

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue
Sustainable Recognitions

◆ Special Report

① Fostering Robust Governance

② Enabling Unlimited Innovation

③ Navigating a Green Future

④ Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

⑤ Cultivating Compassionate Bonds

⑥ Advocating Balanced Coexistence

⑦ Appendix

4

Creating Inclusive Society

| | |
|---|------------|
| 4.1 Constructing Happy Workplace | 99 |
| 4.2 Fostering Employee Career Planning | 110 |
| 4.3 Reinforcing Environmental Safety and Health Management | 113 |
| 4.4 Coordinating Sustainable Supply Chain Development | 122 |

Target Readers

- Employee/Labor Union
- Direct Customer
- Government
- Business Partner (Supplier/Contractor)
- External Audit Agency/Media
- Shareholder/Investor/Financial Institution
- Industry Association
- Local Resident and Organization

| | | |
|---|---|---|
| 1 NO POVERTY  | 3 GOOD HEALTH AND WELL-BEING  | 4 QUALITY EDUCATION  |
| 5 GENDER EQUALITY  | 8 DECENT WORK AND ECONOMIC GROWTH  | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS  |

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix



2021 Highlight

The Number of Female Supervisors

Grew by **64%** in the Past Decade


Employee Stock Ownership Plan (ESOP), Which Purchases Company Shares Systematically with **30%** Contribution from the Company

Employee Satisfaction

86.8%
↑2.4%

Established Speak Up Policy
Fine-Tuned Grievance Mechanism

Hsinpu Chemical Fiber Plant Was Accredited with the **Taiwan iSport Corporation** from Sports Administration, Ministry of Education

Underscoring Talent Development with Additional  **NT\$ 14.67 Million** Special Training Budget


Boosting Online Training with **NT\$ 9.5 Million** Investment in Developing Online Courses

In 2021 Average Annual Regular Salary of the Company FENC Is **29% Higher** than the Local Average 



Safety Assurance Certificate for FEAV from Binh Dương Provincial People's Committee and Police Department in Vietnam

Zero Disabling Occupational Injuries

9.5 Million Hours in FEFC's 23-Year History
9 Million Hours for OPSC as of 2021 

6 Consecutive Years Environmental Protection Bureau of Taipei City Government Awarding **Benchmark Unit of Private Enterprise and Organization Green Procurement Plan**

5 Consecutive Years Environmental Protection Administration of Executive Yuan Awarding **Green Procurement Certificate**

6,001 Suppliers Signing  **Supplier Corporate Social Responsibility Commitment Statement**

Union Participation of All Employees Has Reached **95%** 

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

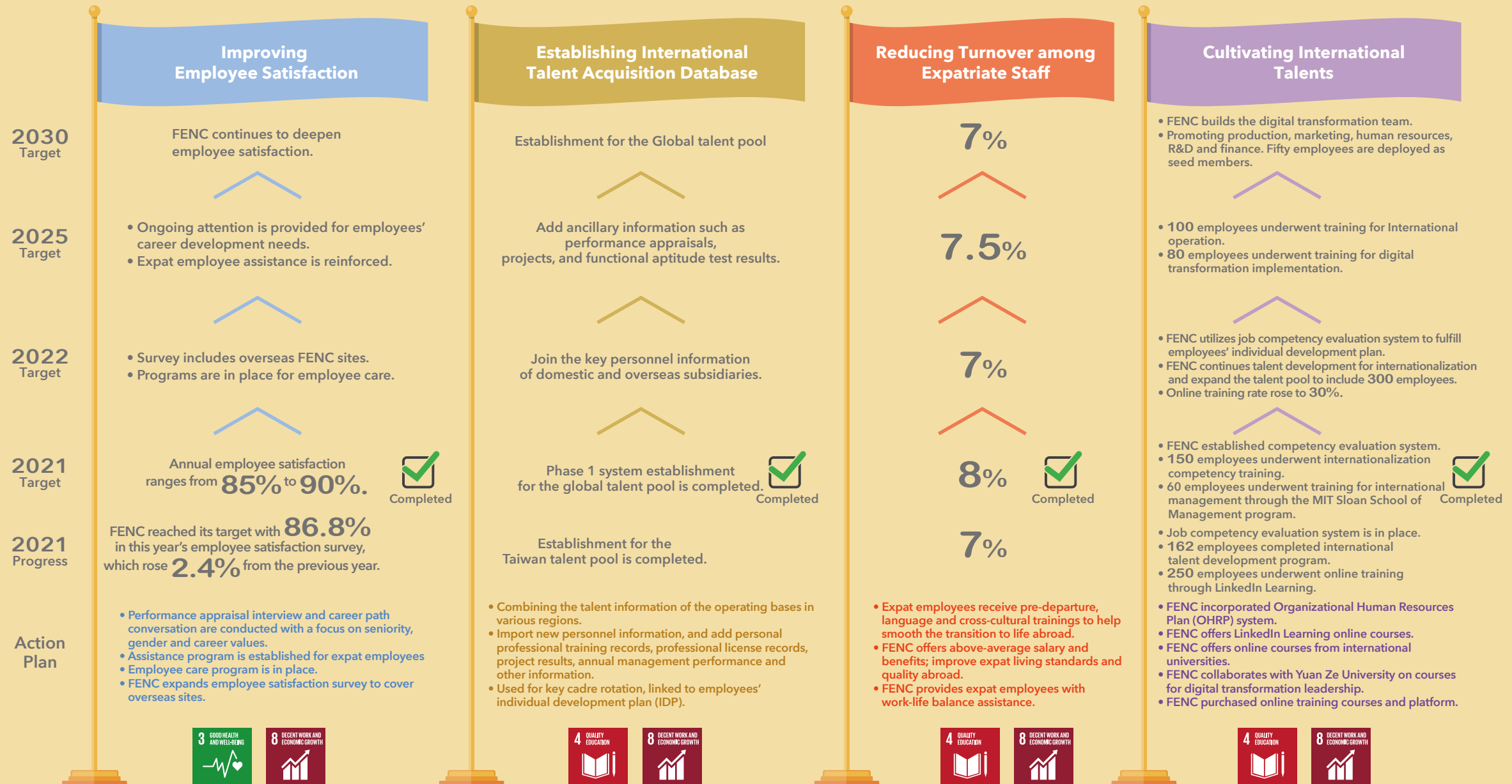
4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

Targets and Progress



Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

Targets and Progress



Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders
and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

4.3 Reinforcing Environmental
Safety and Health Management

4.4 Coordinating Sustainable
Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

Material Topics

Construct Happy Workplace



Significance and Purpose of Management for FENC

FENC is dedicated to promoting human rights. We defend our employees with actions and maintain corporate competitiveness. When implementing human resources policies at all FENC sites, labor rights take precedence. During the COVID-19 pandemic, we help employees from our global locations understand future directions, and share the reward of corporate performance with them. We take care of employees' physical and mental wellbeing, implement local employment and provide transparent promotion track.

Management Approaches and Effectiveness Evaluation Mechanisms

- Conduct regular payroll study to ensure competitive wage and salary.
- Examine cause for turnover among key staff and shorten staff transition period.
- Review employee satisfaction and reinforce shortcomings.
- Ensure 100% implementation of human rights education.

Authority

- Human resources department at each Business
- Highest ranking manager at each Business

Foster Employee Career Planning



Significance and Purpose of Management for FENC

FENC cultivates job competency aligned with strategic needs with systems that offer diverse training and platforms to establish extensive talent pool.

Management Approaches and Effectiveness Evaluation Mechanisms

- Adopt project-specific management approaches and evaluate the results with the Kirkpatrick Model.
- Level 1 - Reaction: Assess satisfaction towards training programs with in-class evaluation and after-class satisfaction survey.
- Level 2 - Learning: Validate training effectiveness with tests, work application reports, summary reports, etc.
- Level 3 - Behavior: Review the application of acquired knowledge and skills through action plan, follow up survey from supervisors, individual development plan (IDP), etc.
- Level 4 - Results: Examine the effects of behavioral changes on performance through individual or organizational performance review.

Authority

- Human Resources Development Center
- Human resources department at each Business

Reinforce Environmental Safety and Health Management



Significance and Purpose of Management for FENC

We strive for reducing workplace risks to protect the health and safety of staff and contractors. Our goals are to achieve zero occupational injury and incident, minimizing the impacts of business operations on local communities and preventing any accidents caused by inadequate management.

Management Approaches and Effectiveness Evaluation Mechanisms

- Establish Occupational Safety and Health Committee.
- Identify, evaluate and control risks at workplace or in operational procedure.
- Enhance the management of machinery, equipment and facilities.
- Provide personal protective equipment.
- Adopt effective management measures regarding the procurement, use and storage of chemicals.
- Arrange regular health checkups for workers and conduct health promotion and management projects.
- Conduct investigation, statistical analysis and measures regarding occupational injuries.
- Require that suppliers comply with FENC safety and health standards and provide applicable training.

Authority

- Labor Safety and Health Department
- Safety and health units at all business sites

Coordinate Sustainable Supply Chain Development



Significance and Purpose of Management for FENC

FENC forms partnerships with the supply chain to ensure that products and services provided by suppliers meet quality, environmental and labor rights requirements. With collaborative efforts, we achieve sustainable supply chain development as a response to customers' sustainability goals.

Management Approaches and Effectiveness Evaluation Mechanisms

- Request the signing of Supplier CSR Commitment Statement from suppliers.
- Monitor and supervise supplier conducts and conditions through open communication and regular meetings.
- Procurement units evaluate environmental, labor, human rights and social impacts from suppliers and may provide assistance or terminate contracts depending on the severity.

Authority

- FEG Purchasing Department
- Procurement departments at business sites
- Main raw material purchasing units

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

4.1 Constructing Happy Workplace

In October 2018, FENC ranked 149th on Forbes' list of World's Best Employers. In 2019 and 2021, FENC was voted as the recipient of 2019 Happiness Enterprise Award as well as Special Award on the recruitment platform, 1111 Job Bank. In September 2021, FENC received the Best Employer Award in Asia from HR ASIA. These honors reflect employees' vote of confidence in FENC.

4.1.1 Human Rights

Framework for Human Rights Management



At FENC, labor rights take precedence in policy considerations for human resources. We acknowledge and comply with the principles and spirit set forth by International Labor Organization and in UN Universal Declaration of Human Rights. The Company has well-established complaint channels. In cases of any human rights violation, employees may file such claims through the human resources units of all FENC sites.

- 2018
The Company established FENC Human Rights Policy, which is founded on the respect for local culture and customs at each FENC sites.
- 2019
Managers in charge of human rights promotion at all FENC sites have been fully informed of FENC Human Rights Policy, which has been signed and enacted. Meanwhile, the Company ensures employees' understanding of this policy and awareness of their own rights through all means possible.

FENC Human Rights Policy, Risk Objects and Management Units

| Policy | Content | Risk Objects | Management Units |
|------------------------------------|--|------------------|------------------|
| No Forced Labor | FENC eradicates all forms of forced labor. | All employees | Each unit |
| Bans Child Labor | FENC bans child labor. | Applicants | HR |
| Meeting Minimum Wage | Employees are entitled to just and proper compensation for the work performed. The compensation shall secure a life of dignity for the employee and his/her family, and supplemented with social security in other forms when necessary. | All employees | HR |
| Work and Break Hours | Employees are entitled to rest and leisure, including reasonable cap on work hours and regular paid vacation. | All employees | Each unit |
| Freedom of Association | Employees are entitled to form association and join labor union in order to protect their rights. | All employees | Each unit |
| Equality and Respect | Employees are entitled to equal pay for equal work without any discrimination. | All employees | Each unit |
| Anti-Discrimination and Harassment | Employers should eradicate any hiring or occupational discrimination and fight against all forms of harassment. | All employees | Each unit |
| Maternity Protection | FENC protects female employees. | Female employees | Each unit |

- 2020
FENC conducted human rights due diligence (HRDD) at all Company sites. Based on FENC Human Rights Policy, the risk assessment is further divided into 8 categories of human rights risks. HRDD focuses on "the likelihood of risks" and "the degree of impact on the Company". A survey was administered to identify human rights risks, followed by investigation to determine their impacts on the Company. All FENC employees are covered in HRDD, and improvement measures have been implemented by human resources supervisors at all sites based on the HRDD report to protect employees' human rights.
- 2021
In 2021, there were no grievance claims filed against human rights violations among employees and stakeholders. Nor were there human rights violations committed against employees and stakeholders. FENC production sites also conduct reviews on human rights, child labor and labor conditions through customers.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

● FENC Human Rights Policy and Implementation in 2021

Human Rights Policy

Implementation in 2021

No Forced Labor

FENC complies with governmental labor regulations and international standards. The Company does not force or coerce employees to engage in any form of labor against their will. Interviews are conducted prior to hiring new employees and their full understanding of the job duties is ensured. Once onboard, employees undergo human rights training to enhance their labor rights awareness. There were no incidences of forced labor in 2021.

Bans Child Labor

FENC clearly proclaims the ban on child labor and strictly adheres to the minimum hiring age set forth by the local regulations. Information concerning job candidates must be verified prior to employment. FENC did not employ any child labor in 2021.

Meeting Minimum Wage

FENC aims to provide sensible salaries to employees, keeping it above the local minimum wage with benefits. The Company also tracks changes to the minimum requirement at all locations. Each year, changes are reported to the headquarters as a reference for payroll adjustment. In addition, it is clearly stated in the Company policy that FENC pledges to provide living wages. The payroll structures at FENC's global production sites are reviewed annually against the local average. In 2021, average regular salaries from FENC production sites are 29% higher than the market average.

Work and Break Hours

FENC complies with all local regulations, keeping daily working hours under the maximum and providing vacation and sick leaves accordingly. Shift workers at production units shall not work over 12 hours per day, including overtime, with adequate breaks between shifts, and 1 day of regular leave every 7 days. Each year, labor safety and health units conduct health risk assessments based on the outcome of the health check. The assessment report is provided to the management as a reference for shift assignments. FENC also established an alert system to warn against exceeding the overtime limit. Monthly meetings are held at production sites to discuss optimization plans covering reducing working hours and increasing manpower. In 2021, there were no disputes or grievance claims filed for overtime issues.

Freedom of Association

FENC respects and acknowledges employees' rights to choose, organize, join or refuse to join labor unions or other forms of labor organizations; freedom of association; collective bargaining; protest in forms complying with local regulatory procedures. In 2021, APG Polytech in the U.S. finished signing the collective bargaining agreement.

Equality and Respect

FENC offers work environments that are free of sexual, mental, physical and verbal harassment, abuse or threat. The Company dedicates efforts to build safe environments that respect employees' safety, equality and dignity. In 2021, there were no disputes or grievances filed for harassment.

Anti-Discrimination and Harassment

FENC is devoted to maternity protection, establishing measures to safeguard maternity health for female employees against potentially harmful duties or work environment. Such measures include ensuring occupational safety for pregnant and nursing women, adequacy of work assignments and provision of ideal nursing space. Aside from the above, the Company also built gender neutral policy and environment. In 2021, there were no disputes or grievance claims filed for maternity protection issues.

Maternity Protection

FENC complies with governmental labor regulations and international standards. The Company does not force or coerce employees to engage in any form of labor against their will. Interviews are conducted prior to hiring new employees and their full understanding of the job duties is ensured. Once onboard, employees undergo human rights training to enhance their labor rights awareness. There were no incidences of forced labor in 2021.

• Board supervision:

The SOP for reporting on FENC Human Rights Policy has been in place. At least once a year, the corporate governance manager reports to the Board on human rights issues. The 2021 report was presented on November 11.

• Regular management:

The highest ranking executives at FENC production sites present monthly special reports on major human rights issues, such as overtime and sexual harassment.

• Human rights education and training:

FENC conducts human rights training for new recruits. For FENC sites in Taiwan, new recruits must sign FENC Human Rights Policy once the training concludes. In 2021, 285 employees have signed the policy. Among the permanent employees in Taiwan, 3,476 have completed human rights related training, covering 83%. For overseas locations, human rights training for new recruits is conducted through the orientation and employee manual.

5. 2022

To align with growing international awareness on corporate policies regarding human rights and anti-corruption, FENC has established the grievance policy in accordance with international ESG standards that are applicable to domestic and overseas FENC sites. With internal and external supervision, the Company continues to evolve within the scope of human rights protection. Setting forth clear goals and action plans, it is the Company's aspiration to set in motion an array of improvements to fully implement FENC Human Rights Policy.

FENC makes every attempt to meet all labor standards and put them into practice. The Company participates in seminars and advocacy groups that address labor standards regarding children, gender, forced labor, discrimination, women's protection, poverty as well as occupational safety and health. While keeping abreast of the latest labor standards and updates from international labor organizations, the Company ensures compliance and the protection of employees and their families.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

Enhancing FENC Human Rights Policy and Human Rights Due Diligence

Defining the Scope of Human Rights and the Highest Commitment

Corporate Management, procurement units and production sites

FENC assesses the current human rights management at all Company sites, conducts dialogue with managers at Corporate Management, procurement units and production sites, and fulfills human rights commitment with senior managers.

