audit Department is publicly available for informants:

Supervisor e-mail: supervisor@fenc.com	A Supervisor e-mailbox has been set up in accordance with the regulations set forth in the Procedures for Supervisor E-Mail Management to strengthen corporate governance and establish a communication channel between employees, shareholders, stakeholders, and Supervisors. This helps us achieve the goal of facilitating timely detection of potential misconduct or other issues that will seriously impact company operations and management by Supervisors.
Audit Department e-mail: feaudit@fenc.com	The Audit Department provides a reporting channel pursuant to the Audit Department Misconduct Reporting and Resolution Procedures on Handling Employees or Stakeholders. This channel facilitates the reporting of shortcomings of the FENC internal control system or any illegal conduct that would violate Principles of Ethical Corporate Management and Code of Ethics or impair the working rights of employees.

In cases when procurement grievances fail to clearly specify relevant facts and details, FENC would still conduct audits of involved operations. If deficiencies of the internal control system or management issues are verified, suggestions for improvement are provided. Should it be confirmed that serious negligence or misconduct has been committed, disciplinary measures are proposed accordingly.

In addition, all subsidiaries have independent round-the-clock reporting and consultation hotlines, mailboxes, or relevant reporting mechanisms in place. The use of these mechanisms are promoted in employee code of conduct and behavioral norms imposed by the respective subsidiaries.

No confirmed incidents of corruption or social impact grievances occurred in 2013 and 2014. Regarding anti-competitive practices, Indonesia accused Taiwan, China, and Malaysia in 2014 of dumping Partially Oriented Yarn (POY) and Drawn Textured Yarn (DTY). However, the results of subsequent investigations showed non-involvement of FENC or its subsidiaries.



Sustainable Development Vision and Governance

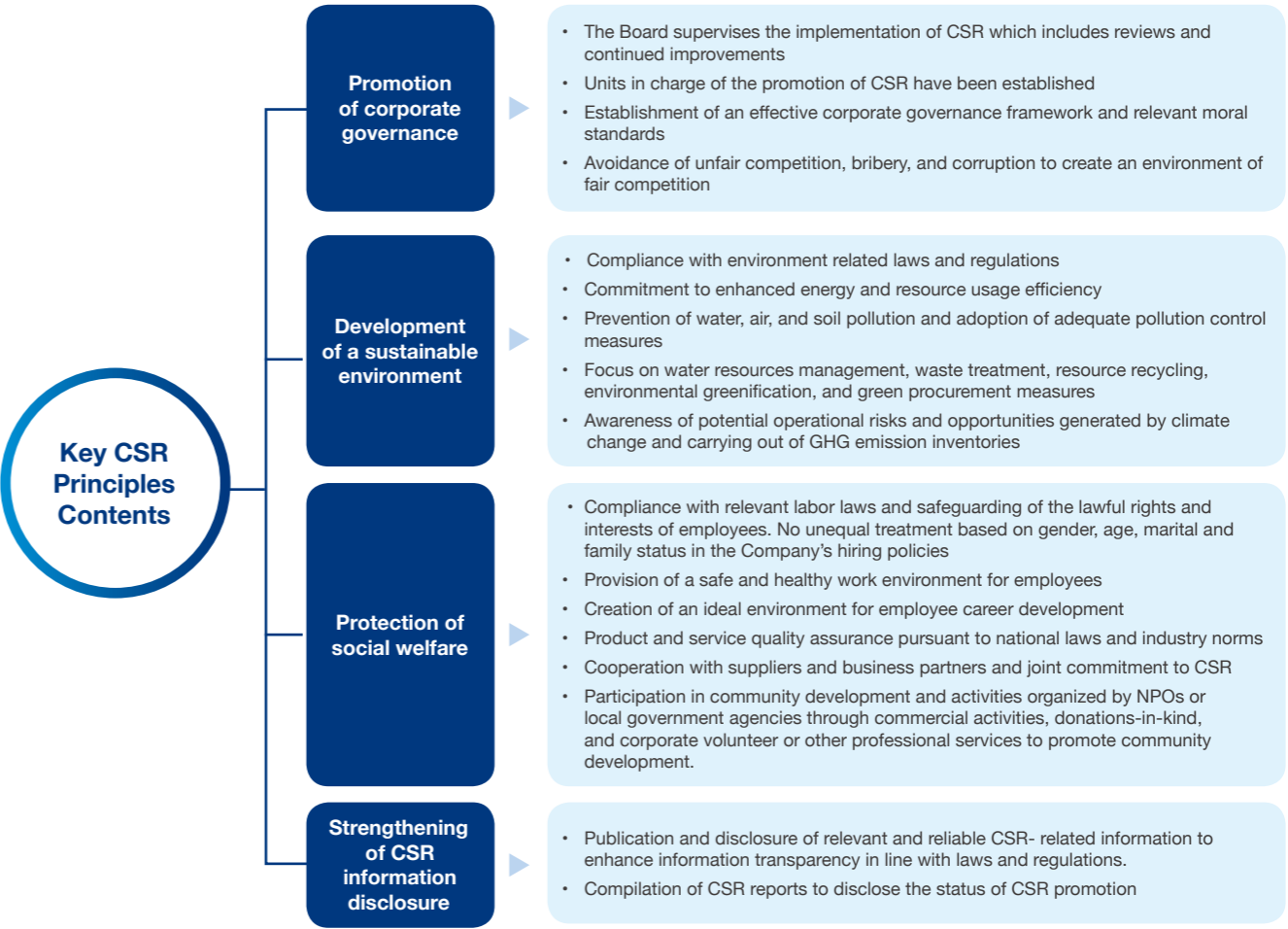
Sustainability Vision

FENC has remained deeply dedicated to social welfare for over 40 years. In line with international trends and development, external stakeholders show greater concern for corporate practices in the areas of governance, society, and environment. The incorporation of the concept of sustainable development into core business areas has turned into the main foundation for FENC's fulfillment of its corporate social responsibility. Needless to say, FENC has a profound understanding of the core concept of sustainable development. Its operational strategies take full account of long-term interests instead of just temporary profits. FENC is fully committed to the integration of corporate sustainability into core business areas and makes necessary adjustments of its corporate values, culture, development blueprints and strategies. For more details about sustainability strategies adopted by FENC operations, please refer to the corresponding chapters of this report.

