

# Inventing New Century

Empowering Possibilities



**Sustainability Report** 



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# **About This Report**

Far Eastern New Century Corporation (FENC) issued its first Corporate Social Responsibility Report in July 2013, and beginning in 2015, the report became an annual publication issued in August. With the publication of the 8th issue, the report was renamed "Sustainability Report." The current issue marks the 9th edition, which discloses corporate sustainability performance from 2021.

#### Significance of Report Subjects to FENC

Inventing New Century, the title of FENC Sustainability Report, underscores "innovation" as the cornerstone which propels corporate sustainability.

Global warming has fueled extreme weather patterns while the world is bracing for the threat of COVID-19. As a member of the global village, FENC pledges to devote all efforts and resources it could with concrete actions. In the spirit of "Empowering Possibilities," the sub-title for this year's Sustainability Report, the Company bravely assumes its corporate social responsibilities, standing alongside the public amid the challenges.

#### **Reporting Period**

This report was issued in June 2022 with the reporting period spanning from January 1, 2021 to December 31, 2021. The content encompasses specific actions and quantitative data on the sustainability performance at FENC regarding the economics, governance, society and environment. For past sustainability performances, please refer to FENC's sustainability website. FENC Corporate Sustainability Website 🔘

#### **Report Preparation Unit and Contact Information**

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Click for More Information

#### **Reporting Guidelines**

#### 1. Corporate Sustainability Performance:

The reporting is in compliance with the criteria under the Comprehensive option of the Global Reporting Initiative (GRI) standards and has been assessed by third-party verification as Type I AA1000 AS v3 Assurance Standard moderate level. For details, please refer to 7.4 Assurance Statement.

The reporting also referenced Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) on Chemicals, Sustainable Development Best Practice Principles for TWSE/ TPEx Listed Companies and ISO 26000 Guidance on Social Responsibility.

#### 2. Corporate Financial Performance:

Financial audits were conducted by Deloitte & Touche. The unit of calculation is New Taiwan Dollar (NT\$) unless otherwise noted. The currency exchange rate is based on the average foreign exchange rate published by Bank of Taiwan in 2021.

#### **Scope of Disclosure**

FENC is a conglomerate that spans across production, land development and investment businesses. The scope of the 2021 FENC Sustainability Report encompasses 26 FENC sites, which is identical to that from the previous year. The report discloses 96% of the revenues on the 2021 consolidated statement. The scope of the disclosure for each Business is described as follows:

#### Production Business:

With materiality in mind, subsidiaries of the Production Business covered within the report are those reaching NT\$2 billion in annual revenues (Note). In addition, the Company has a long-standing track record in developing a circular economy. In 2019, the Company responded to stakeholders' feedback by acquiring 2 rPET production sites, OGM and FIGP. The combined disclosure accounts for 98% of the 2021 revenues from the Production Business.

#### Land Development Business:

FERD, a subsidiary of FENC, develops and manages the Company's real estate for investment purposes. Please refer to Advocating Balanced Coexistence for details.

#### Investment Business:

The primary targets of investment at FENC are the listed companies under Far Eastern Croup (FEG). These companies have published their own reports on sustainability performance. Please refer to the corresponding sustainability websites under Far Eastern Group for details.

Note: To maintain consistency, once a business entity is included in FENC Sustainability Report, said entity will remain in the report even when its annual revenues fall below NT\$2 billion. Explanations will be provided in the report if the above condition applies.

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#### Scope of 2021 Sustainability Report

• Headquart	ters • Hsinpu (
Corporation (FENC) • Far Easterr (R&D Cent	• Group R&D • Kuanyin
Oriental Petrochemical (Taiwan) Co., Lto • Plant 1 • Plant 2	d. (OPTC) Far Easte
Far Eastern Fibertech Co., Ltd. (FEFC)	Far Easte • Polyest
Oriental Green Materials Limited (OGN	1) Far Easte
Oriental Petrochemical (Shanghai) Corp	b. (OPSC) Far Easte
Far Eastern Industries (Shanghai) Ltd. (F	EIS) Far Easte
Wuhan Far Eastern New Material Ltd. (V	VHEF) APG Poly
Oriental Industries (Suzhou) Ltd. (OTIZ)	Far Easte
Far Eastern Industries (Wuxi) Ltd. (FEIW	) Far Easte
Far Eastern Dyeing & Finishing (Suzhou	) Ltd. (FEDZ) Foundati

#### Corporate Sustainability Websites of Companies under Far Eastern Group



Far Eastern Asia Cement New Century Corporation Corporation







U-Ming **Oriental Union** Marine Transport Chemical Corporation Corporation



#### Note:

1. The companies are listed in a chronological order of their establishment.

2. The link to each company's sustainability website may change. Please use the link provided on the company's official website.

Far Eastern

Department

Stores Ltd.