Identifying Human Rights Risks

Human Resources Department

FENC compiles and lists human rights issues based on international standards, including:

1. Universal Declaration of Human Rights (UDHR)
2. United Nations Global Compact (UNGC)
3. United Nations Guiding Principles on Business and Human Rights (UNGPs)
4. International Labor Organization Conventions (ILO Conventions)
5. International Bill of Human Rights
6. Social Accountability 8000 (SA 8000)
7. Responsible Business Alliance (RBA)

Analyzing Human Rights Risks and Collecting Data

All units

Upon defining the human rights risks, the procurement, human resources and production units assess the risks, establish benchmarks; set up implementation measures and proposals for risk assessment; conduct discussions on gathering feedbacks from stakeholders including employees, suppliers and communities.

Conducting Due Diligence with Mitigation and Rectification

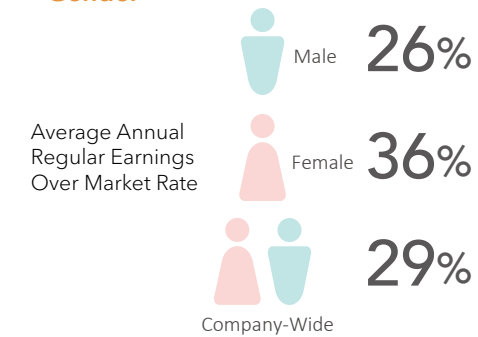
All units

FENC conducts human rights training regarding key risks, performs human rights due diligence, establishes improvement measures based on the risk assessment and forms task forces as well as mechanisms for regular reviews and rectification.

Gender Equality

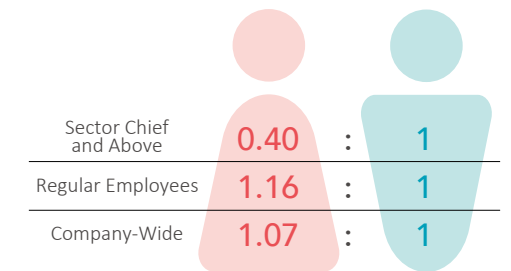
FENC values gender equality. We are keen on creating gender-friendly workplace and system. While the conglomerate spans across industries from the upstream to downstream, the up- and midstream industries rely more on chemical related expertise where a higher concentration of the work force is male. The downstream, which consists mainly of the textile industry, is composed of a higher percentage of female employees. Overall, the ratio between female and male supervisors are 2:3, which is consistent with the industry chain distribution. Corporate expansion also expanded the number of supervisors by 52% in the recent decade. Among them, the number of female supervisors grew by 64%. The statistics reflect the Company's acknowledgement of and fair treatment to the hard work put in by female supervisors with the reward they deserve. The Company is also determined to incorporate gender equality as part of its corporate system and culture. Each year, FENC measures its average annual regular salary of the company against the official statistics of average annual regular salary. In 2021, the average annual regular salary of the company offered by FENC is 29% higher than the local average. Average regular earnings for female employees, especially, averaged 36% higher than the local numbers, while those for male employees are 26% higher, which demonstrate FENC's contribution to pay equity.

Salary Comparison to Market Rate by Gender



Note: Sources of market pay rates are: average salary in the manufacturing sector and minimum wage released by Directorate-General of Budget, Accounting and Statistics in Taiwan; average salary and minimum wage released by National Emblem of the People's Republic of China; average salary and minimum wage of District 1 released by the General Statistics Office of Vietnam; Bureau of Labor, Ibaraki prefecture in Japan; United States Census Bureau in the U.S. All numbers are compared with the data of the current year.

Gender Comparison by Position



Note: The percentage is derived by dividing number of female permanent employees by number of male permanent employees for the same rank of job.

Application of Parental Leave and Returning Statistics in Taiwan

| | | 2019 | 2020 | 2021 |
|----------------------------|--------------|------------|------------|------------|
| Entitled to Parental Leave | Male | 332 | 317 | 304 |
| | Female | 149 | 143 | 130 |
| | Total | 481 | 460 | 434 |
| Number Applied | Male | 4 | 2 | 6 |
| | Female | 22 | 48 | 21 |
| | Total | 26 | 50 | 27 |
| Number Should Returned | Male | 1 | 0 | 4 |
| | Female | 19 | 41 | 19 |
| | Total | 20 | 41 | 23 |
| Number Returned | Male | 0 | - | 4 |
| | Female | 19 | 35 | 17 |
| | Total | 19 | 35 | 21 |
| Return Rate | Male | 0% | - | 100% |
| | Female | 100% | 85% | 89% |
| | Total | 95% | 85% | 91% |
| Returned over One Year | Male | 1 | - | - |
| | Female | 15 | 12 | 16 |
| | Total | 16 | 12 | 16 |
| Retention Rate | Male | 33% | - | - |
| | Female | 83% | 63% | 46% |
| | Total | 76% | 63% | 46% |

Note:

1. Return Rate = Number Returned ÷ Number Should Return 2. Retention Rate = Returned over One Year ÷ Number Returned Last Year

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

Gender equality and applicable regulatory mandates are respected at all FENC business sites. We are consistent with the spirit of Act of Gender Equality in Employment in Taiwan as well as Regulations Concerning the Labor Protection of Female Staff and Workers in Mainland China. We protect the rights of female employees, offering parental leave and breastfeeding room at our facilities. We also limit overtime and prohibit tasks that may potentially harm mothers and their babies. Employees returning after maternity leave receive equal pay for equal work. We provide workplace environment ideal for pregnant employees, such as avoiding tasks that might affect their health and using specially designed chairs to reduce discomfort at work. FENC goes beyond the minimum regulatory requirements. As early as July 2021, the Company offered 7 days of leave for female employees to get prenatal checkup, which is more than the 5-day minimum stipulated in Act of Gender Equality in Employment at the time. It was not until December 2021 that a legislative amendment was passed to expand the 5-day minimum to 7 days. Female employees in Vietnam who are 7-month pregnant may reduce working time by 1 hour per day while receiving full pay. They are also entitled to 5 days off for prenatal checkups and 6-month maternity leave. The factories also designate lactation rooms as well as areas for storing breastmilk.

FENC has established measures to prevent, control and reprimand sexual harassment and provides channels for filing grievances. Employees may file such grievance claims through departmental supervisors or Human Resources Department. The unit receiving the claim shall establish a team within 5 days of receiving the claim with over 50% female members to initiate the investigation. The investigation shall conclude within 2 months and all information shall be kept confidential. The individual against which the claim is filed shall have the opportunity for rebuttal. We also conduct regular training for the entire staff to prevent any occurrence of sexual harassment.

4.1.2 Recruitment and Retention

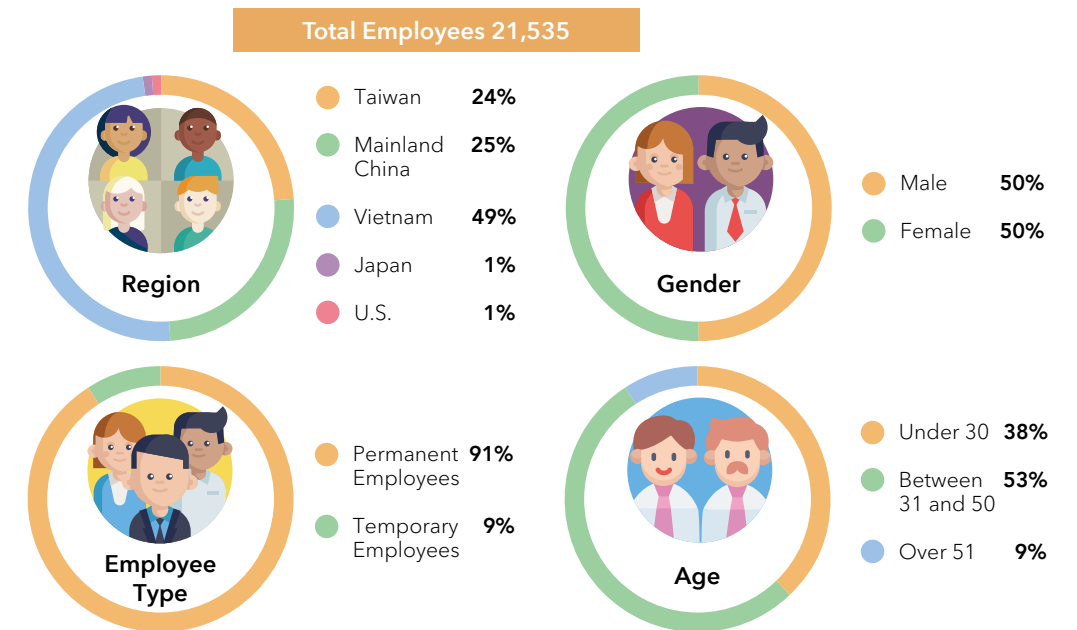
Human Resources Overview

When it comes to human resources, FENC has always believed in finding the right person for the right position and giving employees the opportunity to develop their full potential. The Company puts such conviction to practice with a comprehensive organizational structure and human resources system. Permanent employees hold 91% of the key positions, and the Company offers internal training, job rotation and internal promotion track for top performers, which demonstrate the comprehensive and diverse opportunities for career advancement at FENC.

The turnover rate among permanent employees in Taiwan is 8% in 2021, and 25% of which are retired employees. The rate is lower than the 13.1% average across the manufacturing industry. For overseas locations, the number of employee turnover dropped by 1,757 in 2021 compared to the previous year. During the COVID-19 pandemic, FENC continues to refine the employee retention system and enhance work value. While focusing on the internal referral system, FENC sites in Mainland China launched the "Eaglet Program," recruiting 16 talents to be mentored by 16 employees at the production site, who will help the new recruits make overall improvements, including skills, accountability and attitude.

The turnover rate at FENC sites in Vietnam dropped from 72% to 45% in 2021. FENC sites offer wages 44% above the market average despite the stringent conditions amid the COVID-19 pandemic, maintaining strong performance through internal and external recruitment as well as quality workplace in an effort to meet FENC's labor demand for expansion in Vietnam. Among the new recruits, 72% are under the age of 30, demonstrating the Company's efforts in introducing new blood into its work force.

Human Resource Overview in 2021



Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 **Creating Inclusive Society**

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

Human Resource Statistics

| | | Taiwan | | | Mainland China | | | Vietnam | | | Japan | | | U.S. | | | Total | | |
|---------------------|--------|--------------|--------------|--------------|----------------|--------------|--------------|---------------|--------------|---------------|------------|------------|------------|------------|------------|-------------|---------------|---------------|---------------|
| | | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Permanent Employees | Male | 73% | 73% | 73% | 51% | 54% | 55% | 34% | 33% | 33% | 80% | 84% | 84% | 86% | 82% | 82% | 47% | 48% | 48% |
| | Female | 27% | 27% | 27% | 49% | 46% | 45% | 66% | 67% | 67% | 20% | 16% | 16% | 14% | 18% | 18% | 53% | 52% | 52% |
| | Number | 4,371 | 4,162 | 4,176 | 5,795 | 4,808 | 4,870 | 11,748 | 9,482 | 10,086 | 104 | 142 | 155 | 158 | 163 | 180 | 22,176 | 18,757 | 19,467 |
| Temporary Employees | Male | 88% | 88% | 90% | 57% | 59% | 62% | 36% | 28% | 36% | 80% | 87% | 76% | 50% | 100% | 100% | 75% | 72% | 67% |
| | Female | 12% | 12% | 10% | 43% | 41% | 38% | 64% | 72% | 64% | 20% | 13% | 24% | 50% | 0% | 0% | 25% | 28% | 33% |
| | Number | 1,108 | 950 | 888 | 543 | 600 | 593 | 136 | 162 | 566 | 5 | 15 | 17 | 4 | 2 | 4 | 1,796 | 1,729 | 2,068 |
| Total | Male | 76% | 76% | 76% | 52% | 54% | 56% | 34% | 33% | 33% | 80% | 84% | 83% | 85% | 82% | 83% | 49% | 50% | 50% |
| | Female | 24% | 24% | 24% | 48% | 46% | 44% | 66% | 67% | 67% | 20% | 16% | 17% | 15% | 18% | 17% | 51% | 50% | 50% |
| | Number | 5,479 | 5,112 | 5,064 | 6,338 | 5,408 | 5,463 | 11,884 | 9,644 | 10,652 | 109 | 157 | 172 | 162 | 165 | 184 | 23,972 | 20,486 | 21,535 |

Note:

1. "Non-permanent employees" refers to foreign workers in Taiwan; contract workers or contractors in Mainland China; employees under probation in Vietnam; outsourced workers in Japan; temp workers in the U.S.
2. The age cohort does not include non-permanent employees.
3. No part-time workers are employed at any production and business sites.

Number and Percentage of New Employees in 2021

| | | Taiwan | | Mainland China | | Vietnam | | Japan | | U.S. | | Total | |
|-------------------|------------|-----------|--------------|----------------|--------------|--------------|------------|------------|------------|------------|--------------|--------------|------------|
| | | Number | Ratio | Number | Ratio | Number | Ratio | Number | Ratio | Number | Ratio | Number | Ratio |
| Under 30 | Male | 47 | 13% | 899 | 160% | 1,167 | 57% | 7 | 19% | 14 | 48% | 2,134 | 70% |
| | Female | 14 | 10% | 347 | 92% | 2,491 | 65% | 3 | 38% | 1 | 50% | 2,856 | 65% |
| | Subtotal | 61 | 12% | 1,246 | 133% | 3,658 | 62% | 10 | 23% | 15 | 48% | 4,990 | 67% |
| Between 31 and 50 | Male | 72 | 4% | 715 | 38% | 337 | 27% | 13 | 15% | 10 | 17% | 1,147 | 23% |
| | Female | 16 | 3% | 465 | 26% | 1,094 | 38% | 2 | 14% | 2 | 22% | 1,579 | 30% |
| | Subtotal | 88 | 4% | 1,180 | 32% | 1,431 | 35% | 15 | 15% | 12 | 18% | 2,726 | 26% |
| Over 51 | Male | 2 | 1% | 10 | 4% | 6 | 9% | 0 | 0% | 1 | 2% | 19 | 1% |
| | Female | 3 | 1% | 0 | 0% | 12 | 33% | 0 | 0% | 1 | 5% | 16 | 4% |
| | Subtotal | 5 | 1% | 10 | 4% | 18 | 18% | 0 | 0% | 2 | 2% | 35 | 2% |
| Total | 154 | 4% | 2,436 | 45% | 5,107 | 50% | 25 | 16% | 29 | 16% | 7,751 | 40% | |

Note:

1. The number of new employees indicates the number of new permanent employees in an area.
2. The percentage is derived by dividing the number of the new employees of an age group by the total number of employees of the same age group.

Statistics from the Previous 3 Years 

Number of Employees Who Left the Company and Turnover Rate in 2021

| | | Taiwan | | Mainland China | | Vietnam | | Japan | | U.S. | | Total | |
|-------------------|------------|------------|--------------|----------------|--------------|--------------|------------|-----------|-----------|-----------|--------------|--------------|------------|
| | | Number | Ratio | Number | Ratio | Number | Ratio | Number | Ratio | Number | Ratio | Number | Ratio |
| Under 30 | Male | 68 | 19% | 919 | 164% | 897 | 44% | 2 | 6% | 0 | 0% | 1,886 | 62% |
| | Female | 24 | 17% | 347 | 92% | 2,180 | 57% | 1 | 13% | 0 | 0% | 2,552 | 58% |
| | Subtotal | 92 | 18% | 1,266 | 135% | 3,077 | 52% | 3 | 7% | 0 | 0% | 4,438 | 60% |
| Between 31 and 50 | Male | 127 | 7% | 726 | 39% | 391 | 32% | 5 | 6% | 5 | 9% | 1,254 | 25% |
| | Female | 35 | 6% | 520 | 29% | 1,106 | 39% | 1 | 7% | 2 | 22% | 1,664 | 31% |
| | Subtotal | 162 | 7% | 1,246 | 34% | 1,497 | 37% | 6 | 6% | 7 | 10% | 2,918 | 28% |
| Over 51 | Male | 101 | 11% | 21 | 9% | 3 | 5% | 0 | 0% | 7 | 11% | 132 | 10% |
| | Female | 17 | 5% | 10 | 143% | 18 | 50% | 0 | 0% | 1 | 5% | 46 | 11% |
| | Subtotal | 118 | 9% | 31 | 12% | 21 | 21% | 0 | 0% | 8 | 10% | 178 | 10% |
| Total | 372 | 9% | 2,543 | 52% | 4,595 | 46% | 9 | 6% | 15 | 8% | 7,534 | 39% | |

Note:

1. The number of employees leaving is the number of regular employees who have left the company in the region.
2. The percentage is derived by dividing the number of the new employees of an age group by the total number of employees of the same age group.

Statistics from the Previous 3 Years 

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

FENC is committed to providing friendly workplace to entice top talents. The Company does not discriminate against any employees based on personal attributes as set forth in the corporate recruitment policy. Recruitment meetings are held bi-weekly to ensure that the entire process during a job interview is in compliance with legal requirements. Managers receive training prior to serving as interviewers for the first time. Diversity and zero tolerance to discrimination are two qualities stressed during job interviews. The Company has a coaching system in place for new recruits, offering support in life and work during the first 3 months of employment. This approach helps new recruits to quickly adapt to new work environment and reduces turnover.