FENC is fully aware that an effective and full-scale implementation of sustainable development requires the active participation of the management team. To facilitate the promotion of corporate sustainable development by the board and top

management, external experts were invited by the Far Eastern Group to conduct a course on CSR and sustainable governance for all Supervisors and Directors in 2014. The course lasted three hours and was attended by Directors, Supervisors, and management teams of business entities that fall under the aegis of the FENC Group. Eleven out of the 14 Directors and Supervisors of FENC participated in the course.

In addition to promoting a better understanding of sustainable development among the Board and management teams, FENC also formulated CSR principles suitable for the overall operations of the Company and its subsidiaries in production business based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies in 2014 in order to fulfill the Company's CSR, promote better equilibrium among the economy, society, and ecology, and implement sustainable development. These principles were implemented upon ratification by the Board in November 2014. These CSR principles serve as basis for the promotion of sustainable development by the Company, thus reflecting our respect for social ethics and a concern for stakeholder rights and interests. The Company fulfills its CSR in line with its commitment to ecological balance and in keeping with efforts towards efficient corporate governance.





**FENC vision**

In 1988, FENC took the initiative to invest in the transformation of the Company into the first PET bottle recycling business in Taiwan. Although this business sector recorded losses during the initial stage, the Company continued to insist on long-term sustainability and recycling or reuse of resources. Losses have been turned into profits and the Company is now capable of processing over 50% of all discarded PET bottles in Taiwan.

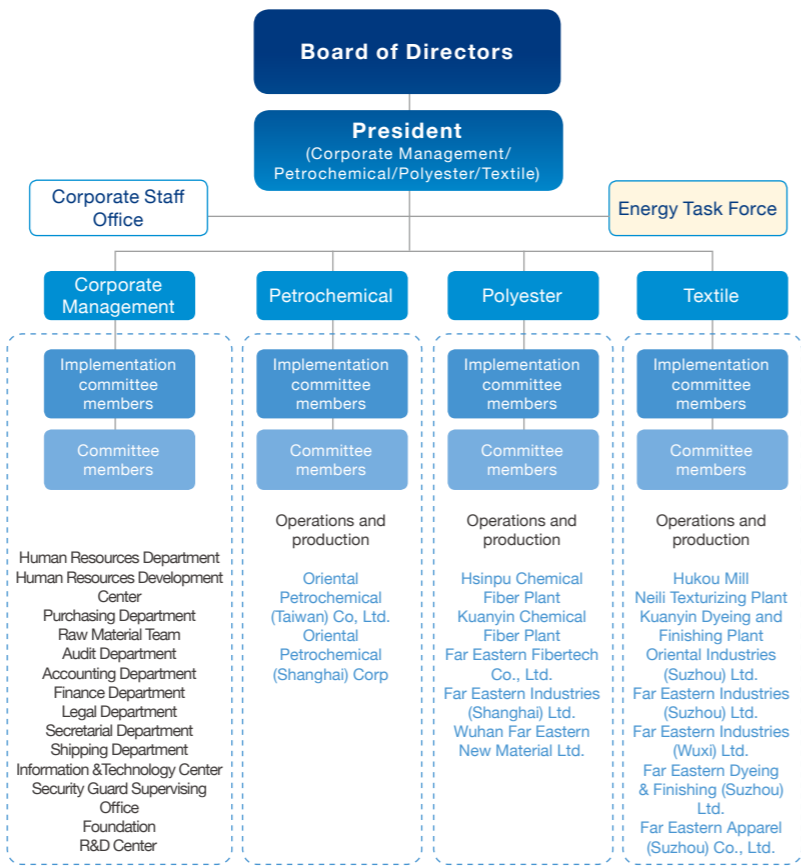
**FENC emphasis on long-term interests**

In the face of an excessive supply of PTA, the Company decided to invest USD 500 million in the establishment of a 1.5 million-ton production line in Kuanyin in 2013 in consideration of the low energy efficiency of aged production lines and in response to changing trends in laws and regulations. A production line with high-energy efficiency was added to effectively reduce production costs through lower energy consumption.

Sustainable Governance ► FENC CSR Committee (2014)

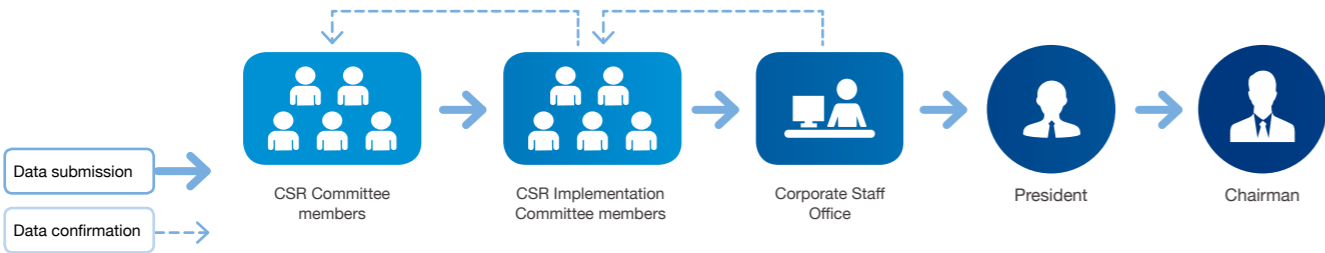
The FENC CSR Committee structure is based on the Group's organizational framework. The Board serves at the highest level and is centered in the four headquarters. The implementation committee and committee members subordinate to these headquarters are selected from the main departments. The Corporate Staff Office takes charge of promotion and overall planning. An Energy Task Force spanning the different headquarters has also been established. The fact that the CSR Committee is based on the organizational framework is conducive to the integration of CSR issues in existing management processes. The Presidents of the different business headquarters give relevant reports during board meetings, covering issues such as a safety, health & environment, market conditions, R&D, internal audits, risk management, financial and business conditions. In 2013 and 2014, the four Presidents and executives of the main departments presented reports on the following issues during the six board meetings:

- 1. Risk management, investor relations, R&D
- 2. Operational performance and market conditions
- 3. Audit report
- 4. Major personnel changes
- 5. State of ESH
- 6. Social donations
- 7. Financial condition
- 8. Business condition



The compilation of the FENC CSR report begins with the convening of a kick-off meeting in which task assignments and schedules are determined. The contents are provided by CSR committee members from corresponding units, after which they are collated by the Corporate Staff Office after initial compilation by the implementation committee members. The report is approved by the Presidents and submitted to the Board after completion and following third-party verification.