#### **Information for Readers**

The chapters on Enabling Unlimited Innovation 🍾, Navigating a Green Future 🔖 and Creating Inclusive Society 🔆 correspond to Production Business; Advocating Balanced Coexistence 🍾 corresponds to Land Development Business; the remaining chapters cover both Businesses.

FENC has prepared this report in a conscientious manner with utmost attention to details. We continue to improve and refine the scope and process of data collection to elevate data quality. Discrepancies in historical data between the latest report and the previous version exist for the reasons stated below:

Chapter	Detail
Enabling Unlimited Innovation	Updates on previously disclosed data: Patent applications and approvals are updated with the actual years in which notifications were received.
Navigating a Green Future	<ol> <li>Updates on previously disclosed data and reference factors:</li> <li>The 2020 GHG emissions were updated to reflect the data verified by external audits.</li> <li>The conversion factor for GHG emissions is updated to reflect the latest version.</li> <li>Estimates were updated to reflect the actual data.</li> <li>Corrections were made to errors concerning the polyester plant of FEPV.</li> </ol>
Creating Inclusive Society	Corrections to 2020 FENC Sustainability Report: Corrections were made on the comparison between salaries offered by FENC and the market average; statistics on occupational injuries among employees; statistics on occupational injuries for contractors at FENC production sites.
Advocating Balanced Coexistence	<ol> <li>Modifications on the scope of disclosure: TPKC R&amp;D Building is currently operated and managed by Far EasTone Telecommunications Co., Ltd. Starting in 2021, the sustainability performance regarding TPKC R&amp;D Building is disclosed in the sustainability report published by Far EasTone Telecommunications Co., Ltd.</li> <li>Expansion of the scope of disclosure: Data on construction waste from 2 current construction projects are added to 6.1.3; data on water withdrawal, energy consumption and GHG emissions from 2 current construction projects are added to 6.2.2.</li> <li>Updates on previously disclosed data and reference factors: The conversion factor for GHG emissions is updated to reflect the latest version.</li> </ol>

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# Message from the Chairman



The global business environment has seen drastic changes in recent years. Fueled by the COVID-19 pandemic, the pace of these changes is gaining velocity. On the one hand, it has propelled the development of digital technology, driving the emergence of new business models and consumer behaviors that has led to digital transformation at the corporate, industry and global levels. On the other hand, it has triggered a profound probe into climate issues as countries are doing everything they can to curb global warming.

To stop the exacerbation of climate change, 130 countries pledged to the vision of becoming carbon neutral by 2050 during the COP26 UN Climate Conference held in the U.K. in November 2021. World leaders reached the agreement to phase down the reliance on coal and fossil fuels. To reach this goal, major changes must take place at the individual and societal levels.

In 2021, I had the honor of receiving the Lifetime Achievement Award at the 19th Global Views Leaders Forum and the Management Medal from the Chinese Management Association. I would like to take this opportunity to express my utmost gratitude to all members in the Far Eastern Group, who have created values for the society through corporate means. In light of the increasingly capricious environment, I believe corporations must be equipped with 4 critical abilities:

- Agility corporations must be able to make swift adjustments and take immediate actions when a course alteration is called for;
- Flexibility corporations must be able to respond to unexpected changes by modifying outputs and services;
- Endurance corporations must be able to retain their composure and orderly operation amid stress;
- Sustainability corporations must be dedicated to creating long-term values and positive influence for customers, employees and the entire society.

FENC is an international conglomerate with locations throughout Asia and America. With the raging COVID-19 pandemic and the restrictions it brought upon the world, ensuring employee health while fulfilling all obligations to the customers. Its agility has made FENC a favored partner among customers.

It is FENC's firm conviction to develop green products. With its vertically integrated supply chain and advantages in cross-domain technological partnerships, the Company has channeled its core capabilities, giving birth to an array of innovations and recycling technologies that have been deployed in the land, ocean and air. With its recycling and remanufacturing innovations applied towards the waste PET bottles, polyester and industrial gas, FENC is chartering a new roadmap for sustainable growth.

Actions towards net-zero cannot wait, and FENC is answering the call to reach this global vision. The Company has implemented progressive measures to reduce carbon emissions, which unfold through 5 major strategies. Tackling emissions from the production, fuel, energy, raw material and transportation fronts, the Company continues its quest for new technology as it forms partnerships with the entire value chain to build green business models, reduce carbon emissions and fulfill its corporate social responsibility.

FENC has received accolades from a wide range of organizations. The Company is a constituent of multiple sustainability indexes and ratings, including CDP, MSCI ESG Leaders Indexes, FTSE4Good Emerging Index, Taiwan Sustainability Index, TWSE Corporate Governance 100 Index and Greater China Business Sustainability Index. The Company also won multiple awards from TCSA, GCSA, CommonWealth Magazine's Excellence in Corporate Social Responsibility, and Global Views Corporate Social Responsibility Awards. Currently ranking among the top 5% in Corporate Governance Evaluation, the Company has also won Best Companies to Work for in Asia by HR Asia and the Sports Enterprise Certification in 2021.