Recruitment Plan

FENC has a worldwide recruitment network consisting of FENC's global production sites. The network is beneficial for broadening the pool of international talents. In 2021, the Company recruited 31 foreign nationals. Among them, 16 will join the management team and 15 are information specialists who will energize the Company's digital transformation efforts. They will build a solid groundwork for the Company's future endeavors in digital and internationalization fronts.

Recruitment Approach

| | |
|-----------------------|--|
| Taiwan | 104 Job Bank; 1111 Job Bank; LinkedIn; campus job fair |
| Mainland China | Governmental collaboration; Labor agency; Weibo; Twitter; TikTok; staff referral; campus job fair |
| Vietnam | Zalo and Facebook; TikTok; staffing agency; radio stations; flyers |
| Japan | Myanavi; Hello Work (governmental employment service); LinkedIn; company website; Talent hunting company |
| U.S. | Staff referral; Indeed; internship |

The Talent Pool Program

FENC offers industry-academia internship. In 2012, the Company launched the Talent Pool Program, providing field opportunities for top-performing students from Yuan Ze University and Asia Eastern University of Science and Technology with the corporate internship program. In 2021, the program offered 26 internship positions and recruited 11 students. The practical training helped students grow into exceptional corporate talents. The overseas internship programs, however, were thrown off course by the COVID-19 pandemic and temporarily suspended as a result.

Talent Development Plan

To cultivate talents, FENC completed the talent pool in 2021. The talent pool is an interconnecting network that fosters exchanges of information on key talents among FENC's domestic and overseas sites. Once completed, it will better facilitate international assignments among all production sites. Currently, the talent pool holds 4,433 entries for technical and management specialists. In addition, the Company is promoting aptitude tests tailored to its corporate culture to establish an internal talent pool. The aptitude test will also be localized to reflect character traits at international production sites and help identify local talents.

Talent Development Strategy



Eaglet Program at FEIS



To maintain consistent efforts in talent development to facilitate corporate expansion, FEIS launched the 3-year Eaglet Program in 2021. The program is to be held from July 2021 to June 2024, and 16 top-performing college graduates were selected during a comprehensive selection to be mentored by 16 senior staff for on-the-job training/apprenticeship. The program aims to improve professional knowledge, build cohesion, enhance mental and physical health and enrich employees' lives. The 16 new recruits will be working under different Businesses. Five are assigned to polyester chip division, 5 to polyester film division, 5 to fiber division and 1 to engineering division. Positions include shift managers, maintenance technicians as well as engineers with duties covering daily operation and management of production, quality and staff; equipment maintenance; technical improvement; operation, maintenance, management and control of shared facilities. Their mentors provide professional and personal guidance with the aspiration to mold them into management trainees that will be the pillars of the Company. After completing 3 years of training, these employees will be expected to take on independent duties with the ability to identify, analyze and solve problems. The mentors follow up weekly and monthly on the new recruits' learning progress and job skills. They are measured against high standards and those who fail to pass these standards will leave the program.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

4.1.3 Employee Care

From employees' perspective, safety, friendly environment and high quality facilities are critical support for their undivided devotion to work, but more importantly, the Company must provide comprehensive payroll and benefit policy.

Compensation

FENC established a variable payroll system that rewards long-term individual and team performance. The Articles of Incorporations stipulates that 2%-3.5% of the Company's net profit shall be dedicated toward employee compensation. Please refer to [4.1.5 Performance Review](#) for details.

Mid-level managers and above may participate in the employee stock ownership plan (ESOP), which purchases Company shares systematically with 30% contribution from the Company. A trustee manages the shares and calculates the trust property equity. Upon termination of employment, employees may redeem the investment in the form of stocks or cash. ESOP offers a long-term option for employee bonus and investment returns.

Compensation for executive levels above executive vice president is based on corporate performance and the market average. In addition, the compensation is adjusted based on performance review and factors in future operational risks. The Company does not offer signing or recruitment bonus for senior managers. Considerations for compensation of other employees include overall corporate and departmental performance; pay rates among listed companies; market survey provided by professional consulting firms; overall financial and management risks. Stock options are not available for

Salary Comparison by Gender

| | | Taiwan | | | Mainland China | | | Vietnam | | | Japan | | | U.S. | | |
|-------------------------|--------------|--------|--------|---------------|----------------|--------|---------------|---------|--------|---------------|--------|--------|---------------|--------|--------|---------------|
| | | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Section Chief and Above | Female: Male | 0.89:1 | 0.94:1 | 1.05:1 | 0.91:1 | 0.88:1 | 0.93:1 | 1.28:1 | 1.35:1 | 1.33:1 | 1.02:1 | 0.99:1 | 1.05:1 | 0.96:1 | 0.98:1 | 0.94:1 |
| Office Clerk | Female: Male | 1.01:1 | 1.01:1 | 1.01:1 | 0.83:1 | 0.78:1 | 0.79:1 | 1.01:1 | 1.04:1 | 1.04:1 | 0.95:1 | 0.68:1 | 0.96:1 | 0.93:1 | 1.00:1 | 0.94:1 |
| Factory Worker | Female: Male | 1.24:1 | 1.21:1 | 1.22:1 | 0.93:1 | 0.92:1 | 0.90:1 | 0.93:1 | 0.96:1 | 0.95:1 | 0.81:1 | 0.84:1 | 0.93:1 | 1:1 | 0.97:1 | 1.00:1 |

Note: The percentage is derived by dividing average basic female salary by average basic male salary for the same rank of job.

Salary Comparison to Market Rate

| | Taiwan | | | Mainland China | | | Vietnam | | | Japan | | | U.S. | | | 合計 | | |
|--|--------|------|------------|----------------|------|-------------|---------|------|------------|-------|------|------------|------|------|-------------|------|------|------------|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Average Annual Regular Salary over Market Rate | 41% | 43% | 43% | 22% | 14% | 14% | 46% | 23% | 44% | 1% | 1% | 21% | 21% | 21% | 26% | 27% | 21% | 29% |
| Entry Level Salary over Minimum Wage | 27% | 25% | 25% | 126% | 127% | 136% | 11% | 12% | 12% | 56% | 60% | 73% | 73% | 73% | 146% | 73% | 73% | 76% |

Note: Sources of market pay rates are: average salary in the manufacturing sector and minimum wage released by Directorate-General of Budget, Accounting and Statistics in Taiwan; average salary released by National Bureau of Statistics of China and minimum wage released by Shanghai and Suzhou government; average salary and minimum wage of District 1 released by the General Statistics Office of Vietnam; Bureau of Labor, Ibaraki prefecture in Japan; United States Census Bureau in the U.S. All numbers are compared with the data of the current year.

Ratio of Salary Between the Highest Salary and Median Salary in 2021

| | Taiwan | Mainland China | Vietnam | Japan | U.S. |
|---|----------|----------------|----------|----------|----------|
| The Highest Individual Salary: Median Salary of Other Employees | 7.48 : 1 | 5.15 : 1 | 8.35 : 1 | 2.38 : 1 | 2.16 : 1 |

Ratio of Salary Increase Between the Highest Salary and Median Salary in 2021

| | Taiwan | Mainland China | Vietnam | Japan | U.S. |
|---|----------|----------------|----------|----------|----------|
| The Highest Individual Salary: Median Salary of Other Employees | 0.41 : 1 | 1.83 : 1 | 1.71 : 1 | 1.05 : 1 | 1.00 : 1 |

Average and Median Annual Salary for Non-Managerial Positions

| | | Unit: NT\$ | | |
|--|---|------------|-----------|-----------|
| | | 2019 | 2020 | 2021 |
| Average Annual Salary for Non-Managerial Positions | A | 921,334 | 919,034 | 976,169 |
| | B | 1,062,430 | 1,046,562 | 1,096,586 |
| Median Annual Salary for Non-Managerial Positions | A | 817,361 | 807,948 | 849,334 |
| | B | 912,955 | 907,452 | 938,615 |
| Number of Employees in Non-Managerial Positions | A | 4,788 | 4,423 | 4,176 |
| | B | 3,732 | 3,503 | 3,361 |

Note:

- FENC is considered a stand-alone entity for the statistics in the above table.
- Statistics in row "A" exclude senior vice president and positions that are higher; statistics in row "B" excludes senior vice president, positions that are higher, and positions held by foreign employees.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders
and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

4.3 Reinforcing Environmental
Safety and Health Management

4.4 Coordinating Sustainable
Supply Chain Development



Cultivating Compassionate Bonds




Advocating Balanced Coexistence



Appendix

regular employees, and the company policy does not include deferred or vested share options.

Regarding the remuneration for Board members and managers, the Remuneration Committee, which is convened by the independent Board members, determines the remuneration policy and presents discussions for Board approval. Please refer to [1.2.2 Board Structure and Remuneration](#)  for details.

There is a gender difference among different industries within FENC's industry chain. However, gender strengths are also reflected in the salary level, which is a reflection of the Company's fairness in internal training and performance review.

FENC sites in Taiwan, Mainland China, Japan and the U.S. are mainly in the mid to upstream industries with high reliance on chemistry, a field where male employees tend to outshine female staff, and therefore better paid. For sites in Taiwan, pay rate for female employees are catching up to and even surpassing those of male employees. Sites in Vietnam see a higher concentration on the downstream garment industry, in which female employees tend to excel, hence receiving higher salary than their male counterparts.

Employee Benefits

Healthful habits and stress relief help staff improve efficiency and achieve work-life balance. We provide comprehensive care that covers all facets of employees' lives, including company trip, family day, annual physical and birthday celebrations. While doing so, we monitor turnouts to continuously fine tune the program to advance corporate management performance.

In the spirit of United Nations' Convention on the Rights of the Child, FENC provides support to the children of its employees to help them develop learning potential and prepare for adulthood. Aside from family-friendly benefits such as maternity and family leaves, the Company also offers contracted daycare services to provide proper childcare for employees. Scholarship is also available as encouragement to ensure these children receive proper education.

Safeguarding Employee Rights

International Textile Manufacturer Federation (ITMF) and International Apparel Federation (IAF) co-developed Social & Labor Convergence Program (SLCP) with global brands, manufacturers and accredited hosts. The program conducts verifications on recruitment and hiring; working hours; wages and benefits; employee treatment; employee involvement; health and safety; termination; management system. Six dyeing and finishing plants under FENC have passed third-party SLCP verification and been recognized by brand customers. The verification is an endorsement to FENC's non-stop progress in the management and protection of human rights and employee welfare.

FEAV received the certification from Fair Trade Certified USA (FTC USA) in December 2020. According to FTC, 0.5% to 2% of the proceeds from merchandises sold to FTC members may be contributed to a fund managed by an employee committee. In 2021, FEAV contributed US\$33,577, which is approximately NT\$940,452. The allocation report has been reviewed, and the fund will be used towards financial and health assistance as pandemic relief for employees.



One-Stop Employee Support Through eHR Employee Self-Service System



The Human Resources Department has several electronic administrative systems in the pipeline. Among them is the eHR Employee Self-service System, which was launched in October 2021. The system offers one-stop paperless solution for employees' online inquiries and applications, consolidating data covering personal, salary, insurance, benefit, and job shift information as well as providing instructions for applications. This system will also further enhance employee satisfaction. The Company continues to optimize the system, seeking to incorporate new functions such as recruitment and exit interview. With deepened understanding of employee conditions, the Company will be at a greater advantage in the strategic deployment and retention of global workforce in the future.

Care for Migrant Workers

FENC's staff in Taiwan is made up of 18% of foreign employees, and their salary is determined in accordance with regulatory requirements. Dialogues are ongoing to make sure they are well adjusted to life in Taiwan. We hold recreational programs such as annual trips, group activities and basketball tournaments. We also conduct dormitory inspection to provide them with comfortable living environment. In addition, many of FENC's migrant workers are from the Philippines, which is a Catholic country. Therefore, the Company holds Christmas Mass and year end appreciation banquet each year, hoping to make Taiwan their home away from home.

4.1.4 Labor Relations

FENC engages in consistent employee dialogues through multiple channels to build cohesion and enhance employee performance. The Company conducts the employee satisfaction survey and seeks assistance from external consultants for insights on trends in the labor market and to cater to employee needs with precision.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix



86.8% Employee Satisfaction in 2021



In 2021, FENC administered the employee satisfaction survey with the help of College of Management of Yuan Ze University. The survey was administered to 3,534 Taiwanese and expat employees through digital or paper formats. Among the returned surveys, 2,810, which is approximately 80%, are valid. The survey assesses levels of satisfaction on 6 fronts – job duties and environment; employee development; organizational climate; direct supervisor; organizational identification; employee engagement. The overall satisfaction is up by 2.4% from the previous survey, reaching 86.8%. The increase reflects employees' heartfelt satisfaction towards FENC's dedication in prioritizing their feedbacks and needs. It is also a recognition for the improvement and optimization efforts FENC has made to address the 6 aspects.

Based on this survey result, the Company will target employee development as a sustainable goal, catering to the needs of key cohorts with updated workplace values. Specific action plans include conducting appraisal interviews and career conversations tailored to employees' needs concerning seniority, gender and workplace value; providing expat employees with ample assistance; establishing the employee care system. In addition, the survey will be expanded to cover overseas sites in the future, and the questions will be modified to suit the local culture with the aims to assess feedbacks and boost morale.

FENC is adamant about continuing employee dialogues and receiving feedbacks. Focusing on providing sensible and happy workplace, the Company will further enhance the employee supporting system to thrive with all employees!

Adhering to FENC Human Rights Policy, the Company respects the rights of employees from all production sites to form labor unions at their discretion. Units with established labor unions shall discuss the details in union agreements once every 3 years. Union recommendations are respected, fully discussed and enacted upon resolutions. In addition, labor management meetings are held annually with minutes made public. Major policy decisions are deliberated after departmental managers and the labor union conduct thorough discussions during the meeting. Employees may express their opinions to the management through internal channels, including the comment box and executive meetings. The Company is determined to maintain rapport with employees and avoid labor disputes. During the reporting period, there were no violations against freedom of association or the collective bargaining agreement. There are 15 labor unions among all FENC sites. With the exception of U.S. locations, all employees, excluding managers involved in executive decision making, may join the labor

union. All hourly-waged workers in the U.S. must join the union upon completing the probation period, and the hiring of non-union workers at the plants is not allowed. Union participation at all production sites has reached 95%. Currently, 4 FENC sites do not have organized labor unions, but have been maintaining harmonious labor relations with labor relations meetings held quarterly and minutes made public. Agreements made during the labor management meetings offer umbrella protection over 100% of the permanent employees with union membership. At FENC sites without union representation, the coverage is 100% of all permanent employees.

Statistics of Current FENC's Labor Unions

| Production Site | Year of Establishment | Number of Members | Employee Participation Percentage |
|--|-----------------------|-------------------|-----------------------------------|
| Hsinpu & Kuanyin Chemical Fiber Plant | 1978 | 2,185 | 100% |
| Kuanyin Dyeing and Finishing Plant | 1956 | 135 | 91% |
| Neili Texturizing Plant | 1977 | 60 | 78% |
| Hukuo Mill | 1989 | 203 | 92% |
| Oriental Petrochemical (Taiwan) Co., Ltd. | 1997 | 337 | 80% |
| Oriental Petrochemical (Shanghai) Corp. | 2009 | 162 | 95% |
| Far Eastern Industrues (Shanghai) Ltd. | 2004 | 1,259 | 100% |
| Wuhan Far Eastern New Material Ltd. | 2014 | 138 | 100% |
| Oriental Industries (Suzhou) Ltd. | 2007 | 1,235 | 100% |
| Far Eastern Industrues (Wuxi) Ltd. | 2007 | 668 | 100% |
| Far Eastern Dyeing & Finishing (Suzhou) Ltd. | 2008 | 715 | 100% |
| Far Eastern Apparel (Suzhou) Co., Ltd. | 2004 | 983 | 99% |
| Far Eastern Apparel (Vietnam) Ltd. | 2007 | 4,327 | 90% |
| Far Eastern New Apparel (Vietnam) Ltd. | 2015 | 3,578 | 98% |
| APG Polytech | 2018 | 155 | 100% |
| Total | | 16,140 | 95% |

Note:

1. OGM, FEFC, FEPV and FIGP do not have labor union in place.

2. Agreement between APG Polytech and the labor union stipulates that all wage workers at the plant, including technicians and operators, must be union members. Salaried workers such as managerial and administrative staff as well as high-level technicians are exempt.

Furthermore, FENC founded Association of Industrial Relation, R.O.C. with the business community, labor representatives, scholars and experts on August 14th, 1981. The association aspires to build labor management cooperation and harmony in labor relations to ultimately achieve workplace dignity and higher competitiveness.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix



Speak Up Policy 2021



FENC has the grievance mechanism in place to receive all employee feedbacks. In 2021, 26 grievance claims were filed. Among them, 22 concern employee benefits, 3 are related to performance review and 1 is related to the salary. With thorough labor management communication, all claims have been addressed with improvements and closed since. For further details, please refer to [Contact and Grievance Mechanism](#).