► CSR Report Compilation Process



Risk Management

Operational Risks and Opportunities

Open communication channels between different departments ensure real-time and comprehensive risk management. FENC's operational performance is reviewed while overall industry and macro-environment conditions are monitored through numerous monthly reports submitted during regular meetings (attended by 2-3 Board Directors) to facilitate early response to external changes and timely grasping of opportunities.

FENC firmly believes that risk management is an important foundation of corporate development. For instance, our Legal Department was established when FENC was still in its fledgling state and the department reports directly to the President. This clearly indicates the importance that FENC attaches to risk management.

► FENC Regular Meetings

Corresponding Dimensions	Corresponding Dimensions	Frequency	Highest Level of Participation
Governance and Finance (G)	Management reports	Annually	Chairman
Society (S) and Governance (G)	HR management and development	Biannually	Chairman
Environment (E) and Governance (G)	R&D related special reports	Biannually	Chairman
Governance and Finance (G)	Business HQ industrial strategy discussion	Biannually	Chairman
Governance and Finance (G)	Budget review	Annually	Chairman
Environment (E)	Energy conservation	Annually	Chairman
Governance and Finance (G)	Business review meetings	Monthly	Chairman
Governance and Finance (G)	Sales meetings	Twice a month	Presidents of petrochemical, polyester, and textile businesses

In addition to regular reports, relevant FENC units also conduct risk assessment and management from different aspects. The main risk management dimensions include legal compliance, internal control, financial risks, innovation management, and climate change.

Legal Compliance

Since 2014, FENC has a legal compliance system in place to foster a culture of legal compliance, reinforce law consciousness and ethical norms among employees, as well as control and manage operational risks. The goal lies in the integration of legal compliance operations of different departments and the establishment of an audit mechanism to ensure effective management that would allow FENC to cope with operational risks.

The President of corporate management serves as the Chief Supervisor of the FENC legal compliance system, while the Legal Department Head serves as the legal compliance supervisor of the parent company who is in charge of the planning, management, and implementation of the legal compliance system.

Scopes and Duties of the Legal Compliance System

Implementation Item	Description
Establishment of communication	Each department designates a senior executive who is responsible for the legal compliance of said department with the goal of creating a transmission, consultation, and reporting system (real-time reporting of irregularities, violations, and penalties)
Updates on rules and regulations	Setting of an internal website section for legal compliance to allow a real-time transmission of legal amendments and timely update of corresponding internal rules and regulations by different departments.
Legal training	Public announcement of decrees, sharing of cases, and education on implementation of decrees as well as educational training for new and regular employees.
Legal compliance assessment	Self-assessment of legal compliance are conducted on a quarterly basis and reported to the board to make the latter aware of implementation status and to allow the adoption of appropriate decisions.

Implementation Range of the Legal Compliance System





Implementation and Promotion of the Legal Compliance System

Around 20 promotion and information meetings were organized by the departments to provide education on self-assessment operations required for implementing the legal compliance system and having a firm grasp of implementation status. The meetings serve as a guidance for legal compliance self-assessment after which on-site audit reports are submitted to the Board. The Legal Department was responsible for the provision of guidance leading to improvements of detected deficiencies as well as the continued tracking of improvements. As of 2014, the department has conducted audits in terms of legal compliance in coordination with audit units to ensure effective implementation of the system. This system will be extended to FENC subsidiaries in stages starting in 2015.

► Statistics on Major Violations in 2013 and 2014

Year	Deficiency	Fines (NT\$) /Other Penalties	Improvement Program
Social Dimension (corruption, monopoly, fraud, discrimination)			
None			
Product and Service Dimension (marketing, communication, and labeling)			
None			
Environmental Dimension			
2013	Oriental Petrochemical: • The perimeter fence around the construction site did not encircle the whole area • No feedstock piling control measures were in place • The pavement of major road networks for vehicles was not clean	200,000	1. Reinforcement of the perimeter fence 2. Feedstock is covered with a dust screen 3. Sprinkler trucks are used to clean roads
2013	Kuanyin Dyeing & Finishing Plant: Irregular running of three air pollution control facilities	200,000	1. Regular daily inspections and meter readings 2. Adjustment of operation parameters indicated in the operation license to avoid violations 3. Allowable range of values is indicated on every gauge to facilitate visual inspection
2014	Hsinpu Chemical Fiber Plant: Trial-run coal water mixture boiler discharge pipes did not conform to the specifications of the approved trial run plan.	200,000	Internal monitoring and enforcement of trial run plan as well as operations in accordance with license specifications
2014	Hsinpu Chemical Fiber Plant: Local citizens reported strange odor and samples exceeded standards	200,000	1. Local citizens in the Zhubei area have reported over a long time that the plant emits a strange smell. However, the Environmental Protection Bureau never clearly indicated that the plant is the source of the odor. Nevertheless, the plant strengthened autonomous management and implemented improvements in the emission of Volatile Organic Compounds (VOC) 2. Executives conducted daily inspections of strange odor on-site and recorded observed data.
2014	Hsinpu Chemical Fiber Plant: Sampling of strange odor around the plant perimeter. All samples exceeded standards	300,000	
2014	Hsinpu Chemical Fiber Plant: Sample testing of odorous pollutants in discharge pipes did not meet required standards	400,000	1. Old boiler facilities that tended to generate odor have been decommissioned, maintained, and calibrated to serve as reserve facilities 2. New facilities were installed in December 2014
2014	Far Eastern Dyeing & Finishing (Suzhou): Waste water overflowed into the rain water wells	Approximately 500,000 (RMB 100,000)	Emergency valves have been installed for rain water wells
Total		2,100,000	

Note: NT\$ 200,000 represents the disclosure standard

Internal Control Management

FENC internal control management was handled by dedicated audit units, which assist the Board and Managers in carrying out inspections, reviews, and improvements of the promotion and implementation of the internal control system. They assessed the performance of all company departments, provided constructive advice in the field of business and management that reduced the incidence of errors, prevented misconduct, enhanced performance, and thereby advanced the overall interests of the Company.