FENC is committed to the balanced and sustainable development of environmental, social and corporate governance (ESG) for the long haul. The Company values feedback from all stakeholders and responds with active engagement. Equipped with a comprehensive framework for sustainable governance and high standards for management systems, the Company is able to maintain sound sustainability performance and competitive edges amid the fast-changing environment. With the aspirations to grasp new opportunities and create new models, we will take proper actions in pursuit of sustainability, creating win-win and prosperity for the corporation, society and environment.

Chairman of Far Eastern New Century Corporation

Douglas Tong Han



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# Sustainability Strategy Blueprint



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# FENC's Contribution to UN SDGs

- 1. FENC makes regular cash donations to not-for-profit organizations and participates in outreach programs for the disadvantaged, devoting NT\$110 million in social engagement. *P.129*
- 2. APG Polytech donated approximately NT\$360,000 to over 20 schools and athletic teams. *P.129*
- 3. FERD hosted Christmas Charity Market, inviting 10 local not-for-profit organizations and 5 food vendors to participate, and generating an additional 48% in not-for-profit revenues compared to 2020. *P.141*
- 1. APG Polytech held a Thanksgiving food drive to help 70 local families in need with food donations. *P.129*
- 2. FERD and Far Eastern A-mart Co., Ltd. held the pop-up shop campaign. P.142

 1. FEPV established a pandemic control team, establishing the pandemic-fighting network with strategic foresights. P.20

 2. Hsinpu Chemical Fiber Plant was accredited with the Taiwan iSport Corporation. P.120

3. Far Eastern Memorial Hospital accepted 11% of severe COVID-19 patients nationwide between May and June 2021, the highest in the nation. *P.132* 

4. Far Eastern Memorial Foundation joined hands with Far Eastern Memorial Hospital and Asia Eastern University of Science and Technology on Family and Foreign Caregiver Competence Enhancement Program. *P.133* 

- 1. FENC builds a borderless learning organization and cultivates internationalization talents to align with global trends and overseas deployment. *P.112*
- 2. OPSC and School of Resources and Environmental Engineering, East China
- University of Science and Technology provide the cognitive apprenticeship. *P.130*
- 3. The 13th Taiwan Young Student Physicists' Tournament helps improve English debate and physics skills among youths in Taiwan. *P.134*
- 4. Y. Z. Hsu Innovation Forum generated approximately 5,000 views from the online livestream and 580,000 impressions from online coverages. *P.135*
- Fulfill pay equity, 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. *P.101* FENC values gender equality with a 64% increase in female managers in the past
- 2. FENC values gender equality with a 64% increase in female managers in the past decade. *P.101*

7 AFFORDABLE AND CLEAN ENERGY

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1. OPTC Plant 2 established ISO 46001 water efficiency management system. P.77

2. FIGP implemented water conservation at the separator, conserving approximately 2,000 kL in monthly water consumption. P.77

 FENC implemented 86 energy conservation projects and avoided 114,048 tCO<sub>2</sub>e in GHG emissions. *P.72* FENC added 12.4 MW in the installed capacity of solar power. *P.86* OPTC Plant 2 established the biogas power system. *P.87*

- 1. The Company has been listed on the Taiwan Stock Exchange for 54 years, with annual profits and dividends. *P.34*
- 2. The talent development program in Taiwan recruited 11 interns. *P.104*
- 3. Eaglet Program at FEIS prepares 16 top-performing college students to become management trainees. *P.104*
- 4. Mid-level managers and above may participate in the employee stock ownership plan with a 30% contribution from the Company. *P.105*







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FENC devoted NT\$730 million in forward-looking R&D. *P.56* FENC received 879 patent approvals to date. *P.56*

1 SUSTAINABLE CITIES

AND COMMUNITIES

15 LIFE ON LAND

6 PEACE, JUSTICE AND STRONG INSTITUTIONS FENC pioneered the world's first bio-based raw material for face masks. *P.57* FENC received Accelerated Eco Best Product Award from ISPO TEXTRENDS. *P.61*



 FEAV contributed 0.5% to 2% of proceeds, approximately NT\$940,452 in 2021, towards financial and health assistance as pandemic relief for employees. *P.106* FENC enhances comprehensive human rights education and training. *P.100*

OPTC sponsored a charity event to send love and care to disadvantaged families in Guanyin District, Taoyuan City. *P.129* 200 employees at FEIS volunteered during the vaccination campaign in the fight against the COVID-19 pandemic in Fengxian District, Shanghai. *P.129* FEIW joined Taiwanese businesses in Wuxi, making donations to help flood victims in Henan Province. *P.129* FEAV sponsored Vietnam Association for Victims of Agent Orange/dioxin, showing care with concrete actions. *P.129*



FEIS established SBTi carbon reduction targets with brand customers. *P.13* FENC deployed all-encompassing circular technology. *P.21* OTIZ established a smart machine shop and received NT\$27.6 million in reward. *P.71*