At the end of 2021, FENC consolidated and fine-tuned existing regulations concerning grievance policies and established Speak Up Policy, designating channels exclusively for grievance claims on the official website. Speak Up Policy is made available in Chinese, English, Japanese, Vietnamese and Malay, and the grievance channels are accessible 24-7. The anonymity of those who provide genuine identities and contact information are protected against the fear of retribution. Anonymous claims are also welcomed. The Company will make no attempts to identify or expose the claimant through any means. As of the end of December 2021, the Company has informed all employees about Speak Up Policy through the human resources management system. The policy is effective as of 2022.

Speak Up Policy

FENC Speak-up: speak-up@fenc.com

Regulation Governing Layoff Notice Period

| | |
|-----------------------|---|
| Taiwan | Based on Labor Standards Act and the Act for Worker Protection of Mass Redundancy, employees shall be notified prior to the termination of employment contracts. Applicable regulations are covered in the internal management documents within the Company. |
| Mainland China | Labor Law of the People's Republic of China stipulates that employees shall be notified in writing 30 days prior to the termination of employment. Applicable regulations have been included in the internal management document. |
| Vietnam | According to the Labor Code of Vietnam, employees under labor contract without time limitations shall be notified 45 days in advance prior to termination of such contract. Employees under labor contract with a time limitation shall be notified 30 days in advance. Applicable regulations have been included in the internal management documents. |
| Japan | Labor Contract Act stipulates that employers shall not terminate employment contracts without objective circumstances. |
| U.S. | Employment relationships are presumed to be at-will under the U.S. labor law, where either party may terminate the contractual relationship at any time. |

4.1.5 Performance Review

To help employees enhance professional capability and performance while developing growth and potential, FENC has clearly delineated the protocol for performance review. Benchmarks are established based on employees' positions as well as performance in corporate sustainability. Indicators considered include energy reduction, promotion of green business, R&D on green products, corporate governance and optimization of human resources. The Company provides a performance-driven bonus system to incentivize employees and senior managers with exceptional performance. With the exception of interns, employees yet to complete the first year of employment or on leave without pay, all permanent employees are subject to performance review. In 2021, performance reviews for 99% of FENC employees have been completed.

Performance Review

Productivity-linked incentive is issued based on business operation as well as departmental and personal performance. Twenty percent of employees' monthly salaries come from this incentive system. Benchmarks for the incentive include productivity milestone, quality, energy and occupational safety, which encourage employees to engage in improving occupational safety; energy and carbon reduction; environmental protection and recycling; production flow, and ultimately help FENC achieve sustainable management.

The review also serves as a key reference for salary adjustment, bonus, promotion and dismissal.

Performance Review and Employee Development System



Job Performance and Regular Feedback System

All employees undergo KPI review. In the beginning of each year, employees set personal goals based on organizational performance, and the bonus is adjusted monthly based on personal performance. The bonus system brings communication opportunities to help employees be aware of necessary calibrations on job performance. Employees may also express observations to supervisors during the monthly appraisal interview. The annual review will be based on achievement of goals, serving as a reference for salary and bonus adjustments as well as a formal mechanism to promote an open feedback culture.



Competency and Employee Development Plan

Annual performance review is conducted by direct supervisors to evaluate the level of job competency employees demonstrated. The review also includes conversations on the employee development plan. The supervisor and the employee are to discuss personalized training needed to foster employee development, including on-the-job-training, job rotation and overseas assignment.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence

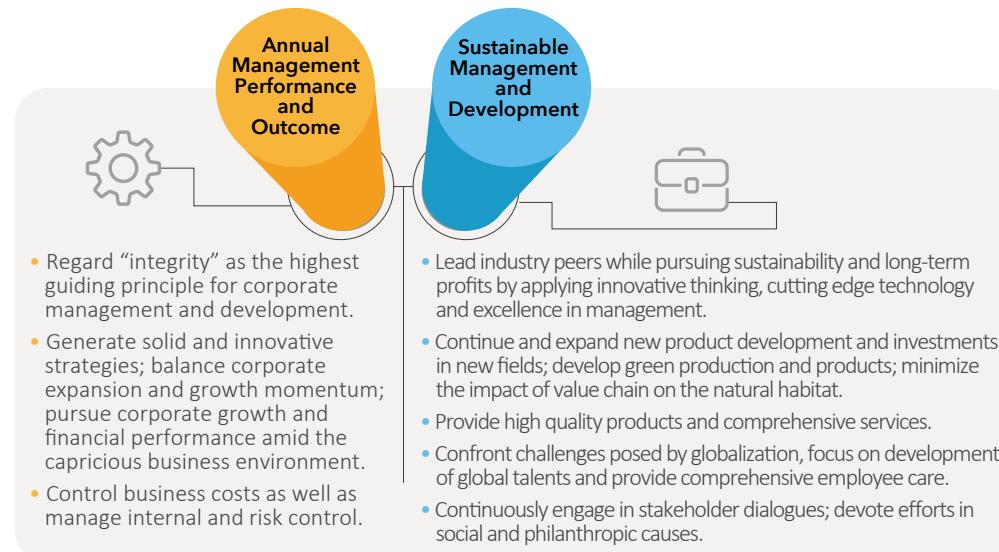


Appendix

Performance Review for Senior Managers

Performance review for senior managers is 70% quantitative, which is based on revenue analysis, and 30% qualitative, which is based on long-term development. The review is tied to adjustments in salary and annual bonus.

● Evaluation Categories and Details



Performance Review for Migrant Workers

Performance review for migrant workers in Taiwan are determined by their supervisors based on monthly attendance and production of Grade A products. Bonus is awarded based on the results.

4.1.6 Retirement Planning

We support employees’ pursuit for a new life after retirement. Therefore, prior to retiring, we assist them with proper financial, social and recreational transition. FENC follows all regulatory requirements in terms of establishing the retirement system and ensures full pension coverage for all employees. Please refer to 24. Retirement Benefit Plans in “Financial Report” for annual funds appropriated for the retirement pension.

| | |
|-----------------------|--|
| Taiwan | FENC established Employee Pension Committee, which convenes regularly to provide oversight over the utilization of pension funds. Over 50% of the committee members are labor representatives. Contribution by FENC sites falls between 4% and 10% of employees’ full salaries. In July 2005, the Ministry of Labor enacted a new labor pension system. Employees enrolled in the new system and new recruits make 6% deduction from the payroll for their pension contribution. The years of service employees have accrued under the previous pension system remain, and pension withdrawal may be made upon retirement. FENC employees are 100% covered by the retirement pension system. |
| Mainland China | Employees are enrolled in the social insurance in accordance with Social Insurance Law of the People's Republic of China. The source of employee pension is the endowment insurance under this system. Production sites in Mainland China contribute 16% to the pension fund. Employees are 100% enrolled in the pension system. |
| Vietnam | Employees are entitled to their pension as stipulated in Law on Social Insurance. In 2020, production sites in Vietnam calculated the insurance premium based on labor wages and stipends, and contributed 17.5% for the social insurance. Employees are 100% enrolled in the pension system. |
| Japan | The retirement pension system is in place at the production site in Japan. Upon completion of the 3rd year of employment, employees start accruing pension points, which may be redeemed upon resignation or retirement. FIGP is expanding its production capacity and will build a new production site in the Kansai region. Recruitment efforts will continue in order to meet the labor demand. Between 2019 and 2021, new recruits account for 30%, 29% and 16% of the total employee count, respectively. In 2021, 45% of the employees are enrolled in the pension system. |
| U.S. | The 401K system applies to all U.S. production sites. The union agreement, which is updated once every 3 years, stipulates that employer contribution kicks in upon the end of probation period, and employer contribution shall be 65% of employee contribution with 6% of the monthly salary as the cap. Employees are 100% enrolled in the pension system. |

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

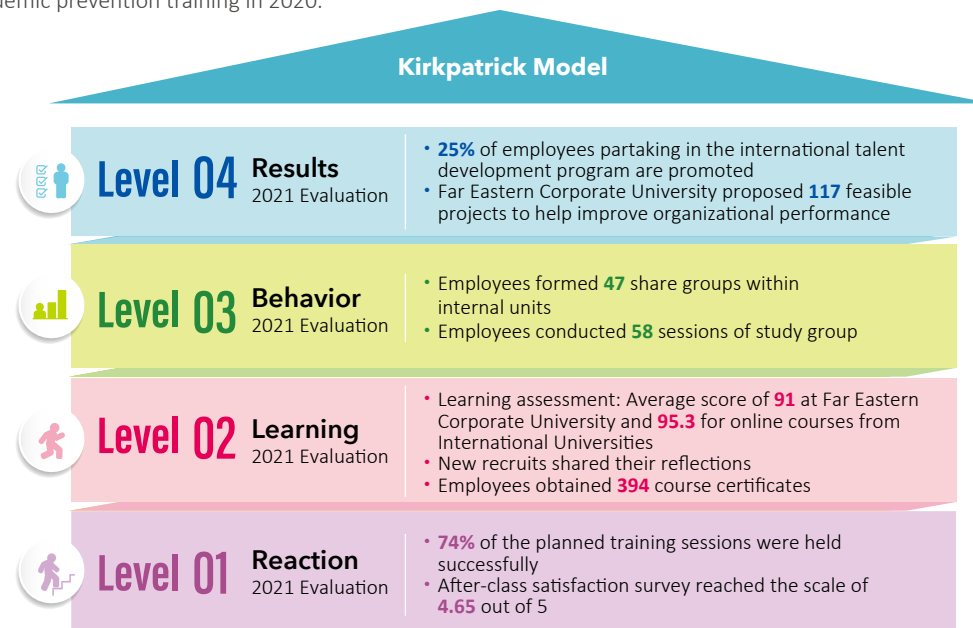
7 Appendix

4.2 Fostering Employee Career Planning

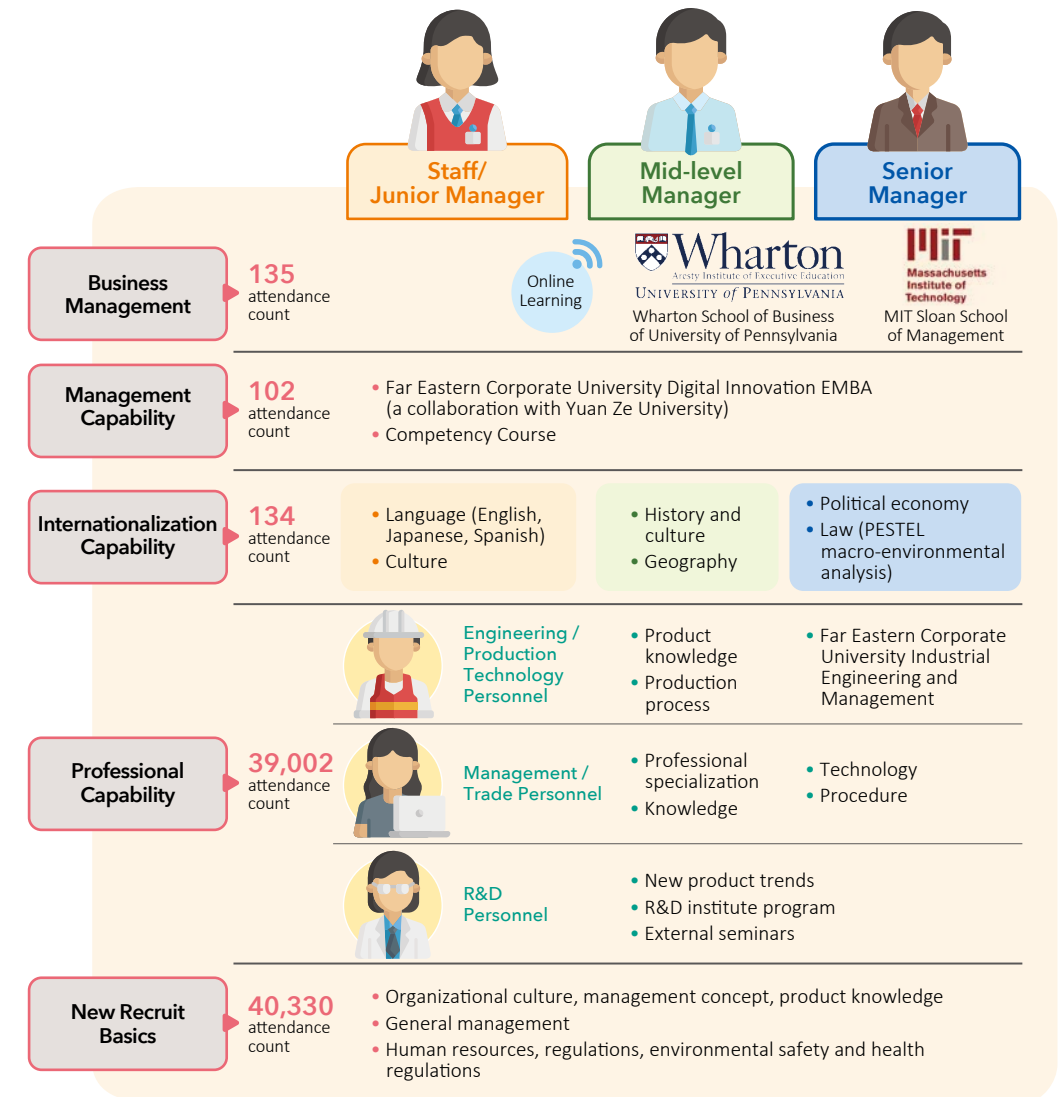
As the race to corporate success tightens in the digital age, talent is a crucial link to the winning formula. To keep up with accelerating corporate growth, foresight is essential. FENC must maintain a talent pool that is ready to strike at any moment. The Company values talent development, providing multiple learning channels with abundant resources. In the beginning of each year, supervisors discuss with their subordinates and decide on future development and training plans. On the semi-annual mark, what employees acquire from training is put to practice. Employees form share groups to learn from each other, building a learning organization, strengthening professional skills and getting FENC ready for future talent deployment.

FENC has been a repeating winner of Talent Quality-management System (TTQS) Silver Medal and People Development Excellence Award from SGS CSR Awards. FENC also received the 4th consecutive People Development Award from Taiwan Corporate Sustainability Awards (TCSA) in 2021 along with LinkedIn Rising Star from 2021 LinkedIn Talent Awards in Taiwan. FENC has established a reputation for the quality and performance in talent development.

Management approaches are project-specific, and the results are evaluated based on the Kirkpatrick Model. The average number of training hours for all employees in 2021 is 19.37 hours per person, a decrease of 11% compared with 2020. The reduction in training hours is mainly due to the suspension of training courses resulted from the pandemic in Vietnam. And the local authority in Suzhou, Mainland China asked the company to conduct pandemic prevention training in 2020.



Course Category and Detail



Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

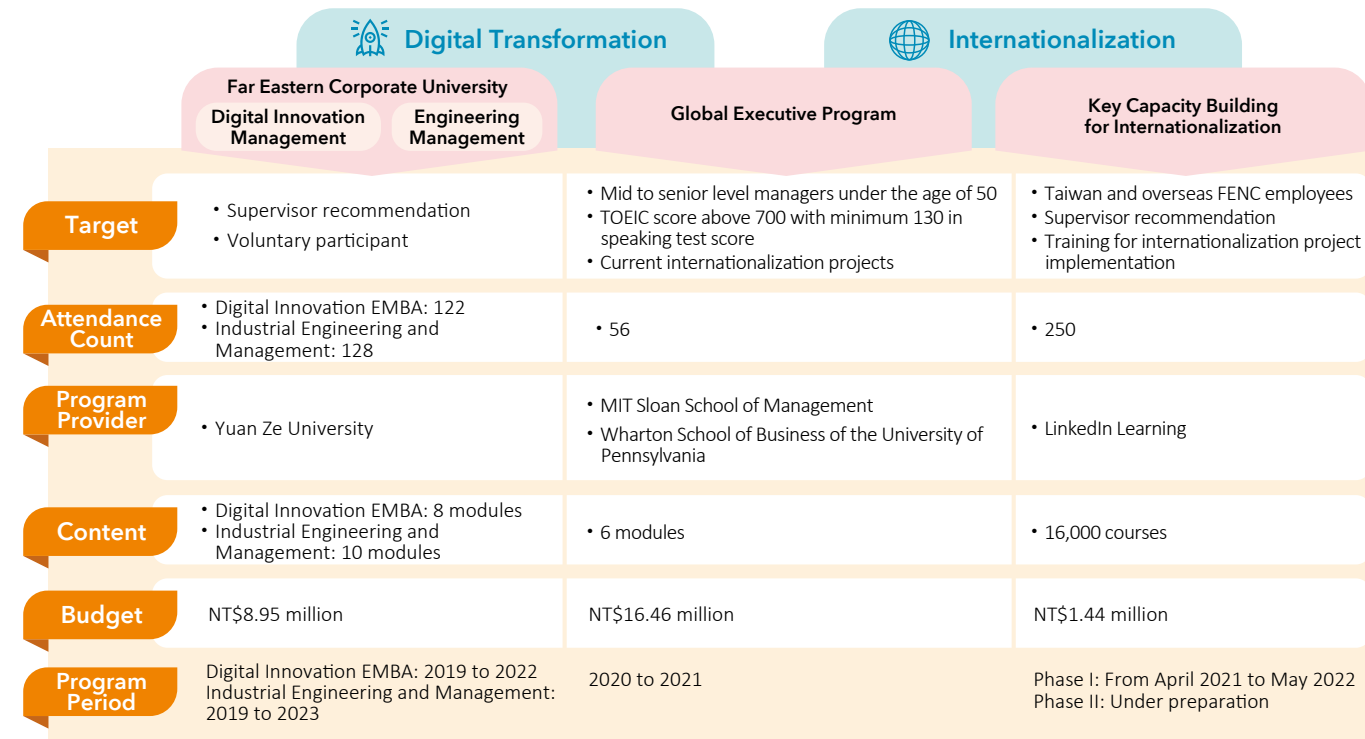
4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

Training Framework for Digital Transformation and Internationalization Talents



Training Session and Attendance Count

| | | Taiwan | | Mainland China | | Vietnam | | Japan | | U.S. | | Total | |
|------------------------------|------------|--------|--------|----------------|-------|---------|--------|-------|------|-------|-------|--------|--------|
| | | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| New Recruit Training | Session | 95 | 113 | 391 | 479 | 1,878 | 1,911 | 31 | 30 | 20 | 27 | 2,415 | 2,560 |
| | Attendance | 560 | 384 | 1,341 | 3,481 | 30,248 | 36,250 | 59 | 41 | 140 | 174 | 32,348 | 40,330 |
| Profession-Specific Training | Session | 597 | 774 | 510 | 408 | 394 | 504 | 98 | 95 | 190 | 841 | 1,789 | 2,622 |
| | Attendance | 17,295 | 17,656 | 6,046 | 6,975 | 10,351 | 8,130 | 98 | 157 | 190 | 1,176 | 33,980 | 34,094 |
| Regulatory Training | Session | 610 | 670 | 437 | 436 | 366 | 170 | 3 | 1 | 9 | 21 | 1,425 | 1,298 |
| | Attendance | 15,502 | 21,367 | 4,914 | 4,594 | 10,000 | 4,821 | 146 | 157 | 705 | 811 | 31,267 | 31,750 |
| Project-Specific Training | Session | 142 | 166 | 53 | 59 | 38 | 38 | 4 | 1 | 144 | 134 | 381 | 398 |
| | Attendance | 4,307 | 3,889 | 814 | 793 | 2,424 | 447 | 143 | 157 | 1,085 | 1,015 | 8,773 | 6,301 |

Note: Profession-specific Training includes competency course.