There are two main audit categories:

Categories	Target	Method	Example
Advance review	Risky operational processes or transactions	Reviews conducted during operational processes	Purchase requisition, procurement, and acceptance procedures: • Supplier visits in company of the FEG Purchasing Department and issue of appraisal reports • Monitoring of price negotiations conducted by the FEG Purchasing Department • Additional review of purchase requisition and procurement e-forms • Additional review of project acceptance and invoices and reinspection of projects • Appraisals of the handling of supplier complaints and grievances in cooperation with the FEG Purchasing Center on an irregular basis
Post audits	The law requires that audits be conducted based on risk assessments and different audit subjects be formulated: • Important or high-risk transaction procedures or items are detected during the execution of audit operations • Latest company developments • New regulations set forth by competent authorities or in relevant laws	Upon completion of audits, reports are issued that contain suggested improvement methods for deficiencies detected in audits and the progress of improvements is tracked on lists.	• Project audits • Authorization and participation in various company meetings • IFRS was adopted in 2013 • Factory construction or expansion projects

Annual internal audit plans of audit units are submitted to the Board of Directors for approval and implementation. Status of quarterly audit operations are reported to Supervisors, Independent Directors, the Board, and the Presidents of operation headquarters to give relevant personnel a better understanding of audit results and the progress of follow-up improvements.

Investment Management

Business and financial units conduct profitability assessments prior to investments. If assessments are feasible, the results are submitted to the Board for review in accordance with internal control procedures, after which announcements are made in keeping with relevant laws. In case of investments in foreign countries or in China, applications (or approval for reference) are submitted to the Investment Commission of the Ministry of Economic Affairs in accordance with relevant laws by the Legal Department. As for review and approval applications to be submitted to Mainland Chinese authorities, application materials are submitted by local finance, accounting, and legal affairs units, with assistance from project teams. Investments are carried out after receiving approval documents from competent authorities. Legal departments provide the necessary assistance in reviewing relevant investment documents. We require strict compliance with national and international laws and regulations during any investment process. All subsidiaries have also established internal control systems and introduced relevant procedures for the acquisition and disposal of assets. In the future, the legal compliance audit system will also be gradually extended to the Company's subsidiaries.

and stock affairs, ect. Short-term financing management involves to monitor the daily cash balance of New Taiwan dollars and foreign currencies, to arrange loan borrowing or repayment at financial institutions such as banks or bills finance corporations after taking the market factors such as interest rates and exchange rates into consideration.

The main financial institutions that the Company transacts business with include local and foreign banks, bills finance corporations, etc. The main financial instruments consist of bank loans and commercial papers. Excess cash balances are mainly invested in investment tools such as fixed deposits, repurchase agreements, and money market fund.

Regarding financing periods, short/medium-term financing (less than three years) currently focuses on financing instruments such as bank loans and commercial papers, while medium/long-term financing (over three years) is based on capital market products such as various types of corporate bonds.

Cash Flow Management

Cash flow management is closely related to business activities. Effective forecasts of future cash flows rely on regular analyses of operating, investing, and financing activities.

Foreign Exchange Risk Management

Far Eastern New Century's exports bring in revenues denominated in foreign currencies. If an asset position of foreign exchange occurs after deducting foreign exchange liabilities, considering the recorded exchange rate in the accounting book, we will hedge our position by spot or forward exchange contracts to reduce the risk of currency rate fluctuations.

Capital Market Financing

In order to improve operational adaptability, diversify financing tools, and strictly control the interest rate risks, our Finance Department examines the statuses of capital markets and cash flows, looking for opportunities to issue domestic and offshore long-term fixed rate bonds such as straight, convertible, and exchangeable bonds. This will strengthen FENC's financial structures and reserve capitals for future capital needs.

Financial Risk Management

The capital management of Far Eastern New Century mainly includes treasury operations and short-term financial management. Treasury operations include the daily forecast of cash receipts and disbursements, the arrangements of receivables and payables,

Climate Change

FENC places great emphasis on long-term operational performance, actively responds to risks generated by climate change, and transforms risks into opportunities in an effort to create new business opportunities.

Dimension	Risk/Opportunity	Response
Sales	Frequent climate incidents lead to rising transportation costs and affect production and delivery operations.	<ul style="list-style-type: none"><li>• Advance storage of feed stocks and transportation tools through an early warning mechanism</li><li>• Advance arrangement of transportation and accommodation for key personnel</li><li>• Insurance covering natural disaster to guarantee economic compensation</li></ul>
	<ul style="list-style-type: none"><li>• Extreme climates such as bitter cold and scorching heat lead to an increased demand for clothing and beverages, respectively, which in turn boosts the sale of textile fibers and PET Bottle Preforms.</li><li>• Development of new functional products to satisfy the demands for warming, cooling, and Anti-UV products generated by climate change.</li><li>• Development of new eco-friendly products in conformity to a macro-environment that is characterized by eco and sustainability awareness to save costs through process efficiency enhancement.</li></ul>	<ul style="list-style-type: none"><li>• Monitor climate and prepare adequate stocks accordingly</li><li>• Development of warming, cooling, and Anti-UV materials (TopHeat® and TopCool®)</li><li>• Development of recyclable materials to reduce the demand for petrochemicals (Topgreen®, Pro-green®)</li><li>• Development of biomass materials to minimize environmental impacts and reduce GHG emissions (Bio-TopCool®)</li><li>• Development of warming, moisture-absorbing, and sweat-wicking products</li><li>• Procurement of organic cotton and promotion of the use of organic products</li></ul>
Finance	<ul style="list-style-type: none"><li>• Banks implement Equator Principles</li><li>• China levies carbon taxes</li></ul>	<ul style="list-style-type: none"><li>• It has already been determined that Equator Principles have no considerable impact</li><li>• Promotion of the use of renewable energy</li><li>• Oriental Petrochemical (Shanghai) and Far Eastern Industries (Shanghai) conserve energy and reduce carbon emissions</li></ul>
Production	<ul style="list-style-type: none"><li>• Typhoon disasters</li><li>• Impact on plant facility operations (e.g., rising temperatures affect the efficiency of cooling units of plants, which in turn leads to increased production costs)</li></ul>	<ul style="list-style-type: none"><li>• Early adoption of typhoon response measures</li><li>• Promotion of the use of renewable energy</li><li>• Process optimization to minimize environmental impacts</li></ul>

Innovative Management

Innovation is a key policy of FENC as it tries to seize opportunities and reduce risks. To fully exercise the functions of the Far Eastern Group R&D Center, turn it into a driving force in research and development, and maintain the Company's competitive edge in the field of innovation, this center was reorganized in June 2014. In addition to the existing Bioenergy & Biomaterial Section and Biomedical Section, the R&D sections for polyester and textile operations have been greatly expanded (Polyester Packaging Section, Polyester Film Section, Chemical Fibers Section, Textile & Finishing Section, and Industrial Fibers Section). FENC has also made a firm commitment to the development of new strategic materials and technologies (Polyester Material Division, New Fiber Division, and Cutting-edge Polyester Division) to satisfy the needs of SBUs and to create applications for new materials.