4. FENC partners with suppliers to confront COVID-19 with resilience in 2021. P.124



- 1. FENC established short, mid and long-term GHG reduction targets. P.27
- 2. Polyester Business established the electricity management platform to promote the sustainable development of renewable energy. *P.71*

3. OPTC Plant 2 added the slurry preheater to recuperate heat from the condensate and reduced 4,730 tCO<sub>2</sub>e of GHG emission per year. *P.73* 



1. FENC is the world's largest supplier of recycled ocean plastic, which is remanufactured from recycled waste PET bottles from the ocean. *P.22* 

2. FENC joined the Ocean Coalition. *P.22* 

3. OGM signed the Letter of Intent with the Taoyuan City Government to recycle waste PET bottles from the ocean for remanufacturing. *P.22* 

4. Hsinpu Chemical Fiber Plant installed the smart wastewater treatment system. P.81

1. FENC®TOPGREEN®rTEX Filament introduces the textile to textile recycling solution and commercialization. P.21

2. FENC®TopGreen®ChemCycle leads the world with patent approvals from multiple nations. P.21

3. OGM becomes the first PET recycling plant in Taiwan to turn waste into energy. *P.91* 

1. FENC was awarded Best Companies to Work for in Asia by HR Asia. *P.99* 

2. FENC's comprehensive risk control was recognized with Taiwan Sustainability Action Awards. *P.41* 

3. FENC maintains a 13-year default-free streak. P.42

4. FENC established Speak Up Policy. P.108



 FENC breaks through supply chain bottlenecks and becomes the only supplier with recurring attendance in the monthly meeting of the International Maritime Transport Stability Working Group. *P.12* FENC attends multiple investor conferences to showcase its green development strategies. *P.11* FEAZ ranks no. 2 among Nike's global apparel suppliers in its Lean Maturity Assessment. *P.58* FENC is the only vertically integrated supplier of N66 solution dye in the world. *P.59*

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# Identification of Stakeholders and Material Topics

FENC develops the framework for material topic analysis based on the standards of stakeholder engagement in Global Reporting Initiative (GRI) standards and AA1000 Assurance Standard, as well as the principles of determination, analysis and verifiability. The Sustainability Implementation Committee identifies the stakeholders and material topics each year and administers surveys to assess external inputs every 3 to 4 years. The latest survey was conducted in 2019, with a total of 576 surveys collected. The stakeholders and material topics require executive approval to keep the course of sustainable development and Sustainability Report in line with the expectations of internal and external stakeholders.

In light of the escalating climate threats, the international community is stepping up measures to control and manage GHG emissions with net zero targets and regulatory responses. FENC is also highly concerned about the impacts of climate issues on the stakeholders, corporate operation, economy, environment and society.

In 2021, FENC examined major risks posed by climate change referencing UN SDGs, TCFD and the Global Risk Report 2021 by World Economic Forum. Considering the severity of climate-related risks, the significance of the material topic, response to climate change, is elevated with the approval of the convener of the Sustainability Implementation Committee.

#### Convener of Sustainability Implementation Committee President of Corporate Management **Humphrey Cheng**

FENC takes a holistic approach when it comes to ESG implementation. The work started in 2010 with the Sustainability Implementation Committee in charge of the ESG project implementation. The committee consists of 220 members, including Presidents and Chief Operating Officers of Petrochemical, Polyester and Textile Businesses, and managers at FENC's production sites worldwide. The efforts are coordinated by Sustainability Task Force at Corporate Staff Office.

FENC holds stakeholder feedback with high regard and pays close attention to the international development on ESG efforts. The world focused its attention on climate issues in 2021. As countries show their commitment to reaching net zero emissions by 2050 with proclamations and actions, FENC is also committing to the cause, elevating the significance of the material topic, "Response to climate change." The Company will continue to prioritize the material topics based on future development.





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# Boosting **Stakeholder** Dialogue

With integrity and transparency as the guiding principles, FENC utilizes multiple channels of disclosure and stakeholder engagement to strengthen the relationships. Throughout the process, issues significant to stakeholders are documented, and Company policies are modified accordingly to respond to their expectations. The state of stakeholder engagement is reported to the Board on a regular basis. The latest presentation to the Board took place on July 12, 2021.



#### **Communication Channel**

External meeting	Ð	Review/Evaluation/Audit
Internal meeting	G	Survey/Questionnaire
Training/Trial/Drill	0	Grievance/Comment Box
Promotional campaign	0	Company Website
Visits/Exchange		Other
	External meeting Internal meeting Training/Trial/Drill Promotional campaign Visits/Exchange	External meetingImage: Second sec

#### **Communication Frequency**





#### Significance to FENC

Employees are FENC's most valuable asset. The Company offers enhanced benefits and career development to build solidarity and co-create a sustainable future.