Average Number of Training Hours and Training Days of Regions

| | | 2019 | 2020 | 2021 |
|----------------|---------------|-------|-------|-------|
| Taiwan | hour / person | 28.56 | 26.82 | 29.50 |
| | day / person | 3.57 | 3.35 | 3.69 |
| Mainland China | hour / person | 32.25 | 30.70 | 19.87 |
| | day / person | 4.03 | 3.84 | 2.48 |
| Vietnam | hour / person | 19.65 | 16.29 | 14.48 |
| | day / person | 2.46 | 2.04 | 1.81 |
| Japan | hour / person | 47.28 | 14.44 | 14.70 |
| | day / person | 5.91 | 1.81 | 1.84 |
| U.S. | hour / person | 56.05 | 43.51 | 52.17 |
| | day / person | 7.01 | 5.44 | 6.52 |
| Total | hour / person | 25.07 | 21.80 | 19.37 |
| | day / person | 3.13 | 2.73 | 2.42 |

Average Number of Training Hours of Ranking and Gender

Unit: hour / person

| | | 2019 | 2020 | 2021 |
|-------------------------|-----------------|--------------|--------------|--------------|
| Section Chief and above | Male | 34.57 | 36.86 | 28.24 |
| | Female | 31.16 | 28.74 | 20.50 |
| | Subtotal | 33.54 | 34.54 | 26.07 |
| Office Clerk | Male | 29.55 | 23.76 | 26.25 |
| | Female | 21.27 | 15.06 | 14.86 |
| | Subtotal | 26.34 | 20.41 | 22.30 |
| Factory Workers | Male | 30.33 | 23.53 | 19.69 |
| | Female | 19.45 | 19.83 | 15.09 |
| | Subtotal | 23.42 | 21.33 | 16.80 |
| Total Employees | Male | 30.43 | 24.84 | 23.74 |
| | Female | 20.34 | 18.62 | 15.27 |
| | Subtotal | 25.07 | 21.80 | 19.37 |

Average Number of Training Days of Ranking and Gender

Unit: day / person

| | | 2019 | 2020 | 2021 |
|-------------------------|-----------------|-------------|-------------|-------------|
| Section Chief and above | Male | 4.32 | 4.61 | 3.53 |
| | Female | 3.90 | 3.59 | 2.56 |
| | Subtotal | 4.19 | 4.32 | 3.26 |
| Office Clerk | Male | 3.69 | 2.97 | 3.28 |
| | Subtotal | 3.29 | 2.55 | 2.79 |
| Factory Workers | Male | 3.79 | 2.94 | 2.46 |
| | Female | 2.43 | 2.48 | 1.89 |
| | Subtotal | 2.93 | 2.67 | 2.10 |
| Total Employees | Male | 3.80 | 3.11 | 2.97 |
| | Female | 2.54 | 2.33 | 1.91 |
| | Subtotal | 3.13 | 2.73 | 2.42 |

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix



International Talent Development - Borderless Learning Organization for Globalization and International Deployment



Global deployment has gained growing significance among international businesses. To stay ahead of this trend, FENC launched the online learning program with LinkedIn Learning in April 2021. A total of 250 employees from Taiwan as well as overseas locations in Vietnam and the U.S. are taking part in this program. LinkedIn Learning offers over 16,000 online courses designed by international experts across an array of disciplines in multi-lingual interfaces, such as English, Japanese, French, Spanish and German. The wide spectrum of course selections allow participants to go beyond the limit of space and time and identify materials that suit individualized business needs for the improvement of professional knowledge and soft skills. Since the program began, FENC employees averaged 4.5 hours of learning on this platform per month, which is twice the average hours from LinkedIn's global manufacturing clients. The program is beneficial for building a self-learning culture at FENC and the acceptance of online learning in light of the globalization and digitization trends. The exceptional performance has won the Company the designation of LinkedIn Rising Star from 2021 LinkedIn Talent Awards in Taiwan.

In addition, since the Company has been expanding its U.S. production sites, tech talents with language skills and international perspective are needed to provide operational assistance. To equip employees with fundamental skills in international communications, the Company launched Expat Employee English Program in September 2021. A total of 38 employees from production units under the Petrochemical Business in Taiwan and the U.S. attended the 17-week remote learning program.

In an age when corporate business models are facing non-stop challenges, FENC started offering programs targeting executive education in 2020, including Digital Innovation EMBA, a joint collaboration with Yuan Ze University and Global Executive Program featuring courses designed by MIT Sloan School of Management.

Digital Innovation EMBA is a program designed as the incubator of next generation managers. Aside from incorporating digital technology and application in all course modules, industry and academic experts are invited to share their insights on specific subjects. For instance, for the Global Supply Chain Management module, Hideki Yamane, an industry expert and consultant, was invited to share how to identify opportune moments for entering the market and seek international partners. The program has broadened employees' international perspective. As of the end of 2021, 122 employees have completed the program.

Global Executive Program features online courses designed by MIT Sloan School of Management and the courses are guided by professors of Yuan Ze University on the specific discipline. The program helps 34 mid to senior-level managers under FENC to construct the conceptual framework of corporate digital transformation. For instance, Organizational Design for Digital Transformation is a course module that elucidates how digital transformation could become a reality by reforming existing organizational system. Internet of Things: Business Implications and Opportunities is a module that uses case studies to help employees understand the technological requirements and essential elements for IoT under the corporate framework, and discusses potential benefits and influence of IoT at the organizational level.

The 2-year Global Executive Program has concluded in December 2021. Now that program participants are acquainted with the knowledge domains in leadership, strategy, procedure, organization and digital transformation, they will be entrusted with critical missions, towards which they will apply course knowledge to help FENC weather unprecedented challenges in this capricious environment.



Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders
and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

**4.3 Reinforcing Environmental
Safety and Health Management**

4.4 Coordinating Sustainable
Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix



Accelerating Training Diversification for Digital Development amid the Pandemic



COVID-19 has shifted learning models from in-person to virtual setting. FENC is also transitioning, partially replacing in-person training to the online or hybrid model to enrich the breadth and depth in employee training with more effectiveness.

Hahow for Business is the chosen platform for online training for FENC. When employees worked from home between May and July 2021, 11 “work from home specials” were made available for all employees covering subjects such as digital technology, second languages for business and workplace skills. The platform provides incentives for employees, using gamified learning to help them develop self-learning habits. During the pandemic, employees have accumulated over 1,460 hours of training, which is quite remarkable. To make learning more convenient, FEIS incorporated digital materials into the training platform for the first time, offering 8 hours of online courses for 168 managers. The courses cover 3 major subjects, effective communication, team building and emotional management. While meeting training needs, the online materials allow employees to get acclimated to a new learning model. FEIS is also working with in-house lecturers to develop 8 courses targeting the production process, which are scheduled for launch in 2022.

The design of the hybrid learning model is based on the course content. Pre-requisite courses are offered online to equip employees with the necessary base knowledge, followed by a shorter online or in-person interaction with the lecturers to review learning progress. Administrative Management Department in Suzhou, Mainland China collaborates with m learning 365, the e-learning platform provided by Shanghai KNX Human Resources Technology Co., Ltd., to offer online learning for employees. While the platform, content and service are built into a single destination, regular in-person sharing sessions are also conducted. Comparing to in-class learning, this hybrid model can better monitor employees’ learning progress.

To implement digital transformation, 496 FENC employees from management and trade units have completed the training for Microsoft Power BI. This training aims to facilitate data-driven decision making by extending efforts in data synchronization and consolidation as well as monitoring key indicators in real time among global FENC sites. In 2021, courses on Power BI are officially introduced to the plants overseas through live streaming. Teaching assistants were also available online to help solve problems and ensure course quality for the 170 employees overseas. International sites under Textile Business, such as FEAV and FEAZ have incorporated Power BI tools in the regular reports. It is the hope that other business units will follow suit to improve the efficiency of decision making through data visualization.

4.3 Reinforcing Environmental Safety and Health Management

4.3.1 Implementation of Occupational Safety and Health Management

Occupational Health and Safety Policy and Target

Occupational Health and Safety Policy

To establish a safe and healthy workplace with comfort while consistently lowering the rate of workplace accidents and disasters, FENC established Occupational Health and Safety Policy as the highest guiding principle governing the management of safety and health of the Company. With “risk control” and “continuous improvement” as the management principle, operational safety is our utmost concern. The Company takes an active stand toward improving the work environment, manufacturing equipment and operational approaches to ensure the safety and health of the workers (including employees and contractors) and stakeholders.

Executive Support and Involvement in Occupational Safety and Health

During the quarterly FENC Board meetings, the president from each Business presents the Occupational Safety and Health Management Report compiled by the Labor Safety and Health Department from the headquarters. In 2021, 4 reports were presented. The Board serves the supervisory role and conducts review and questioning over the report. Improvements needed will be acted upon at production units based on Board resolutions to ensure proper occupational safety and health management.

Continuous Operation of Occupational Safety and Health Management

As of the end of 2021, 17 of FENC’s production and business sites have been certified with occupational safety and health systems such as ISO 45001, ensuring the safety and health of 89% of the entire staff, 81% of the entire production sites. Production sites in Taiwan are 100% certified with CNS 45001. Occupational safety and health management, worker participation, consultation and dialogue, prevention and mitigation as well as occupational safety and health impact directly related to business operation at all FENC sites shall be in accordance with the rules and regulations set forth within Occupational Safety and Health Management System and third-party verified annually. The certification is currently valid.

Risk Identification, Assessment and Control

Occupational Safety and Health Policy and principles governing FENC production sites are as follows:

1. The incorporation of new production lines, production processes or equipment is governed by Change Management Process. An application for change shall be filed and the process includes self-assessment on risk and control, change review/supervisor approval, pre-launch evaluation and closing.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

- Risk identification shall be conducted to determine the risk level of operations associated with raw materials, products, activities and services which may potentially harm the operator, including employees and contractors, or cause damages to equipment.
- Improvement goals shall be established based on risk levels and distribution of resources. Hardware improvement takes the priority, followed by control measures such as administrative management with special plans or operational guidelines. Implementation of the control measures are strictly monitored to minimize risks. Operation of control mechanisms is based on Regulations Governing Risk Identification, Assessment and Control set forth at each plant.
- All production sites arrange risk control training for employees. In 2021, 74 sessions were held with 1,674 employees completing 4,703 training hours.

● The Occupational Safety and Health Committee at Operational Sites

| Operational Sites | Number of Committee Members | Percentage of Worker Representatives |
|------------------------------------|-----------------------------|--------------------------------------|
| Headquarters | 11 | 36% |
| Hsinpu Chemical Fiber Plant | 24 | 38% |
| Kuanyin Chemical Fiber Plant | 29 | 55% |
| OGM | 16 | 44% |
| Kuanyin Dyeing and Finishing Plant | 36 | 44% |
| Hukou Mill | 12 | 33% |
| Plant 1 of OPTC | 14 | 36% |
| Plant 2 of OPTC | 17 | 35% |
| FEFC | 12 | 33% |
| OPSC | 24 | 88% |
| FEIS | 32 | 72% |
| WHFE | 14 | 43% |
| OTIZ | 36 | 53% |
| FEIW | 23 | 70% |
| FEDZ | 61 | 98% |
| FEAZ | 25 | 52% |
| FEAV | 10 | 30% |
| FENV | 14 | 36% |
| FEPV | 36 | 33% |
| FIGP | 46 | 52% |
| APG Polytech | 8 | 50% |

Note:

- There is no provision in the Vietnamese regulation concerning the number of labor seats in the occupational safety and health committee.
- There is no provision in the U.S. regulation regarding the establishment of occupational safety and health committee.

Building Workplace Safety and Health with Labor-Management Participation

FENC establishes Occupational Safety and Health Committee at production sites, serving as the highest authority at each organization on the review and discussion of safety and health management. Setting up labor representatives with more than 30% seats. The Committee convenes quarterly to determine the formulation, coordination and supervision of safety and health related issues at each plant to ensure full implementation.

Occupational safety and health management is one of the priority concerns when it comes to labor relations at FENC. The following subjects are included in the labor relations meetings, Occupational Safety and Health Committee meetings, and collective bargaining agreements with employees:

- Provide personal protective equipment.
- Implement labor relations management and establish the occupational safety and health committee with labor and employer representations.
- Involve labor representatives in the health and safety inspection, review and investigation.
- Provide job-related training for workers.
- Establish grievances mechanism for workers.
- Guarantee workers the right to refuse unsafe work.
- Schedule regular health checkups for workers.
- Comply with regulations from International Labor Organizations.
- Clearly define the procedure or system that workers shall follow when encountering safety or health related problems.
- Clearly establish safety and health goals and ways to achieve such goals.

Reinforce Safety and Health Awareness Through Training

FENC provides regular training to make sure that every employee is familiar with occupational safety and health regulations as well as the management mechanism. In 2021, the total training hours provided by the Company reached 82,514.

● Training for Safety and Health Personnel in 2021

| | Number of Classes | | | Number of Trainees | | | Training Hours | | |
|---|-------------------|--------------|--------------|--------------------|---------------|---------------|----------------|----------------|---------------|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| On-the-job Training on Safety and Health | 706 | 699 | 843 | 15,773 | 17,488 | 19,749 | 86,173 | 131,095 | 46,440 |
| Health Management Training | 231 | 179 | 239 | 10,008 | 7,011 | 12,230 | 12,348 | 14,153 | 11,746 |
| Hazardous Chemical Training | 158 | 152 | 74 | 3,838 | 4,293 | 2,103 | 25,769 | 17,199 | 5,743 |
| Protection Personnel Training | 15 | 15 | 24 | 230 | 184 | 201 | 444 | 416 | 363 |
| Emergency Response and Personal Protective Equipment Training | 264 | 268 | 250 | 10,230 | 12,148 | 5,668 | 47,817 | 45,316 | 12,750 |
| Internal Safety and Health Auditor Training | 23 | 26 | 41 | 619 | 377 | 214 | 4,582 | 3,193 | 769 |
| Risk Control Training | 36 | 29 | 74 | 465 | 2,216 | 1,671 | 5,423 | 4,226 | 4,703 |
| Total | 1,433 | 1,368 | 1,545 | 41,163 | 43,717 | 41,836 | 182,556 | 215,598 | 82,514 |

Note:

- The number of trainees for 2020 is based on attendance count.
- The number of training hours dropped significantly in 2021 due to the COVID-19 pandemic. In Vietnam, the number of large-scale sessions for On the Job Safety and Health Training was reduced. In other regions, the length of Emergency Response and Personal Protective Equipment Training was reduced to decrease the duration of large gatherings.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders
and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

**4.3 Reinforcing Environmental
Safety and Health Management**

4.4 Coordinating Sustainable
Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

Chemical Safety Management

All production sites of FENC have established chemical management regulations of chemicals based on Globally Harmonized System of Classification and Labelling of Chemicals (GHS).