In addition to meeting the R&D needs of production business units, FENC is fully aware that multilateral cooperation leads to better results in business expansion and R&D efficiency. The Company therefore established an Innovation Marketing & Partnerships Office within the R&D Center in 2014. This office aims for a better understanding of medium and long-term development strategies and potential demands of major international brands while striving for joint development with clients and the eventual transfer of newly developed technology to SBU for applications and productions.

This not only allows the Company to catch the demand trends in innovative and hi-tech products but also facilitates the creation and maintenance of long-term customer relationships to enhance the overall competitiveness.



Identification of Stakeholders and Materiality Issues

Identification of Stakeholders

FENC stakeholders were identified through a questionnaire survey designed to collect employees' opinions and assessments. Questionnaires were structured based on the five major principles of the AA1000 SES (2011) Stakeholder Engagement Standards: Dependency, Responsibility, Influence, Diverse Perspectives, Tension, and Concern. Surveyed employees included CSR (implementation) committee members from different corporate units based in Taiwan, Suzhou, Wuxi, Shanghai, and Wuhan. A total of 135 questionnaires were collected.

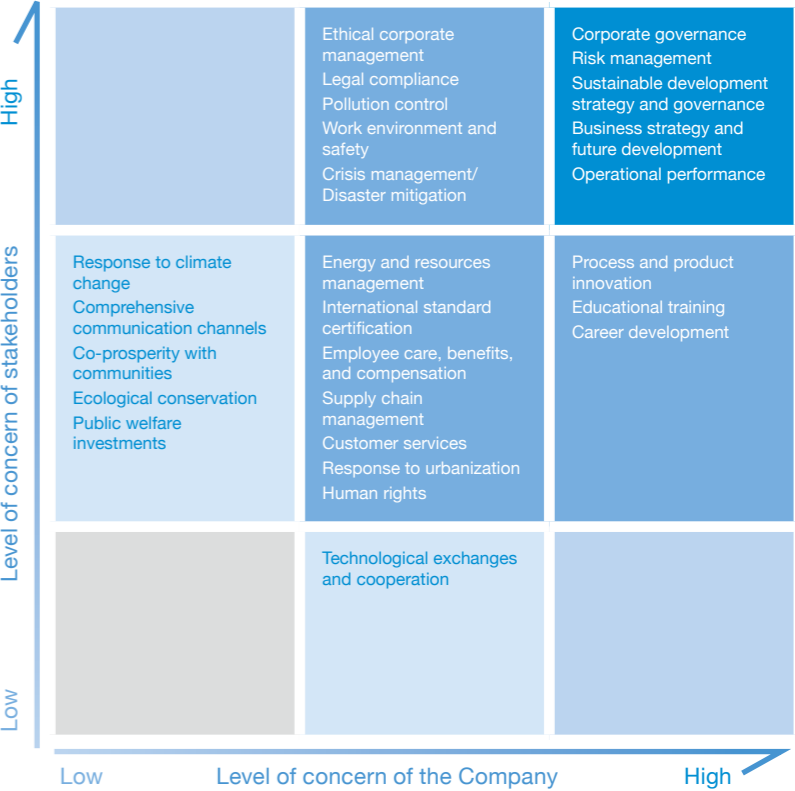


Materiality Issues: Identification and Response

For the identification of materiality issues, FENC not only relied on opinions expressed by internal staff but also consulted relevant international industries on various issues of concern, prevailing international sustainability development trends, and GRI G4 material aspects. A total of 26 sustainability issues were identified in the survey. The respondents assessed the impact (financial/non-financial impacts, strategy integration level, opportunities/competitiveness) of the 26 identified issues on FENC different stakeholder groups also expressed their assessments (impact significance level, expectations regarding response, action, and transparency) through questionnaires. The Company further consulted the opinions of the management to determine the materiality matrix for this report.

The identified materiality issues are listed in the top right-hand area of this matrix. Other listed issues have a relatively lower impact or significance.