8.009 times 295.699 participants

#### Issues of Concern

Construct happy workplace

- Foster employee career planning • Reinforce environmental safety and health management
- Prevent and control environment pollution
- Refine operational performance and strategies

#### **Channel and Frequency**



#### 2021 Best Companies to Work for in Asia by HR Asia

Best Companies to Work for in Asia by HR Asia is an award with a symbolic status in the field of human resources in the Asia-Pacific region. In addition to reviews conducted by a panel of experts, employee feedbacks are also among the evaluation criteria.

Surpassing the industry average by over 15% across all review indicators, FENC stood out from its industry peers. Among the indicators, the score for team dynamics and employee engagement exceeds the industry average by 28%, which substantiates FENC's long-term efforts in enhancing employee relations by establishing clear communication channels, creating friendly workplace and strengthening the team spirit.

While pursuing corporate growth, FENC places equal emphasis on employee rights. The Company regularly conducts employee satisfaction surveys to build cohesion. Aside from providing transparency in the promotion track, the Company offers a gender-friendly workplace with comprehensive deputy and family care leave systems which promote worklife balance, fostering employees' ability and willingness to commit to work while taking care of their families.



#### Partners (Suppliers / 10.293 times 19,758 participants **Contractors**)

#### Significance to FENC

FENC's innovative products and services are built upon the raw

materials and services provided by business partners. The Company creates a win-win by achieving sustainable development through strong partnerships.

#### **Issues of Concern**

- Perfect risk management
- Build customer rapport
- Boost stakeholder dialogue
- Implement sustainable development
- Refine operational performance and strategies

#### Channel and Frequency



#### **Contractor Safety and Health Training at Hsinpu Chemical Fiber** Plant

Hsinpu Chemical Fiber Plant conducted 7 training sessions on autonomous safety management for contractors during the second guarter of 2021. The purpose is to conduct comprehensive reviews on the occupational safety checklist and improvements on deficiencies to reduce operational risks, violations and accidents. In terms of risk control for machinery and equipment, inspections must be performed on the equipment carried into the plant premise by contractors; entrance to the plant and the number of operators shall be controlled through contractors' electronic management system and facial recognition system; the operational guidelines shall be amended to include penalties for violations as well as management guidelines during regular maintenance to help contractors understand the importance of complying with occupational safety regulations.

The training participants are individuals representing the contractors as well as safety and health personnel from 45 contractors. The attendance rate reached 84%. After the training sessions concluded, violations committed by contractors in the second guarter declined dramatically by nearly 60% compared to the first quarter.

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#### Significance to FENC

FENC conducts exchanges with industry associations to keep corporate development in line with market trends while determining development directions with industry associations and peers.

#### Issues of Concern

 Reinforce environmental safety and health management

216 times

**919** participants

- Instigate production and product innovation
- Implement sustainable development
- Prevent and control environment pollution
- Perfect risk management

#### Channel and Frequency

#### 

# Taiwan Impact Investing Forum (TIIF) 2021 - Mobilizing Private Capital to Achieve SDGs

Taiwan Impact Investing Association (TIIA) is dedicated to attracting and mobilizing market capital in the pursuit of returns while substantiating sustainable development goals (SDGs), and aligning development efforts for a sound impact investment ecosystem in Taiwan. David Wang, FENC's President Office Chief Financial Officer, attended Taiwan Impact Investing Forum held by TIIA on November 17, 2021 as a corporate member during the panel discussion. He shared the growing trends among emerging financing mechanisms stressing the integration of corporate and sustainable issues in the post-pandemic era. He referenced FENC as an example of expanding green investment options incorporating energy conservation, carbon reduction and polyester recycling. By issuing innovative sustainable investment products from Taiwan and abroad, and linking the capital with FENC's SDGs, the Company has created a virtuous cycle that energized sustainable financing, channeling financial resources into corporate sustainability that will ultimately lead to social prosperity.

FENC continues to serve as the industry leader in instigating financial innovations while building sustainable business models. The Company aspires to entice more corporate involvement through the participation in investor conferences and believes that its sustainable journey will generate more positive impacts and changes in Taiwan.



#### Shareholders / Investors / Financial Institutions

512 times 20,631 participants

#### Significance to FENC

Shareholders, investors and financial institutions are significant sources of capital funding for FENC. Achieving excellence in corporate performance creates a virtuous cycle of securing stable funding by demonstrating corporate values.

#### **Channel and Frequency**



#### **Issues of Concern**

- Perfect risk management
- Refine operational performance and strategies
- Govern with steady pace
- Implement sustainable development
- Prevent and control environment pollution

#### Showcasing FENC's Green Development Strategy at Investor Conferences

FENC's production businesses are vertically integrated across the entire polyester and textile industries with a wide array of product offerings. To help investors understand the Company's green transformation in these two industries, Investor Relations Division under the Finance Department accepted invitations from security exchanges to hold 10 investor conferences in 2021. Three of the 10 conferences, which focused on specific themes, were organized by HSBC, Morgan Stanley and Yuanta Securities.