Chemical management at all production sites places are according to the items as following:

1. Chemical management at all production sites places an emphasis on source management. When procuring hazardous chemicals, the manufacturer, importer or supplier must provide the hazardous label and Safety Data Sheets (SDS). The same information is required when changes are made to existing data.
2. When the chemicals arrive at the plant, on-site staff or the end-user must conduct examination based on the label, SDS and applicable regulations prior to acceptance.
3. Post identification for hazardous chemical and prepare safety data sheet (SDS).
4. The Company utilizes Chemical Control Branding (CCB) to evaluate the likelihood of exposure (usage and the degree of spread) and takes corresponding or control measures to mitigate risks. When changes occur to the types of chemicals as well as operational or production procedure, exposure assessment must be conducted again within 3 months before or after the changes occur.

SHEF Task Force

As a contingency plan during the COVID-19 pandemic, Safety, Health, Environmental and Firefighting Task Force (SHEF Task Force) in Mainland China used the site visit opportunities to conduct safety trainings for plant employees. A total of 18 sessions were conducted with 816 employees completing 2,921 hours. After the training concluded, SHEF Task Force continues with occupational safety and health implementation, providing assistance on risk assessment to production sites. The following is a list of priorities for SHEF Task Force in 2021:

1. Coordinate and promote jurisdictional management at FEIW and FEDZ, and share key elements on building a safety culture.
2. Implement the reporting of safety, health and environment (SHE) incidents for proper management and control.
3. Share legal and regulatory updates on SHE as well as occupational accidents and injuries.
4. Provide assistance on risk assessment and identification of potential risks for forklift operation and improve work conditions.

5. Encourage interaction among production sites to share resources and create synergistic effects.
6. In 2021, SHEF Task Force continues to publish the quarterly SHEF Magazine. All production sites contribute to its professional content, making the magazine a good reference material among employees and underscoring its credibility and expertise. Content includes exemplary management experience, details on occupational safety and health programs, special issues on carbon peak and carbon neutrality, smart factory, reflections from work as well as external materials worth referencing.

Strengthening Emergency Response with Safety Drills

To strengthen employees' ability to react immediately during emergencies and activate emergency responses to reduce the loss of lives, property and production capacity, all FENC sites must conduct risk identification and assessment with considerations given to the geographic location, type of hazardous chemical, area prone to natural disasters and infectious disease defined by law such as COVID-19. Once the assessment is completed, staff shall consider controllable factors within the plant and propose emergency response procedures targeting various emergency scenarios. The order of each training and drill is determined based on the type and frequency of the disaster.

To be more effective, the disaster scenarios for each year are different to ensure staff's agility and alertness on the overall emergency response as well as increase staff's familiarity with operating personal protective equipment.

During an emergency, all production sites shall follow the protocol established for emergency response and notification procedure. Staff shall identify the disaster, notify applicable units and personnel, and engage in damage control to keep the situation from worsening. Ongoing assessment shall be made to the on-site conditions to minimize harm to the staff, property and environment with adequate treatment to prevent secondary disasters. The investigative unit shall conduct thorough reviews over the cause and propose improvement strategies. A report shall be presented and the unit responsible for the emergency shall undergo educational training to prevent future occurrence.

With advanced planning, preparation and training, staff will be able to respond immediately when signs of danger occur to limit the scale of the disaster. The measures will facilitate successful and efficient mobilization of internal and external resources as well as manpower to keep the losses and damages to a minimum.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders
and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

**4.3 Reinforcing Environmental
Safety and Health Management**

4.4 Coordinating Sustainable
Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

Smart Occupational Safety and Health

1. SHEFs Smart Platform

SHEFs Smart Platform is developed collaboratively with Shanghai Far Eastern IT Corp., an affiliate of Far Eastern Group. The platform replaces paperwork with computer and mobile processing and collects production data for tabulation and analysis. SHEFs Smart Platform covers all aspects of SHEF management within plant operation. Currently, the framework has been completed. The next step will be the subsystems, including training; accidents; emergency response; patrol and inspection; staff/vehicle position; contractor management; goal management; file system management; risk management; change management; facility and equipment management. Applications that have been developed for the platform include Manufacturing Execution System (MES+), Permit to Work System (PTWs), patrol and inspection as well as identification of potential danger. The platform will also be expanded to include training.

2. One-App Safety Management at OTIZ

OTIZ developed an inspection app that consolidates safety inspection, self-inspection and work permit systems. The app can sufficiently prevent occupational safety risks and major occupational disasters.

The app replaced several paperwork systems, including the plant inspection record and potential danger notification for environmental safety that managers on duty for the day/night shifts had to fill out. When potential danger is detected, the app notifies the supervisor of applicable division immediately and said supervisor, whether in the office or not, is able to notify the person in charge promptly to prevent harm. The app is capable of facilitating a more rapid, timely and efficient work flow.

3. AI Occupational Safety Management at Hsinpu Chemical Fiber Plant

Using the AI surveillance system, when unsafe behaviors are detected, such as not wearing protective helmets during crane operation, the alarm will be sounded to alert the operator and the manager simultaneously. The approach helps conserve manpower significantly and improve the efficiency of occupational safety inspections.



Chemical Leakage Drill at OTIZ



OTIZ is located in Suzhou Wuzhong Chemical Industry Park. As a priority enterprise for fire prevention, the plant requires staff to learn from self-practice and observe from videos of past incidents in other units to enhance emergency response.

The chemical leakage drill in 2021 includes 3 components:

1. Notification

After the forklift operator identified the leakage of hazardous chemical, the operator immediately evacuated to a safe area and reported the incident to the supervisor and communications division. The division then notified the departmental supervisor, emergency communications center at OTIZ, as well as environmental safety, utility and adjacent support divisions with critical information such as the name of the leaked chemical, chemical attributes and location.

2. Emergency response

The on-site commander followed the emergency plan and issued assignments. The firefighting division performed damage control using the emergency box. The traffic control division quarantined the area and conducted traffic control.

3. Sampling and testing

The firefighting division collected the waste fluid and fabric and placed them in the bucket. Surface water was sampled and delivered to public authority for testing. The results are within the environmental safety limit, and all staff evacuated to the meeting point.

After the drill, the entire staff reviewed the video recording to review deficiencies, causes of the leakage and improvement measures. A comprehensive review over the SOP implementation will help staff raise safety awareness.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders
and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

**4.3 Reinforcing Environmental
Safety and Health Management**

4.4 Coordinating Sustainable
Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix



Occupational Safety and Health Enhancement and Innovation at Hsinpu Chemical Fiber Plant



Hsinpu Chemical Fiber Plant initiated special projects to upgrade occupational safety management in 2020. The projects span from changes in occupational safety and health organization to inspections, reward and penalty guidelines as well as safety and health culture.

2021 projects:

1. Reinforce training for entry-level safety and health staff

The plant continues to arrange level A safety and health supervisor training for safety and health section supervisors. The training requires 42 hours per year. In 2021, the plant devoted NT\$600,000 in the training and 80 supervisors have obtained the certification. Currently, 410 supervisors have been certified, which account for 20% of the total employees at the plant with NT\$3,075,000 devoted to the training.

2. Rewards for zero occupational disasters

To encourage all units to implement best practice on occupational safety and health and achieve zero disasters, starting in January 2021, units accruing 100,000 hours with zero occupational disasters will be rewarded. In 2021, 19 units received a total of NT\$880,077 under this policy.

3. Lift safety improvement plan

To ensure lift safety, the plant plans to replace parts such as the elevator door lock and limit switch action convex plate on the 179 doors of 38 elevators in 2021. The project has been completed and the total costs amount to NT\$680,000.

4. Coaching system for occupational safety and health inspection (inspection for high-risk areas)

Hsinpu Chemical Fiber Plant has been removed from the enhance enforcement watch list for high occupational disaster and danger. In addition to ongoing occupational safety and health inspections, the headquarters and Hsinpu Chemical Fiber Plant teamed up to conduct joint-inspection to maintain the strength and frequency of the inspections. Each quarter, the team focuses on a high-risk priority inspection to ensure plant safety and health.

Overall performance:

The projects have helped reduce the number of accidents, including minor injuries and occupational disasters at Hsinpu Chemical Fiber Plant. The number dropped from 25 in 2020 to 11 in 2021. In 2021, the plant underwent 7 inspections by external occupational safety centers. Penalty decreased from NT\$480,000 for 3 violations in 2020 to NT\$60,000 for 1 violation in 2021.

2021 Achievements in Occupational Safety and Health

1. Kuansin E Family at Kuanyin Chemical Fiber Plant

Kuanyin Chemical Fiber Plant established Kuansin E Family in 2017 and has been assisting the government with occupational health and safety operations. Implementations in 2021 include:

- On October 8, 2021, Safety and Health Technology Center and Office of Labor Inspection of Taoyuan City appointed Kuanyin Chemical Fiber Plant to participate in Core Member Training on Safety and Health in Taichung and lecture at the event to share implementation experience.
- On December 15, 2021, Safety and Health Technology Center and Office of Labor Inspection of Taoyuan City invited Kuanyin Chemical Fiber Plant to participate in 2021 Post-Pandemic Sustainable Occupational Safety and Health Seminar. The plant is also invited to present during the session on Corporate Work Environment Improvement with the topic, Confined Space Operational Management.
- The plant provides assistance to members of Kuansin E Family to diagnose occupational health and safety issues and make improvements. As of the end of November 2021, the program has provided 61 recommendations and 59 of which (96.7%) have been completed. Comparing to 2020, the total number of issues that need to be addressed reduced by 18, and the improvement rate increased by 1.8%. The plant's involvement in Kuansin E Family has assisted members with improving occupational health and safety. These valuable experiences will also help the plant address deficiencies with more initiative and efficiency.

2. FENC Selected as Key Official of TOSHMS Association Northern Branch by Safety and Health Administration

For 6 years in a row, FENC has been serving as the key official of the northern branch of TOSHMS Northern District under Occupational Safety and Health Administration, Ministry of Labor. In 2021, FENC helped the Administration produce Compilation of Case Studies on Occupational Safety and Health Management. On November 23rd, FENC attended Tri-branch Joint Conference, during which FENC gave a presentation on the compilation of case studies on behalf of TOSHMS Northern District, promoting occupational health and safety as part of its corporate social responsibility.

3. Zero Lost Hours Due to Occupational Hazards

FEFC inaugurated in April 1997, and has maintained a record of zero lost days due to disabilities caused by occupational injuries in the following 24 years. As of November 2021, FEFC has accumulated 9.5 million safe work hours. This record is verified with the certification issued by Taiwan Occupational Safety and Health Association. FEFC also participated in the Zero Accident campaign held by Industrial Safety and Health Association of the R.O.C. In addition to FEFC's achievement, OPSC also passed the 9-million-hour mark as of the end of 2021.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

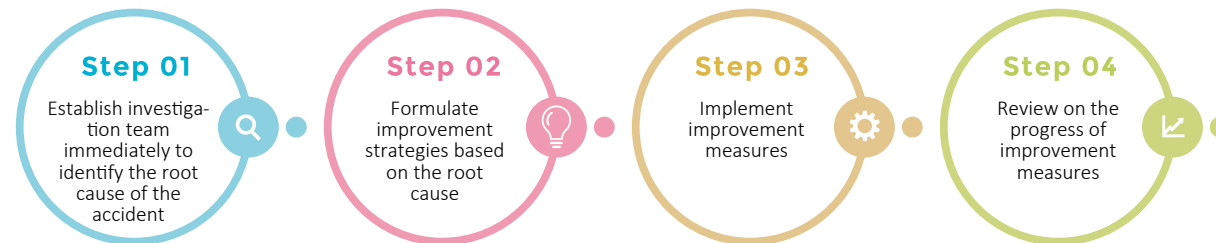
4. Safety Assurance Certificate for FEAV

Bình Dương Provincial People's Committee and Police Department in Vietnam recognize corporations with exemplary performance on corporate governance, security, and fire safety. FEAV has implemented policies that promote plant safety and received the Safety Assurance Certificate presented by the two provincial entities.

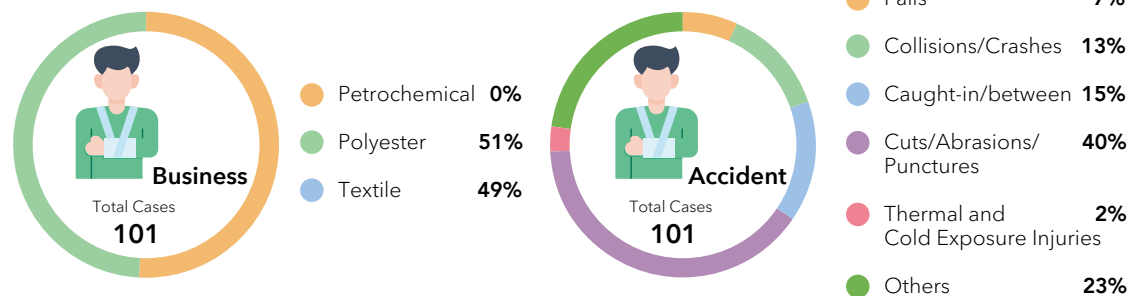


4.3.2 Occupational Injuries

At FENC, the end game for occupational safety and health is “zero occupational disasters”. The Company values the safety and health of each and every employee, and protects them by raising their awareness and understanding through conducting risk assessment and identification; preparing promotional campaigns and public notice; holding pre-work and toolbox meetings; designating safety and health month with programs and activities. In the unfortunate event of occupational disasters, immediate actions are taken to address the emergency. The following procedures are applicable to all production sites. All improvements must be completed within 2 months. Facility improvements that require construction contracts shall be completed within 3 to 6 months.



Statistics on Occupational Injury in 2021



Statistics on Occupational Injury

| | | Petrochemical | | | Polyester | | | Textile | | | Total | | |
|-------------------------------------|--------------|---------------|-------------|-------------|-------------|--------------|-------------|--------------|-------------|-------------|--------------|--------------|-------------|
| | | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Number of Occupational Injury Cases | Male | 6 | 4 | 0 | 22 | 35 | 44 | 87 | 37 | 29 | 115 | 76 | 73 |
| | Female | 0 | 0 | 0 | 2 | 7 | 8 | 45 | 35 | 20 | 47 | 42 | 28 |
| | Total | 6 | 4 | 0 | 24 | 42 | 52 | 132 | 72 | 49 | 162 | 118 | 101 |
| Injury Rate (IR) | Male | 0.26 | 0.16 | 0.00 | 0.40 | 0.62 | 0.76 | 0.46 | 0.22 | 0.21 | 0.43 | 0.31 | 0.32 |
| | Female | 0.00 | 0.00 | 0.00 | 0.04 | 0.12 | 0.14 | 0.24 | 0.21 | 0.14 | 0.17 | 0.17 | 0.12 |
| | Total | 0.26 | 0.16 | 0.00 | 0.44 | 0.74 | 0.90 | 0.69 | 0.43 | 0.35 | 0.60 | 0.47 | 0.45 |
| Absentee Rate % (AR%) | Male | 0.08 | 0.08 | 0.08 | 0.22 | 0.11 | 0.09 | 0.13 | 0.23 | 0.39 | 0.14 | 0.18 | 0.28 |
| | Female | 0.01 | 0.01 | 0.01 | 0.12 | 0.03 | 0.06 | 0.20 | 0.43 | 0.29 | 0.17 | 0.30 | 0.20 |
| | Total | 0.09 | 0.08 | 0.09 | 0.34 | 0.14 | 0.15 | 0.33 | 0.65 | 0.68 | 0.31 | 0.48 | 0.48 |
| Lost Day Rate (LDR) | Male | 0.61 | 0.00 | 0.00 | 6.97 | 16.17 | 5.81 | 7.43 | 4.26 | 3.02 | 6.75 | 6.55 | 3.38 |
| | Female | 0.00 | 0.00 | 0.00 | 0.62 | 2.03 | 0.69 | 5.27 | 4.56 | 1.80 | 3.87 | 3.53 | 1.30 |
| | Total | 0.61 | 0.00 | 0.00 | 7.60 | 18.20 | 6.51 | 12.70 | 8.82 | 4.81 | 10.62 | 10.09 | 4.68 |
| Number of Work-related Deaths | Male | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Rate of Work-related Deaths | Male | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.004 | 0.00 |
| | Female | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.004 | 0.00 |

Notes:

- There were no severe occupational injuries (inability or difficulty to restore to pre-injury health condition within 6 months) between 2019 and 2021, which corresponds to 0% process safety incident severity rate (PSISR) in Sustainability Accounting Standards Board (SASB) standards for the chemical industry.
- There were no occupational illnesses between 2019 and 2021.
- Injury rate (IR) = total number of occupational injuries × 200,000, which corresponds to process safety total incident rate (PSTIR) in the SASB standards for the chemical industry.
- AR(%) = Days of Absence ÷ Total Work Days × 100%.
- LDR = Lost Days ÷ Total Work Hours × 200,000. Lost days do not include the day of injury and the day of work resumption.
- Rate of Work-related Deaths = Number of Work-related Deaths ÷ Total Work Hours × 200,000.
- IR, LDR and Rate of Work-related Deaths indicate the percentage of every 100 workers with 40 work hours a week, 50 weeks a year.
- Occupational injuries include premature deaths, permanent total and partial disabilities, temporary total disabilities and minor injuries that result in no more than one lost day. Traffic accidents that occur during employees' commute to and from work are excluded. The classification corresponds to Process Safety Incidents Count (PSIC) in the SASB standards for the chemical industry.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

There were no severe occupational injuries (inability or difficulty to recover to pre-injury health condition or recover within 6 months) recorded at FENC production sites. Among the occupational injuries, the number of cuts/abrasions/punctures rank the highest with 40 cases (40%). Major causes of the occupational injuries include the lack of safety awareness and unfamiliarity with or negligence of the risk factors. To prevent future occupational disasters, FENC has established the following measures:

1. Search for safer equipment and install fool-proof devices.
2. Increase warning labels on machineries as reminders for operators.
3. Implement dynamic inspection on safety and health, and promote pre-work danger forecast.
4. Establish the electronic occupational safety and health system or AI control system.
5. Enhance employee safety and health education to reduce occupational disasters.