Materiality Analysis Matrix for Sustainability Issues





► Significance of Sustainability Issues for FENC

Materiality	Sustainability Issue	Significance for FENC
Material	Corporate governance	Exhibits operational and governance performance and is of key importance in the promotion of sustainable development by FENC since risk management, long-term strategy planning, and sustainable development determine the future sustainable growth of the Company. Process and product innovation forms the foundation for the realization of sustainable development.
	Risk management	
	Sustainable development strategy and governance	
	Operational performance	
	Business strategy and future development	
	Ethical corporate management	
	Legal compliance	
	Process and product innovation	Pollution control not only conforms to legal requirements but also facilitates the implementation of our risk management. It also connotes care and concern for the natural environment and the adjacent communities. It serves as an important link in the fulfillment of our CSR. Energy and resources management not only reduces operations costs but also minimizes impact on the natural environment.
	Pollution control	
	Energy and resources management	Certain production bases are adjacent to residential areas. In view of the development of urbanization this trend is becoming more and more pronounced. We feel that the minimization of impact on neighboring communities through increased commitment to crisis management and disaster control represents one of our key responsibilities.
	Crisis management/ Disaster mitigation	
	Response to urbanization	International standards certification is the most effective and credible way of demonstrating our internal operational standards and product quality to customers and the general public.
	International standard certification	
	Customer services	FENC is firmly committed to gaining a full understanding of customer demands and meeting, or even, surpassing their expectations. Many of our innovative products and green processes were fruits of a desire to satisfy our customers. The enhancement of customer service quality is our main aspiration.
	Supply chain management	In addition to their expectations on excellent risk management, brand clients have rigorous requirements for us. We aim to maximize our influence by way of supply chain management to ensure fulfillment of CSR by our cooperation partners.
	Work environment and safety	Our employees are one of our most valuable assets. They are the foundation of corporate development. The health and satisfaction of our employees therefore directly impact on work efficiency and quality. We firmly believe that we must not only focus on corporate growth but also provide our employees with assistance and platforms for personal career development. The health and contentment of our employees are key prerequisites for achieving sustainable development.
	Human rights	
	Employee care, benefits, and compensation	
	Educational training	
	Career development	
Non-material	Response to climate change	Responses to climate change are intimately related to energy and resources management. They help reduce operating costs, while minimizing environmental impact. With regard to measures with less obvious short-term effects in reducing operating costs, we conduct assessments from the perspective of long-term overall benefits.
	Ecological conservation	Far Eastern Industries (Suzhou) is currently the only plant located in an environmental protection zone. It abides by all relevant laws and regulations.
	Comprehensive communication channels	Comprehensive communication channels are required to gain an understanding of stakeholders' views and opinions. They enable real-time communication and improvements. Internally, they allow effective management and in-depth understanding of implementation status while also making possible a more precise understanding of external views and demands.
	Technological exchanges and cooperation	Innovation remains at the core of long-term corporate development. Technological exchanges and cooperation with different organizations are our main modes in innovative development as well as key links in business development.
	Co-prosperity with communities	FENC has always placed great emphasis on social welfare activities including investment in neighboring communities or public welfare investments of an even larger scale. We have always embraced the concept of giving back and contributing to social development.
	Public welfare investments	

This report provides in-depth and detailed information on materiality issues while paying equal attention to other sustainability issues as well. With regard to materiality issues and GRI G4 material aspects, as well as their corresponding chapters in the report, please refer to the following chart:

Materiality	Sustainability Issue	Internal			External			Relevant G4 Material Aspects	Management Approaches and Relevant Information		
		FENC	Subsidiaries in Taiwan	Subsidiaries in China	Suppliers	Clients	Communities and Environment		Chapter	Section	Page
Material	Corporate governance	●	●	●				General Standard Disclosures: Strategy and Analysis Organizational Profile Governance	Establishment of Sound Governance	Corporate Governance	18
	Risk management	●	●	●	●	●		General Standard Disclosures: Strategy and Analysis Economic: Economic Performance	Establishment of Sound Governance	Risk Management	23
	Sustainable development strategy and governance	●	●	●	●			General Standard Disclosures: Governance	Establishment of Sound Governance	Sustainable Development Vision and Governance	21
	Operational performance	●	●	●	●	●		Economic: Economic Performance	Establishment of Sound Governance	About FENC	8
	Business strategy and future development	●			●	●		General Standard Disclosures: Strategy and Analysis	Chairman's Message		3
									Establishment of Sound Governance	Sustainable Development Vision and Governance	21
	Ethical corporate management	●	●	●	●	●		General Standard Disclosures: Ethics and Integrity Social: Anti-corruption Anti-competitive Behavior	Establishment of Sound Governance	Corporate Governance	18
	Legal compliance	●	●	●	●			Environmental, Social, and Product Responsibility: Compliance	Establishment of Sound Governance	Risk Management	23
	Process and product innovation	●	●	●		●		Environmental: Products and Services	Innovation and R&D	-	33
	Pollution control	●	●	●	●			Environmental: Water Emissions Effluents and Waste Transport Supplier Environmental Assessment Society: Local Communities	Creation of a Sustainable Environment	Resource Management and Pollution Prevention	54
	Energy and resources management	●	●	●	●			Environmental: Materials Energy Water Effluents and Waste	Creation of a Sustainable Environment	Resource Management and Pollution Prevention	54
	Crisis management/ Disaster mitigation	●	●	●			●	Society: Local Communities	Creation of a Sustainable Environment	Communication and Feedback from Neighboring Communities	77
Non-material	Response to urbanization			●			●	Economic: Indirect Economic Impacts Society: Local Communities	Realization of Co-Prosperity With Society	Highlights of Corporate Engagement	101
									Creation of a Sustainable Environment	Communication and Feedback from Neighboring Communities	77
	International standard certification	●	●	●	●			DMA of relevant aspects (i.e. Energy, Water etc.)	Joint Creation of Supply Chain Value	Customer Management	44
									Creation of a Sustainable Environment	Resource Management and Pollution Prevention	54



Materiality	Sustainability Issue	Internal			External			Relevant G4 Material Aspects	Management Approaches and Relevant Information		
		FENC	Subsidiaries in Taiwan	Subsidiaries in China	Suppliers	Clients	Communities and Environment		Chapter	Section	Page
Material	Customer services	●	●	●		●		Product Responsibility: Customer Health and Safety Product and Service Labeling Marketing Communications Customer Privacy	Joint Creation of Supply Chain Value	Customer Management	44
	Supply chain management	●	●	●	●			Economic: Procurement Practices Environmental: Supplier Environmental Assessment Labor Practices and Decent Work: Supplier Assessment for Labor Practices Human Rights: Supplier Human Rights Assessment Society: Supplier Assessment for Impacts on Society	Joint Creation of Supply Chain Value	Supplier Management	49
	Work environment and safety	●	●	●	●			Labor Practices and Decent Work: Occupational Health and Safety	Creation of A Sustainable Environment	Work Safety Management	73
	Human rights			●	●			Human Rights: Investments Non-discrimination Freedom of Association and Collective Bargaining Child Labor Forced or Compulsory Labor Indigenous Rights Assessment	Generation of Employee Passion	Employee Care	86
	Employee care, benefits, and compensation	●	●	●	●			Human Rights: Employee-Employer Relations Labor-Management Relations Employee Diversity and Equal Opportunities Equal Remuneration For Male and Female Employees	Generation of Employee Passion	-	79
	Educational training	●	●	●				Labor Practices and Decent Work: Training and Education	Generation of Employee Passion	Career Development	94
	Career development	●	●	●				Labor Practices and Decent Work: Training and Education	Generation of Employee Passion	Career Development	94
Non-material	Response to climate change	●	●	●	●	●		Environmental: Energy Emissions Transport Products and Services	Creation of a Sustainable Environment	Resource Management and Pollution Prevention	54
	Ecological conservation			●			●	Environmental: Biodiversity	Creation of a Sustainable Environment	-	53
	Comprehensive communication channels	●	●	●	●	●	●	Environmental: Environmental Grievance Mechanisms Labor Practices and Decent Work: Labor Practice Grievance Mechanisms Human Rights: Human Rights Grievance Mechanisms Society: Grievance Mechanisms for Impacts on Society	Establishment of Sound Governance	Corporate Governance	18
								Creation of a Sustainable Environment	Communication and Feedback from Neighboring Communities	77	
								Generation of Employee Passion	Labor-Management Communication	92	
	Technological exchanges and cooperation	●	●	●	●	●		Environmental: Products and Services	Innovation and R&D	-	33
	Co-prosperity with communities	●	●	●			●	Economic: Indirect Economic Impacts Procurement Practices Society: Local Communities	Joint Creation of Supply Chain Value	Supplier Management	49
Realization of Co-Prosperity With Society								Highlights of Corporate Engagement	101		
	Public welfare investments	●					●	Economic: Indirect Economic Impacts	Realization of Co-Prosperity With Society	-	99