Managers from Green Materials presented during the PET-themed investor conference organized by HSBC, helping investors understand FENC's industry- leading status, and explaining the Company's sustainable solutions with over three decades of experience in PET recycling and applications. With its production sites spanning across Taiwan, Mainland China, Japan, Vietnam, Malaysia, the Philippines and the U.S., and a wide range of products that integrate virgin and recycled PET, FENC is a favorite among customers. The presentation gave investors insights into FENC's green development. During Virtual Asia Activewear Symposium held by Morgan Stanley, managers from the Filament Division shared how FENC deployed its green development strategies from the land, ocean and air, including development from the upstream green materials to the downstream environmental applications. In the future, the Company will expand upon the current partnerships with beverage, sports and apparel brands to collaborate with international brands for yoga products, tires, home textiles and children's toy blocks.

In 2021, Taipei Innovative Textile Application Show (TITAS) switched the month-long TITAS Virtual due to the COVID-19 pandemic. However, there were limitations in terms of information accessible to investors through video conferencing. While staying within the guidelines issued by the Central Epidemic Command Center, FENC co-hosted an in-person investor conference at TITAS with Yuanta Securities. Managers from FENC's Textile Business presented during the conference, sharing information on product trends, brand collaborations and long-term green development strategies. An interactive segment between the presenter and models dressed in FENC's new products featured their functionality and trendiness, which made a lasting impression among investors.

Communication Channel: 
Communication Channel: 
Communication Frequency: 
Communication Frequenc

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#### Significance to FENC

FENC maintains clear communication channels with governmental entities to stay on top of regulatory development, prevent violations and ensure sound operation.

#### **Channel and Frequency**

90 **9** 90 **A** 31 **D** 365

#### **Overcoming Supply Chain Bottlenecks with Breakthroughs**

COVID-19 has severely disrupted the global supply chain and supply-demand equilibrium in the shipping industry. Maritime and Port Bureau formed International Maritime Transport Stability Working Group with governmental entities, shipping suppliers, harbor authorities, industry associations and other suppliers. The working group meets monthly on a regular basis. In 2021, the working group held 10 official meetings as well as multiple coordination meetings. FENC is the only company which has been invited consistently to these meetings.

management

605 times

· Reinforce environmental safety and health

Prevent and control environment pollution

Implement sustainable development

Boost stakeholder dialogue

Perfect risk management

6.937 participants

In addition to sharing insights about the shipping market, FENC also provided recommendations from the perspective of an industry leader. The Company urged the Maritime and Port Bureau to negotiate with the liner operators to increase the shipment and prioritize ports in Taiwan when programming new routes for new vessels. FENC also recommended that the government optimize supporting transportation measures near the harbor to improve logistical efficiency.

FENC actively engaged in communications with the Maritime and Port Bureau and other governmental units, which prompted the liner operators to agree on increasing shipments to North America and the Middle East as well as additional slots to address the demand for Taiwanese export. The measures reduced the impact brought by the imbalance of supply and demand in the international supply chain while maintaining growth in export for FENC.

Local Residents and Organizations

**46** times 1,569 participants

#### Significance to FENC

FENC maintains clear communication channels with local residents and organizations. The Company formulates and implements improvement measures based on public recommendations to minimize impacts on local residents from production activities.

#### **Channel and Frequency**



#### Issues of Concern

- Cultivate compassionate bonds
- Prevent and control environment pollution
- Respond to climate change
- Boost stakeholder dialogue
- Elevate energy and resource efficiency

#### Local Engagement at the New rPET Plant in Kansai Region, Japan

In 2012, FENC established Far Eastern Ishizuka Green PET Corporation (FIGP) with ISHIZUKA GLASS Co., Ltd. in Ibaraki Prefecture in the Kantō region, Japan. In 2014, the first rPET plant at FIGP began production. In 2020, the second plant was constructed, delivering 90,000 metric tons in annual production in 2021. As the largest rPET supplier in Japan, its product applications include food-grade packaging and fiber.

To align with global trends in sustainable development, FIGP partners with international brands to make specific targets and timelines for sustainable development. FIGP is constructing a new rPET plant in Himeji City in Hyōgo Prefecture in the Kansai region of Japan. With 100,000 metric tons of production capacity, the plant will expand FIGP's scale in the circular economy.

To implement the expansion project, FIGP initiated local dialogues with the residents' committee, corporations and fishermen's association in January 2021. The representatives introduced Far Eastern Group and FENC from Taiwan, laying out the vision towards investing in the rPET business in Japan, and using the current plant to illustrate the impacts on the local environment, lives of residents and recruitments. It was stressed during the dialogues that FIGP adhered strictly to environmental and labor regulations as well as its intention to maintain rapport with the local residents.

The local fishermen's association holds the river-cleaning campaign every year and finds accumulations of waste PET bottles which often obstruct fishing operations. The association hopes that with the new plant, the public will be more aware of recycling PET bottles to protect the river and estuary. The local residents pointed out traffic congestion during peak hours near the plant site, and expressed wishes for diverting the truck traffic away from elementary school students' school routes during plant construction to avoid accidents and construction delays. These constructive inputs have been beneficial for FIGP's expansion and operation, and the plant will continue to engage local stakeholders through interviews and briefings to enhance communication, plant construction and future operation.