The 2021 statistics on occupational injury from FENC production sites are compared against the 2020 statistics from Occupational Safety and Health Administration, Ministry of Labor of Taiwan, as shown in the following table. The categories compared include disabling injury frequency rate (FR) and disabling injury severity rate (SR) by industry type. No occupational injuries were reported from FENC production sites under Petrochemical Business in 2021. The Polyester and Textile Businesses show higher FRs than the industry average. However, the injuries reported are minor, hence the SRs are lower.

Comparison Between FENC and Nationwide Statistics on Occupational Injuries

| | Petrochemical Industry | | Polyester Industry | | Textile Industry | |
|--|------------------------|----|--------------------|-----|------------------|-----|
| | FR | SR | FR | SR | FR | SR |
| Statistics from Occupational Safety and Health Administration, Ministry of Labor of Taiwan | 0.77 | 13 | 1.09 | 222 | 1.49 | 320 |
| Statistics from FENC | 0 | 0 | 4.51 | 34 | 1.73 | 24 |

Note:

1. Disability injury frequency rate (FR) = total number of disabling injuries × 1,000,000 ÷ total manhours worked.
2. Disability injury severity rate (SR) = number of injured days off work × 1,000,000 ÷ total manhours worked.
3. FENC data is compared against the 2020 statistics for the petrochemical, chemical material manufacturing and textile industries from Occupational Safety and Health Administration, Ministry of Labor.

Contractor's Occupational Injury at Production Sites

| | | Petrochemical | | | Polyester | | | Textile | | | The Company | | |
|-------------------------------------|--------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Number of Occupational Injury Cases | Male | 0 | 0 | 2 | 1 | 3 | 3 | 0 | 0 | 0 | 1 | 3 | 5 |
| | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 2 | 1 | 3 | 3 | 0 | 0 | 0 | 1 | 3 | 5 |
| Number of Work-related Deaths | Male | 0 | 0 | 0 | 1 | 3 | 0 | 0 | 0 | 0 | 1 | 3 | 0 |
| | Female | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 1 | 3 | 0 | 0 | 0 | 0 | 1 | 3 | 0 |
| Injury Rate (IR) | Male | 0.00 | 0.00 | 0.08 | 0.17 | 0.17 | 0.32 | 0.00 | 0.00 | 0.00 | 0.07 | 0.07 | 0.14 |
| | Female | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 0.00 | 0.00 | 0.08 | 0.17 | 0.17 | 0.32 | 0.00 | 0.00 | 0.00 | 0.07 | 0.07 | 0.14 |
| Rate of Work-related Deaths | Male | 0.00 | 0.00 | 0.00 | 0.17 | 0.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 | 0.07 | 0.00 |
| | Female | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 0.61 | 0.00 | 0.00 | 0.17 | 0.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 | 0.07 | 0.00 |

Note:

1. There were no severe occupational injuries (inability or difficulty to restore to pre-injury health condition within 6 months) between 2019 and 2021, which corresponds to 0% process safety incident severity rate (PSISR) in Sustainability Accounting Standards Board (SASB) standards for the chemical industry.
2. There were no occupational illnesses between 2019 and 2021.
3. Occupational injuries include premature deaths, permanent total and partial disabilities, temporary total disabilities and minor injuries that result in no more than one lost day. Traffic accidents that occur during employees' commute to and from work are excluded. The classification corresponds to Process Safety Incidents Count (PSIC) in the SASB standards for the chemical industry.
4. Injury rate (IR) = total number of occupational injuries × 200,000, which is equivalent to process safety total incident rate (PSTIR) in the SASB standards for the chemical industry.
5. Rate of Work-related Deaths = Number of Work-related Deaths ÷ Total Work Hours × 200,000.
6. IR, LDR and Rate of Work-related Deaths indicate the percentage of every 100 workers with 40 work hours a week, 50 weeks a year.

On December 4, 2021, the sewage pond at OPTC Plant 2 collapsed and 4 contractors were hospitalized as a result.

The vacuum pump for the sewage pond at the oxidation plant was shut down for isolation during annual maintenance. However, the pond still contained combustible liquid, which evaporated into combustible gas. The gas was not pumped out and remained trapped inside the pond. On December 4, 2021, fire operation was conducted to replace the pipelines connected to the top of the pond. However, the pipelines were not isolated from the combustible gas. When the fire operation (TIG welding) started, the combustible gas was ignited, causing a gas explosion that collapsed the cover of the pond and resulted in minor injuries among 4 contractors. One of them was hospitalized for 5 days for observation due to the forehead injury. The others were discharged from the hospital on the same day.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders
and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report

1

Fostering Robust Governance

2

Enabling Unlimited Innovation

3

Navigating a Green Future

4

Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career
Planning

**4.3 Reinforcing Environmental
Safety and Health Management**

4.4 Coordinating Sustainable
Supply Chain Development

5

Cultivating Compassionate Bonds

6

Advocating Balanced Coexistence

7

Appendix

OPTC Plant 2 has made the following improvements and prevention measures regarding this incident:

1. Review the elevation of approval level for fire operation.
2. Ensure the pipelines are isolated with the blind flange prior to receiving the work permit.
3. Establish maintenance and repair guidelines for plant equipment and facilities.
4. Re-conduct risk identification all sewage tanks within the plant and post warning signs.
5. Conduct risk assessment for parking and modify the operational manual.
6. Install new guardrails around the sewage tank where the accident occurred to keep staff from entering through the opening by accident, and post warning signs that state authorized personnel only.
7. Prepare a case study based on this incident for training and education to enhance staff's safety awareness.

All improvements were completed on March 31, 2022.

FENC is committed to the management of safety and health. We grieve the loss of lives due to workplace disasters. Therefore, we establish SOPs for all operations and require staff compliance. This is a priority for safety and health management in 2022 to prevent such tragedy from ever happening again.

4.3.3 Healthy Workplace - Employee Health and Care

Employees are FENC's most treasured assets. The Company never hesitates to devote resources that nurture employees' mental and physical health. It is the Company's wish to foster a workplace that offers safety, comfort and friendliness for all employees.

Employee Health Management and Promotion

1. Regular Health Check

To promote healthy workplace, FENC headquarters, Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant established their own health management systems. Staff may log on at any time to review past health check reports and monitor their own health. They may also register online for health promotion campaigns. The system provides health-related knowledge to help employees improve health management.



Sports Enterprise Certification for Hsinpu Chemical Fiber Plant

Sports Administration, Ministry of Education launched the Sports Enterprise certification to encourage and acknowledge corporations for supporting and promoting exercise and health among employees. Hsinpu Chemical Fiber Plant has been dedicating such efforts for years and honored with the label of Sports Enterprise certification of 2021!

FENC attended the award luncheon and ceremony on November 9th, 2021, sharing the honor and joy of being a part of the sports enterprise program with those in attendance. The award highlighted the importance FENC places on healthy employees and its health conscious corporate mindset, which will help making exercise a popular trend throughout the nation.



In addition to establishing health promotion plans in accordance with the regulations, the health management system conducts analysis based on employees' health reports. When anomalies are detected, a comprehensive monitoring mechanism is designed according to the type and severity of conditions. The mechanism includes classification, tracking and medical consultation in order to provide employees with effective, systematic and continuous health management. During the process, occupational physicians and nurses provide holistic health risk assessment and control, offering complete care to safeguard employees' health.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



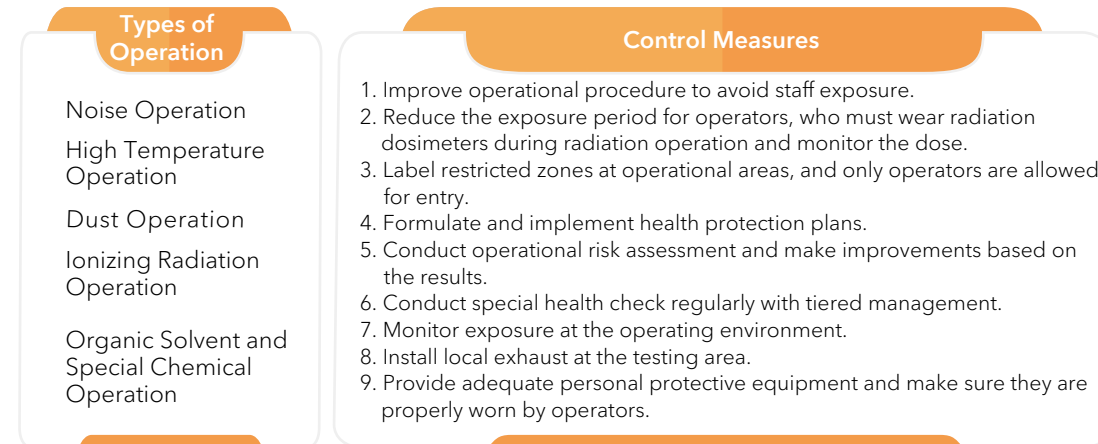
Advocating Balanced Coexistence



Appendix

2. Health Management for Special Hazardous Operation

To control occupational diseases, FENC production sites established the following control measures targeting hazardous operations:



3. Infectious Disease Prevention and Control

Among the infectious diseases defined in Communicable Disease Control Act, COVID-19 was the most threatening for FENC In 2021. Control measures set forth at each plant are as follows:

- FENC sites conduct regular pandemic prevention task force meetings to form strategies in line with government-issued anti-pandemic policies. Adjustments are made as the situation unfolds.
- Staff must check body temperature and sanitize hands with alcohol prior to entering the plant.
- Face masks shall be worn at all times upon entering the plant with the exception of during dining.
- Staff are encouraged to receive COVID-19 vaccines.
- Working and dining are alternated at separate time and locations.
- The employee health care system is established and staff are required to report health conditions daily.
- Inventory checks over pandemic goods are conducted regularly.
- FENC sites engage in health promotion activities to care for employee health.



Flu Shot Campaign

The worry over COVID-19 prompted all FENC sites in Taiwan to arrange on-site flu shot campaigns during the 4 quarter of 2021. Such arrangement keeps employees from the hassle of having to travel to major hospitals, hence minimizing the risk of exposure and clustering. Hsinpu Chemical Fiber Plant helped employees under the age of 50, who are ineligible for free vaccines provided by the government, to be inoculated by the local health centers and hospitals at the plant. In 2021, the eligibility is extended to cover employees of foreign nationality, and the overall vaccination rate increased to 42%.

In 2021, 1,058 employees at Hsinpu Chemical Fiber Plant received flu shots on-site. A total of 890 employees, 337 Taiwanese nationals and 553 foreign nationals, received flu shots subsidized by the plant; 172 employees received the free flu shot provided by the government. The vaccination rate reached 41% with NT\$890,000 in total costs.



Goddest Festival Celebration at FEAZ

The Human Resources Department at FEAZ collaborated with the labor union and hosted Goddess Festival Celebration to promote care for women and women's health. Regardless of gender, all employees received flower bouquets on this day, and male employees could bring the flowers home for their family members. During the celebration, experts on women's health were invited to provide on-site consultation and answer questions from staff. The celebration encouraged all staff to plant their own seeds and live the life they want. The event drew 1,031 attendees to promote occupational health.



Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

Safeguarding Occupational Safety from the Words of New Environmental Safety Staff

Pu-Lei Shao, Safety and environmental protection department, OTIZ

According to the ancient Chinese classic, Zuo Zhuan (The Commentary of Zuo), "In times of peace, think of danger; when in thought, one would be prepared; when prepared, there will be no calamity." In times of peace, we must be mentally prepared. As an environmental safety staff, one must remember that "good fortune follows upon disaster; disaster lurks within good fortune."

The environmental safety section divides hazard prediction training into "pre-work 3 minutes" and "operation videos." "Pre-work 3 minutes" educates staff on possible dangers on a job site to strengthen their safety awareness. "Operation videos" explore past practices from the perspective of frontline workers to identify risky behaviors and improvements needed. The SOP is explained in the videos and shown to new recruits during on-the-job training. Such training format differs from the conventional classroom setting and allows staff to comprehend easily.

Danger often occurs due to neglect and laziness from the early stages. In terms of safety management, such mentality may cause omission of minor details that could lead to occupational injuries.

Hazard prediction is the best way to prevent danger. Mitigating after the fact would be too late. This is a responsibility shared by not just the environmental safety section, but among all units on site. If we work together with the foresight to mind the risks in times of peace, we will make zero pollution, zero occupational injuries and zero disasters a reality. We need to work together to safeguard occupational safety!



4.4 Coordinating Sustainable Supply Chain Development

FENC is a vertically integrated conglomerate spanning across the petrochemical, polyester and textile industries. The production process relies on a myriad of raw materials. The procurement of these materials as well as supplier evaluation, selection and management are the responsibility of FEG Purchasing Center as well as the procurement units at FENC sites.

4.4.1 Supplier Management Policy Supplier Corporate Social Responsibility Commitment Statement

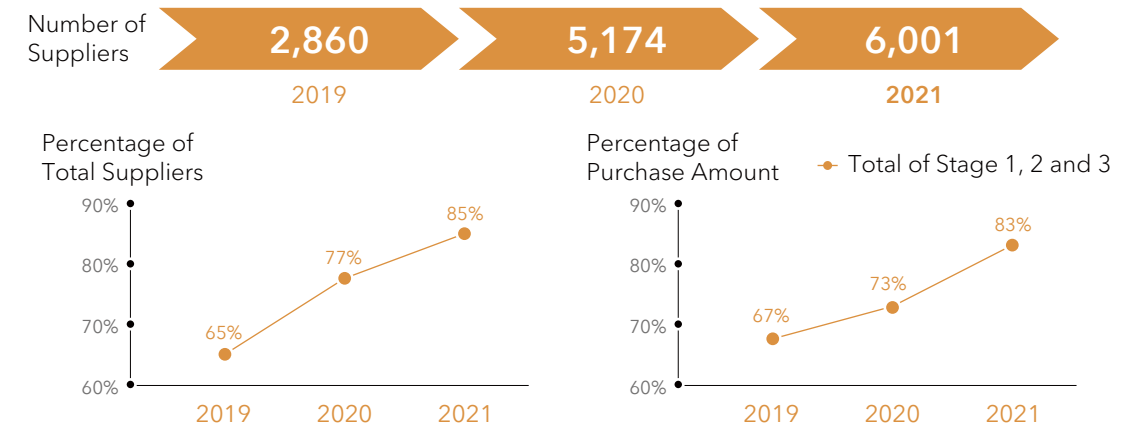
Management Policy

FENC establishes supplier management rules that respect local regulations and production needs at each Company site. The management is guided by the principles listed below:

1. Supplier Corporate Social Responsibility Commitment Statement

To collaborate with suppliers on our mission to accomplish sustainability development goals, first, FENC requests that suppliers sign Supplier Corporate Social Responsibility Commitment Statement. The mandate is implemented in stages.

The Number and Purchase Amount Percentage of Suppliers Signing "Supplier Corporate Social Responsibility Commitment Statement"



Note:

- The percentage of suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" = the number of suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" ÷ total number of suppliers x100%.
- The total number of suppliers varies from year to year.
- The number of suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" of OPTC is 95%.
- Description of the stages:
 - Stage 1: Launched in 2016, targets include Suppliers that work with Raw Material Team, FEG Purchasing Department, Purchasing Department of OPTC, Shanghai Purchasing Unit and Suzhou Purchasing Unit.
 - Stage 2: Launched in 2020, targets include Suppliers that work with the main raw material procurement units of FEDZ, FEAV and FEIW as well as the procurement units of FEFC, OGM, FEAV, FENV and FEPV.
 - Stage 3: Launched in 2021, targets include Suppliers that work with the procurement units of FIGP and APG Polytech.

2. Procurement Regulations and Regulations Governing Supplier Evaluation

Additional criteria are established for different types of procurement projects, and all applicable clauses are stated in the contract to ensure compliance.

Procurement units conduct written or on-site evaluation on new suppliers, and classify them based on selection criteria. Each year, the procurement units evaluate the major suppliers with end-users. The results serve as references for contract renewal in the coming year. There are 1,828 new suppliers in 2021, and 1,671 (92%) of which have been evaluated.