FENC endeavors to constantly communicate and engage with its stakeholders. Several examples of engagement between FENC (including its subsidiaries and production bases) and its stakeholders in 2013 and 2014 are listed below. Please also refer to the corresponding chapters in this report for responses to relevant issues.

► Stakeholder Engagement Channels and Actual Achievements

Stakeholders	Main Issues of Concern	Communication Channels and Frequency	Response Methods (actual examples)
 Employees and labor unions	<ul style="list-style-type: none"><li>Employee care, benefits, and compensation</li><li>Work environment and safety</li><li>Career development</li><li>Educational training</li><li>Human rights Operational performance</li><li>Corporate governance</li><li>Ethical corporate management</li></ul>	<ul style="list-style-type: none"><li>Different types of meetings on plant affairs, performance, energy conservation and carbon reduction, welfare, meals, and accommodations (every one to three months)</li><li>Corporate union meetings (every quarter)</li><li>Occupational Safety and Health Committee meetings (every quarter)</li><li>Safe environment mailbox</li><li>Grievance channels</li><li>Satisfaction surveys (multiple times a year)</li><li>Educational training (multiple times a year)</li></ul>	<ul style="list-style-type: none"><li>In 2013, Far Eastern Fibertech organized 12 safety thematic months providing education on driving safety, electrical safety, fire safety, energy conservation, and environmental protection.</li><li>In 2014, a total of 186 employees participated in the Far Eastern Fibertech Annual Health Promotion Program in 6 batches.</li><li>Oriental Industries (Suzhou) convenes meetings of the Meal Management Committee and Dorm Management Committee on a monthly basis and conducts satisfaction surveys every two months.</li><li>In 2013 and 2014, the FENC Hukou Mill organized a total of 8 regular corporate union meetings, 12 ad-hoc corporate union meetings, 8 safety- and health related meetings, and 4 welfare and nutrition related meetings.</li></ul>
 Government/competent authority	<ul style="list-style-type: none"><li>Legal compliance</li><li>Pollution control</li><li>Work environment and safety</li><li>Crisis management/Disaster mitigation</li><li>Ethical corporate management</li><li>Response to climate change</li><li>Sustainable development strategy and governance</li><li>Employee care, benefits, and compensation</li><li>Response to urbanization</li></ul>	<ul style="list-style-type: none"><li>Official audit laws and regulations</li><li>Information meeting</li><li>Training</li><li>Seminar</li><li>Demonstration and promotion</li><li>Promotion meeting (monthly)</li><li>Document</li><li>Audit</li></ul>	<ul style="list-style-type: none"><li>In 2013, the Company sent representatives to visit the Institute for Information Industry and attended an Industry-Academic Consultation Meeting organized by the Bureau of Foreign Trade of the Ministry of Economic Affairs.</li><li>In 2014, the Company participated in the formulation of advice at an Industry and Commerce Breakfast Meeting and a Trade and National Affairs Meeting.</li><li>In 2013 and 2014, Oriental Petrochemical (Taiwan) participated in a total of 27 information meetings on relevant laws and regulations, 3 training courses, 21 seminars, 4 observation and promotion activities, and over 30 official audits.</li><li>In 2013 and 2014, FENC polyester plants participated in a total of 30 audits of its operations of environmental protection facilities, 2 audits of operations involving toxic chemicals as well as one audit each for air and water pollution and occupational safety and health operations.</li><li>Oriental Industries (Suzhou) visits government environmental protection agencies once every two months and fire departments once a month.</li></ul>
 Cooperation partners (suppliers/contractors)	<ul style="list-style-type: none"><li>Supply chain management</li><li>Ethical corporate management</li><li>Operational performance</li><li>Risk management</li><li>Business strategy and future development</li><li>Legal compliance</li><li>Corporate governance</li><li>International standard certifications</li><li>Sustainable development strategy and governance</li><li>Process and product innovation</li></ul>	<ul style="list-style-type: none"><li>Telephone and e-mail</li><li>site visits (once a month to three times a year per request)</li><li>Supplier appraisals</li><li>Handling of supplier complaints and grievances</li><li>Educational training (new contractors: prior to plant entry; long-term contractors: every quarter or in case of major violations)</li><li>Public announcements</li><li>Contractor meetings (once every three to six months)</li></ul>	<ul style="list-style-type: none"><li>176 and 222 designated staff members visited our suppliers in 2013 and 2014, respectively.</li><li>We organized an annual contractor communication training.</li><li>A total of 1,633 and 1,079 newly inducted employees of contractors received training in 2013 and 2014, respectively.</li><li>A total of 55 and 149 contractor employees attended regular educational training in 2013 and 2014, respectively.</li><li>At total of 3 and 12 supplier appraisals were conducted in 2013 and 2014, respectively.</li><li>5 supplier complaints and grievances were handled in 2013</li></ul>
 Clients	<ul style="list-style-type: none"><li>Customer services</li><li>Ethical corporate management</li><li>Process and product innovation</li><li>International standard certifications</li><li>Corporate governance</li><li>Comprehensive communication channels</li><li>Legal compliance</li><li>Technological exchanges and cooperation</li></ul>	<ul style="list-style-type: none"><li>site visits (twice a week or once a month/year depending on clients' requests)</li><li>Telephone, e-mail</li><li>Client-end sales visit</li><li>Audit</li></ul>	<ul style="list-style-type: none"><li>The Kuanyin Dyeing &amp; Finishing Plant was visited around 80-90 times by clients annually (around 250 visitors). Most visits focused on inspections of production processes and quality audits.</li><li>The Polyester Sales Department conducts 22 client visits per month on average</li></ul>