Communication Channel: A External meeting B Internal meeting Training/Trial/Drill D Promotional campaign Visits/Exchange Review/Evaluation/Audit Survey/Questionnaire Comment Box O Company Website O Other Communication Frequency: 35 Yearly 90 Quarterly 31 Monthly 7 Weekly - No regular intervals 1 Other

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**Direct Customers** 

#### Significance to FENC

The trust of direct customers can lead to sales success. FENC must lead the way, advancing brand values for customers through innovative products.

#### **Channel and Frequency**



#### **Establishing SBTi Carbon Reduction Targets with Brand Customers**

FENC's customer, Decathlon, established carbon reduction targets through Science Based Targets Initiative (SBTi) in 2019. Decathlon's commitments include that 90% of its suppliers must define their own SBTi targets by 2024. To align with this commitment, FEIS attended Decathlon's 2021 carbon reduction training through video conferencing and completed the following tasks:

Issues of Concern

• Build customer rapport

Boost stakeholder dialogue

Promote product marketing

Instigate production and product innovation

• Prevent and control environment pollution

1. In February 2021, FEIS adopted Decathlon's GHG emission validation system.

- 2. In June 2021, FEIS completed the trainings for RE100, carbon trading, green electricity procurement and i-REC.
- 3. In September 2021, FEIS established SBTi targets for filament products targeting Decathlon. The targets are to reduce carbon emissions by 25.2% by 2026 compared to 2021, in line with limiting global warming to 1.5°C. FEIS has also completed its carbon reduction roadmap and statement.
  - 4. In November 2021, SGS, which was authorized by Decathlon, reviewed and validated the SBTi targets and proposals from FEIS on filament products.

After communicating with key contacts within Decathlon for nearly a year, FEIS was able to familiarize itself with the sporting goods retailer's carbon reduction targets and action plans, along with its requirements for suppliers. The process has deepened this long-term partnership. As the first FENC site to define its SBTi targets, FEIS established a firm foundation for the Company on its path to carbon reduction. The experience will further benefit other FENC sites to implement SBTi targets.



119,383 times

302,855 participants

**External Evaluation Agencies / Media** 

**489** times 14.331 participants

#### Significance to FENC

FENC examines the adequacy of corporate policies through verifications conducted by external agencies, and presents corporate performance to the press.

#### Issues of Concern

health management

• Implement sustainable development Reinforce environmental safety and

#### • Prevent and control environment pollution

 Perfect risk management Instigate production and product innovation Boost stakeholder dialogue

#### **Channel and Frequency**



#### **Outreach to International ESG Rating Agencies**

ESG investing has gained a growing international presence in recent years. Third-party ESG ratings are also becoming a prominent indicator for institutional investors in terms of corporate investments. FENC conducted a comprehensive inventory and comparison analysis of its ESG performance using indicators from the 4 major international ESG rating agencies. The Company established a team of over 30 staff dedicated to the improvement of ESG indicators and helping the Company excel in its sustainability performance.

FENC reached out to the ESG rating agencies with multiple dialogues to ensure faithful reflection of the Company's ESG performance in the ratings. FENC used to be categorized under the Conglomerates category by Sustainalytics. After reaching out to Sustainalytics in 2021 concerning FENC's production operation, Sustainalytics agreed to categorize the Company under Commodity Chemicals instead. After the change, FENC made specific improvements based on the results of the comparison analyses, which led to better ratings. In the latest ESG risk ratings from July 2021, FENC's performance jumped from 44.3 to 22.6, with the lower number reflecting lower risks. The rating put FENC among the top 3% among companies under Commodity Chemicals. In February 2021, FENC also reached out to FTSE Russell and made improvements accordingly. The Company improved its rating from 2.3 to 3.4 in the FTSE4Good rating released in July, and 3.9 in December. The improvement lifted FENC to the top spot among listed companies in the raw material industry in Taiwan.

International ESG ratings serve as guidance for corporate sustainability implementations. The outcomes also help the world recognize FENC as an enterprise of international caliber certified by global ESG rating agencies. This endeavor shall continue as FENC reaches the top of its industry in these global ratings.

Communication Channel: A External meeting B Internal meeting Training/Trial/Drill D Promotional campaign Visits/Exchange Review/Evaluation/Audit Survey/Questionnaire Comment Box O Company Website O Other Communication Frequency: 35 Yearly 90 Quarterly 31 Monthly 7 Weekly - No regular intervals 1 Other

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#### Contact and Grievance Channel

FENC maintains open dialogues with stakeholders. The Company established Speak Up Policy, encouraging comments and suggestions from all stakeholders. Communication and grievance channels are accessible 24-7 and available in Chinese, English, Japanese, Vietnamese and Malay to meet the needs of FENC's diverse workforce locations and demographics. The Company accepts anonymous claims and has an independent investigation mechanism in place. An investigation team is established within 5 days of receiving the claim documents. Under general circumstances, a ruling shall be established, and the investigation report shall be compiled within 3 months of accepting the claim.