The following table is a compilation of supplier evaluation by the procurement units. Evaluated categories include environment, labor, human rights and society. When the evaluation indicates major impacts were made, the Company may provide suppliers with assistance for improvements or terminate the contract depending on the severity.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions

Special Report

1 Fostering Robust Governance

2 Enabling Unlimited Innovation

3 Navigating a Green Future

4 Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development

5 Cultivating Compassionate Bonds

6 Advocating Balanced Coexistence

7 Appendix

Supplier Assessment Aspects and Number of Suppliers in 2021

| Assessment Aspect | Environment | Labor Practice | Human Rights | Society |
|---|-------------|----------------|--------------|---------|
| Total Number of Selected Suppliers | 3,615 | 3,790 | 4,367 | 3,738 |
| Number of Suppliers That Have or May Have Negative Impact | 0 | 2 | 0 | 0 |
| Number of Suppliers That Have Made Improvement | 0 | 2 | 0 | 0 |
| Number of Supplier That We Have Stopped Working With | 0 | 0 | 0 | 0 |

Note:

1. Environmental evaluation includes pollution prevention, waste treatment as well as energy and resource consumption; labor practice evaluation includes occupational safety, equality and training; human rights evaluation includes child labor, forced labor and rights of the indigenous people; social evaluation includes corruption, monopoly and fraud.
2. In terms of labor practices, 2 suppliers are identified as posing negative impacts. Two OPSC suppliers did not submit health check reports for the welders, which is a potential risk. The governmental work safety department issued a penalty to OPSC and set a deadline for improvement. Health check for the welders has since been conducted with reports submitted. Improvements were 100% completed.



Recognition for Green Procurement



To promote “green living”, Environmental Protection Administration of the Executive Yuan initiated the Green Mark system in 1992. The government took the lead in green procurement in 2002. In 2007, the government went further and introduced Benchmark Unit of Private Enterprise and Organization Green Procurement Plan. Business entities may report the procurement of products with Green Mark. As the leader of circular economy, FENC is second to none in its efforts on green procurement.

Since 2016, FENC has been reporting actual figures on green procurement from the previous year, and the Company has accumulated over NT\$12.5 billion as of the end of 2021, putting it in the top 3 among corporations in Taiwan. We are awarded Green Procurement Certificate by the Environmental Protection Administration for 5 consecutive years, and receiving the title, Benchmark Unit of Private Enterprise and Organization Green Procurement Plan, from the Environmental Protection Bureau of Taipei City Government for 6 years in a row since 2016. We will continue to encourage green procurement, and continue to march toward energy saving and environmental protection.

3. Priority Status for Local Suppliers

FENC gives priority consideration to local suppliers when it comes to procurement. Such policy promotes local economic development and allows the Company to provide better after sales service.

Percentage of Procurement from Local Suppliers in 2021

| | Percentage of Procurement from Local Suppliers | | | Percentage of Procurement from Local Suppliers after Deducting Main Raw Material | | |
|----------------|--|------------|------------|--|------------|------------|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Taiwan | 47% | 51% | 44% | 90% | 75% | 51% |
| Mainland China | 56% | 64% | 77% | 86% | 81% | 76% |
| Vietnam | 31% | 23% | 19% | 77% | 56% | 40% |
| Japan | 78% | 96% | 96% | 71% | 90% | 96% |
| U.S. | 97% | 97% | 76% | 93% | 93% | 100% |
| Total | 56% | 60% | 54% | 85% | 77% | 60% |

Note:

1. Local supplier is defined as a domestic supplier. In Taiwan, Mainland China and Vietnam, local suppliers are unable to provide certain main raw materials.
2. Percentage of purchase from local suppliers = Purchase amount from local suppliers ÷ total purchase amount x 100%.
3. Data collection for FEAV began in 2020.
4. Main raw materials included in the 2021 statistics are PX, PTA, MEG, Bio-MEG and cotton, including recycled cotton.

Procurement and Management of Main Raw Materials

Main raw materials purchased by FENC are PX, PTA, MEG, Bio-MEG and cotton, including recycled cotton. The main raw materials constitute the largest expenditure category for FENC and a critical factor for ensuring product quality.

As a response to stakeholders’ concerns on the possible environmental impact of bulk materials, FENC has set standards that are above the industry norm. We adhere to internal procurement management procedure and regulations, choosing bulk material suppliers that comply with government regulations and ESG guidelines. Company audits are conducted by third-party audit firms.

1. PX, PTA and MEG: Compliance with REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and Halal Certification are required.
2. Cotton: Cotton trade is conducted in accordance with the International Cotton Association (ICA) regulation and regular practice. Procurement of certified cotton is preferred.

We support the use of renewable and environmental-friendly materials. Meanwhile, we are developing and using renewable and plastic materials that, such as Bio-MEG, Bio-PTA, 100% Bio-PET and PLA.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds

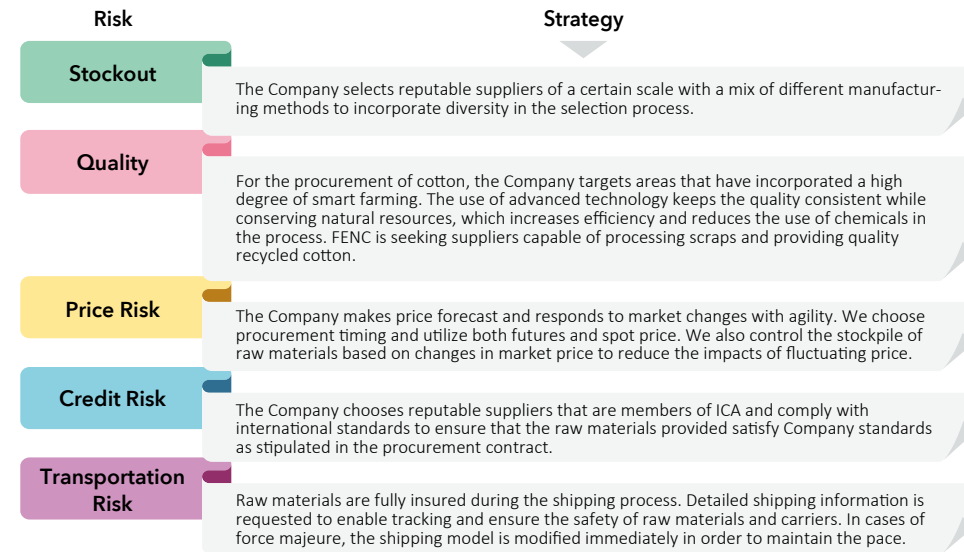


Advocating Balanced Coexistence



Appendix

Risk and Response on Main Raw Material Procurement



Procurement of Main Raw Materials

Unit: 1,000 metric tons

| | 2019 | 2020 | 2021 |
|---|-------|-------|-------|
| PX | 1,690 | 1,555 | 1,574 |
| PTA | 1,393 | 1,512 | 1,936 |
| MEG and Bio-MEG | 534 | 585 | 783 |
| Cotton (Including Organic Cotton and Recycled Cotton) | 62 | 39 | 40 |

Note: PTA procurement includes external procurement and internal transfer.

Supplier Engagement

FENC engages in dialogues with suppliers through various channels in order to monitor supplier operation.

1. The Company provides a mailbox for supplier feedback on its website.
2. The Company monitors the suppliers and contractors monthly and conducts dialogue meetings.
3. The Company holds quarterly supplier meetings to conduct exchange and recognize suppliers for their excellence.
4. The Company holds ad hoc technology exchange meetings with suppliers.



Resiliency Building with Suppliers amid COVID-19



In 2021, the world continues to brace the impact of uncertainties and challenges posed by COVID-19. Meticulous attentions must be paid to the capricious market climate with timely adjustments made to production strategies. In such a volatile environment, suppliers are often faced with supply chain disruption, having difficulties obtaining materials and slammed with cost increase due to price hikes. Therefore, FENC has set in place several responses. The Company purchases anti-pandemic supplies in advance, including medical latex gloves, rubbing alcohol, face masks and infrared thermometers; pays close attention to market trends to initiate negotiation; updates the inventory policy and edges from bulk purchasing to hand to mouth purchasing in order to prevent material shortages; replaces in-person meetings with virtual ones to reduce clustering.

In terms of supply chain management, FENC responds by identifying potential risks and seeking alternative product sources. For instance, FENC developed its own spinning finish oil with Taiwanese suppliers and partially replaced the oil from Europe and the U.S. by importing from Japan in increasing percentage to reduce costs. FENC also makes visits to its suppliers to monitor supply conditions. In 2021, the Company visited 30 suppliers to enhance strong ties in the partnership.

4.4.2 Transport Supplier Management

Shipping of raw materials and products at FENC involves land and marine transport. The Company wishes to ensure safety during transportation while minimizing GHG emissions and pollution. Whether shipping internationally or domestically, through land or sea, any mishaps could lead to disastrous damage to the environment and the Company. Therefore, the Company holds transport operations to the highest local and global standards and only teams up with the most reliable logistics operators and international organizations to further its commitment to social and environmental sustainability.

Selection and Management of Transport Suppliers

Prior to commencing any shipping activities, FENC makes careful selection of reputable transport suppliers with clean records that identify with the commitments in Supplier Corporate Social Responsibility Statement. The Company also conducts annual reviews to evaluate supplier operation.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

1. Marine Transport

FENC establishes partnerships with reputable international suppliers that are soundly managed and abiding by the principles of International Maritime Organization (IMO). Evaluation and management over the marine transport suppliers are conducted on a regular basis.

● Control Mechanism and Action Plan for Marine Transport Suppliers

| Control Mechanism | Action Plan |
|-------------------------|---|
| Selection | <ol style="list-style-type: none"> All transport suppliers shall comply with local and international regulations. Marine transport suppliers shall be selected carefully with environmental protection, energy conservation and carbon reduction as priority considerations. It is crucial and demanded that suppliers comply with environmental regulations under each jurisdiction regarding loading, gas emission, fuel consumption and waste fuel disposal. The Company works with transport suppliers complying with the rules under IMO 2020. The entire fleet shall limit the sulphur content in fuel oil to under 0.5% m/m sulfur, use alternative fuel or adopt emission reduction mechanism that achieve equivalent effect. Such measure reduces sulphur pollution by 80% compared to the regular fleet. FENC also pays for the low sulphur surcharge (LSS). |
| Management | <ol style="list-style-type: none"> The Company conducts monthly reviews on transport suppliers. Contracts with individuals, ships or corporations listed on the international sanctions list or Specially Designated Nationals (SDN) list by Office of Foreign Assets Control (OFAC) will be terminated immediately. The Company makes quarterly reviews on the records of long-term contracts with transport suppliers. Immediate improvement measures are required for any misconducts, and the outcome will be taken into consideration for future contracts. The Company examines violations committed by transport suppliers through public information platforms such as National Enterprise Credit Information Publicity System, TianYanCha.com and Credit Publicity Platform of Import and Export Business of Customs of the People's Republic of China. |
| 2021 Performance | All marine transport suppliers have satisfied the above selection criteria in 2021. There were no transport disputes or occupational safety issues. Nor were there any incidents that pose negative environmental and social impact. |

2. Land Transport

Vehicles involved in land transport may directly impact public safety. Therefore, In addition to meeting minimum capacity, transportation safety is a priority concern during supplier selection. The Company compiles case studies and conducts regular training for the transporters and dispatchers on the supplier's end to improve their risk awareness and response, creating win-win in occupational safety between FENC and the suppliers.

● Control Mechanism and Action Plan for Land Transport Suppliers

| Control Mechanism | Action Plan |
|-------------------------|--|
| Selection | <ol style="list-style-type: none"> Transport suppliers must ensure that all vehicles comply with local emission standards applicable to roads and harbors. Suppliers with current Company contracts must phase out dated vehicles. Based on the goods transported, transport suppliers must obtain required permits and licenses in accordance with governmental regulations and the weight limit. |
| Management | <ol style="list-style-type: none"> Inspections include: Gas consumption by transport carriers; investment progress for environmental protection facilities; condition of empty containers; equipment and facilities at the container storage yard; container storage environment; pollution treatment; staff compliance with occupational safety standards; plant regulations. All deficiencies must be addressed. The Company conducts at least one annual review meeting on transportation environmental safety and health with representatives from the plants and transport suppliers. |
| 2021 Performance | <ol style="list-style-type: none"> In 2021, FENC production sites conducted 37 review meetings on transportation environmental safety and health. Key discussions are as follows: <ul style="list-style-type: none"> Selection criteria for A grade shipping containers were discussed. The requirements regarding vehicle placement on the container platform were restated to enhance occupational safety. In order to reach the loading capacity for export containers, the Company requested that containers be shipped to storage yards adjacent to production sites to increase the number of containers loaded. To address increasing demand in shipping and manual labor for loading, the suppliers promised full cooperation and additional hourly-waged workers. In 2021, all FENC's land transport suppliers and random inspections were in compliance with the above standards. |

To ensure suppliers' commitment to safety, all transport suppliers must incorporate risk indicators into the emergency response in addition to regular management practices; review and evaluate past disasters; analyze possible risks; continue improving safety management system.

Content

About This Report

Message from the Chairman

Sustainability Strategy Blueprint

FENC's Contribution to UN SDGs

Identification of Stakeholders and Material Topics

Boosting Stakeholder Dialogue

Sustainable Recognitions



Special Report



Fostering Robust Governance



Enabling Unlimited Innovation



Navigating a Green Future



Creating Inclusive Society

2021 Highlight

Targets and Progress

Material Topics

4.1 Constructing Happy Workplace

4.2 Fostering Employee Career Planning

4.3 Reinforcing Environmental Safety and Health Management

4.4 Coordinating Sustainable Supply Chain Development



Cultivating Compassionate Bonds



Advocating Balanced Coexistence



Appendix

● Risk Indicator and Control Mechanism for Land Transport Suppliers

| | Risk Indicator | Control Mechanism |
|--|---|--|
| Qualification and Behavioral Review | <ol style="list-style-type: none"> 1. Vehicle operators exhibit behaviors that violate traffic safety regulations and traffic signals, such as speeding, drunk driving, running red light and not maintaining safe trailing distance. 2. Vehicle operators work overtime and experience driver fatigue. 3. Professional vehicle operators must provide required license for vehicles operated, and permit for transporting hazardous materials to carry out such operations. | <ol style="list-style-type: none"> 1. Pre-work training and trial runs are provided for suppliers. 2. Working hours are subject to local labor regulations. |
| Transport Equipment | <ol style="list-style-type: none"> 1. The selection of comprehensive transport equipment. 2. The use of chemical tankers for chemical materials. 3. The use of environmentally friendly vehicles to reduce CO₂ emissions. 4. Regular maintenance and exhaust check at the inspection station. | <ol style="list-style-type: none"> 1. Inspections are conducted before, during and after the transport. 2. The GPS system is installed to monitor vehicle conditions. 3. Heavy duty diesel vehicles in compliance with the governmental emission standards are used to minimize the emission of hazardous materials and microparticles (black smoke). |
| External Environment | <ol style="list-style-type: none"> 1. Weight limit. 2. Road maintenance. 3. Poor weather conditions that affect visibility. 4. Dusty conditions and environmental pollution. | <ol style="list-style-type: none"> 1. Vehicle capacity shall comply with the weight limit set forth in traffic regulations. 2. Safety is priority. Transport operation shall be postponed during poor weather or road conditions. 3. When transporting breakbulk cargo, lead with sprinkler truck to reduce dust. |

One traffic accident occurred on August 27, 2021. A chemical tanker delivering for FENC rolled over in Keelung City, causing MEG leakage on the local road. MEG is not classified as a hazardous material, and with the cleanup, the incident did not leave any negative environmental impacts nor causalities. The site of the accident is a winding road segment with multiple intersections, and therefore, prone to traffic accidents. After this accident, FENC asked that suppliers examine vehicle operators' physical and mental wellbeing prior to beginning the shift. Vehicle operators are also asked to slowdown when passing through this road segment to avoid future accidents.

3. Plant Control

Suppliers are required to comply with all rules and regulations regarding safety and transport at each plant to ensure transportation safety and management.

Transport suppliers must require that vehicle operators thoroughly understand the safety requirements established at each plant prior to entering the premise to minimize occupational disasters.

Control Mechanism for Safe Transport of Hazardous Objects

- Transport suppliers shall comply with all regulations set forth in Regulations Governing Transport of Dangerous Goods.
- All signage shall comply with local regulations on Identification of Vehicles Transporting Dangerous Goods.
- All operators and passengers on vehicles carrying hazardous materials shall complete professional training and physical examination per regulatory requirements, and shall carry adequate personal protective equipment on the vehicle.
- Governmental permits are required for delivering hazardous materials and transportation routes shall comply with local regulations.
- Regular inspections shall be conducted over the vehicles and canisters carrying hazardous materials.
- FENC ensures supplier compliance with safety regulations concerning the transport of hazardous materials through random inspections and regular review meetings on transportation environmental safety and health.

2021 Performance: There were no incidences involving leakage of hazardous chemicals and materials during the transport of raw materials and finished products for FENC.

COVID-19 Prevention Measures

- The Company abides by prevention measures established by international governments. Frontline workers and workers at the harbor must abide by the pandemic SOP.
- All suppliers, contractors and vehicle operators must wear face masks at all times upon entering the plant.
- Automatic alcohol dispensers and thermometers are placed at the plant entrance. Entry for any individual having a fever is denied.
- All plants must exercise extreme caution when planning anti-pandemic measures as the condition changes. For instance, vehicle operators must show the proof of vaccination prior to entering the plant.