## Establishment of Sound Governance

Stakeholders	Main Issues of Concern	Communication Channels and Frequency	Response Methods (actual examples)
 <p>Local residents in the vicinity of plant areas</p>	<ul style="list-style-type: none"> <li>Pollution control</li> <li>Co-prosperity with communities</li> <li>Crisis management/Disaster mitigation</li> <li>Ecological conservation</li> <li>Legal compliance</li> <li>Public welfare investments</li> <li>Comprehensive communication channels</li> <li>Response to urbanization</li> </ul>	<ul style="list-style-type: none"> <li>Visits of neighboring plants (at least once a year)</li> <li>Notification drills (monthly)</li> <li>Open day activity (annually)</li> <li>Activities (several times a year)</li> <li>Actual visits of local communities (once or twice a month)</li> <li>Information meetings (annually)</li> <li>Government online platform</li> </ul>	<ul style="list-style-type: none"> <li>In 2014, Oriental Petrochemical (Taiwan) conducted 12 simulated notification drills and visited neighboring plants at least once a year.</li> <li>In November 2013 and February 2014, the Hsinpu Chemical Fiber Plant organized information meetings on pollution coordination for coal water mixture plants at the Hsinpu Environmental Protection Association. A total of 143 local residents of Wenshan Borough in Hsinpu Township participated in these meetings.</li> <li>In December 2013 and September 2014, the Hsinpu Chemical Fiber Plant organized information meetings on pollution control in the plant. Around 30 residents of the Dachiran Community in Chupei City participated in these meetings.</li> <li>The Hukou Mill and Neili Texturizing plants conducted a total of 35 visits of local communities in 2013 and 2014 to assist in weeding activities and discuss relevant services and demands.</li> <li>In March 2013 and April 2014, Oriental Petrochemical (Shanghai) organized Open Day Activities and invited around 100 local residents and enterprise representatives (including citizens who filed complaints in the past) as well as local competent authorities to attend this event. Annual safety, health, and environmental (SHE) reports were submitted inside the plant, visits of production sites were conducted, and questions were answered. Mutual trust and understanding were enhanced through these activities.</li> <li>Far Eastern Industries (Shanghai) organizes a total of three community blood donation activities per year as well as table tennis and basketball tournaments</li> </ul>
 <p>Shareholders/Investors</p>	<ul style="list-style-type: none"> <li>Operational performance</li> <li>Ethical corporate management</li> <li>Corporate governance</li> <li>Business strategy and future development</li> <li>Risk management</li> <li>Sustainable development strategy and governance</li> <li>Legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' meetings (annually)</li> <li>Investor conferences</li> <li>Board of directors</li> <li>Market Observation Post System of Taiwan Stock Exchange</li> <li>Corporate website/IR mailbox</li> <li>Investor conferences held by brokerage firms (several times a year)</li> <li>Investor meetings (several times a year)</li> </ul>	<ul style="list-style-type: none"> <li>In 2013 and 2014, the Company attended investor conferences 5 and 6 times, respectively.</li> </ul>
 <p>NGO</p>	<ul style="list-style-type: none"> <li>Pollution control</li> <li>Energy and resources management</li> <li>Response to climate change</li> <li>Work environment and safety</li> <li>Public welfare investments</li> <li>Human rights</li> </ul>	<ul style="list-style-type: none"> <li>Seminars (i.e. TRCA seminar bimonthly)</li> <li>Participation in exchange activities (non-periodically)</li> <li>Telephone, e-mail (non-periodically)</li> </ul>	<ul style="list-style-type: none"> <li>In June 2014, Oriental Petrochemical (Shanghai) joined the Taiwan Responsible Care Association (TRCA) to reinforce social responsibility concepts of employees, promote responsible care, and enhance the corporate image and management standards through regular activities of the association. In September 2014, the Company assisted TRCA in the organization of the third seminar in China.</li> <li>In June 2013, over 40 representatives of the Foreign Business Association of Fengxian District in Shanghai City participated in exchange activities, listened to safety, health, and environmental (SHE) reports, and observed fire evacuation drills in the Administration Building.</li> </ul>
 <p>Industry associations</p>	<ul style="list-style-type: none"> <li>Technological exchanges and cooperation</li> <li>Process and product innovation</li> <li>Ethical corporate management</li> <li>Legal compliance</li> <li>Sustainable development strategy and governance</li> <li>Response to urbanization</li> <li>Pollution control</li> </ul>	<ul style="list-style-type: none"> <li>Member Conference (annually)</li> <li>Seminars/Exchange Meeting (non-periodically)</li> <li>Training (non-periodically)</li> <li>Assembly Report (bimonthly)</li> </ul>	<ul style="list-style-type: none"> <li>In 2013 and 2014, Oriental Petrochemical (Taiwan) participated in 2 member conferences, 25 seminars, and 5 training courses organized by industry associations.</li> <li>Far Eastern Fibertech participates in the Safety and Health Promotion Council of the industrial zone and the Regional Joint Defense Organization. It submits fire prevention, work safety, and joint defense related reports on a regular basis.</li> <li>In September 2013, over 60 corporate representatives from key enterprises under the jurisdiction of the Environmental Protection Bureau of Fengxian District in Shanghai City visited Oriental Petrochemical (Shanghai) to conduct environmental protection-related exchange activities. In addition to the sharing of internal environmental protection management experiences and an inspection of actual environmental protection management conditions. Experts from the Shanghai Academy of Environmental Sciences gave relevant instructions.</li> <li>In December 2013, over 40 representatives within the jurisdiction of the Management Committee of the Shanghai Spark Development Zone made a visit to Oriental Petrochemical (Shanghai) to participate in an exchange activity on contractor management experiences, listen to relevant experience, and conduct discussions and interactions.</li> </ul>

Note: Only the main issues of concern are listed here. Stakeholders' issues of concern are not confined to those listed above.