Stakeholder Contact 🛞 Speak Up Policy 🛞 FENC Speak-up:speak-up@fenc.com 🦿

Separate grievance channels and procedures are in place for claims concerning regulatory compliance, anti-corruption, labor, human rights, customers, products and the environment.

#### Grievance Channel and Procedure for Issue-Specific Claims

Regulatory Compliance and Anti-corruption

#### Process

• Once the grievance claim is filed and deemed legitimate, the individual against whom the grievance claim is filed shall immediately cease performing the questionable conduct and be held accountable based on regulatory provisions and company policies.

• The acceptance, investigation and outcome of the grievance claim shall be filed and kept in written or electronic forms for 5 years.

• Once confirmed, applicable units shall review the internal control mechanism and operational procedure concerning the incidents reported. Improvements shall be proposed and implemented to prevent future occurrence.

#### Channel

Audit Committee mail: auditcommittee@fenc.com

Legal Appliance mail: legalcompliance@fenc.com



#### Labor and Human Rights

#### Process

 Frocess
 Each grievance claim is thoroughly investigated and reported through the chain of command. The result of the investigation is provided to the individual filing the claim on a timely basis, and the entire record is properly filed and preserved.

#### Channel

Employee comment box, HR email:

fenchrd@feg.com.tw 🕥

Designated email (e.g., President's email, departmental email.), Confidential hotline, Employee representative meeting, Verbal claim, Written claim



#### Process

Channel

• Once the grievance is filed, it is reported through the chain of command based on product, client manager and persons accountable. Response and outcome are reported back to the client on the real time basis.

# Environment

#### Process

• Once the grievance is filed, applicable units at the plant are notified to address the matter, report to the management and respond to the individual filing the grievance with updates and outcomes of the investigation.

Designated email (e.g., Sales departmental email.), Verbal claim, Written claim

#### Channel

Appointed units responsible for environmental grievances at all production sites, Labor Safety and Health Department, Security Guard Supervising Office

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#### 2021 Claims and Outcome

Odor

2

Noises

2

Water

Pollution

3

The Company received 33 grievance claims in 2021. Among them, 7 are environmental claims, and 26 are concerning labor issues. Details are as follows:

#### 1. OPTC

Local residents filed a claim concerning odor near OPTC. The smell of dried sludge was detected during an on-site inspection. The plant took immediate action, enhancing the production process, replacing the scrubber, extending the chimney height and testing the catalytic ozonation technique to effectively reduce the odor.

#### 2. APG Polytech

Local residents filed a claim regarding odor from the surge basin of the wastewater treatment facility caused by high temperature at the plant. APG Polytech resolved the odor issue by adding odor absorbent to the wastewater treatment pond.

#### 1. OPTC

Local residents filed a claim regarding the high-frequency noise from OPTC. The plant inspected the site and found the source to be stream from the dryer. OPTC has reduced the noise level after making improvements on the facility.

#### 2. FEIS

Local residents filed a claim concerning noises from the plant. FEIS retrofitted the conduits and fan blades, and installed mufflers for the ventilators. The plant has not received any claims concerning noises since July 2021.

#### 1. OGM

Local residents filed a claim regarding the wastewater discharged out of the rain gutters at OGM. The plant inspected the site and found the cause to be wastewater overflowing into the storm runoff system. OGM installed the spill dike to prevent future occurrences and ensure that the wastewater will be directed to the independent catch basin.

#### 2. OGM

Local residents filed a claim regarding mud found in the rain gutters outside the plant. The Department of Environmental Protection inspected the site and confirmed that OGM was not the source of the mud. The claim was withdrawn.

#### 3. OPTC

The head of a local neighborhood near OPTC reflected that the temperature of the wastewater discharged from the plant was too high. After the site inspection, it was determined that the leakage of high-temperature fluid was the result of internal leakage in the hand valve. Additional training on warning control have been provided for the operators. The SOP was also modified to prevent future occurrences.



#### 1-2. FEAV

Employees filed a claim concerning the performance review procedure. The claim has been closed after thorough discussions were conducted on the issue.



#### 1. FENV

Employees filed a claim concerning salary adjustment. The claim has been closed after the situation was clarified with thorough discussions.



#### 1-21. FEAV

Among the 21 claims, 18 concern the level of comfort in the dining and work environments; 3 concern employee benefits such as bonuses and child-rearing allowances. The cases have been closed after thorough discussions were conducted on the issues.

#### 22. FENV

Employees filed a claim concerning the 3-on-site policy. The claim has been closed after thorough discussions were conducted on the issue.

#### 23. OTIZ

Employees filed a claim concerning employee benefits. The claim has been closed after the situation was verified.

Sustainability Reporting-Sliver

Work For in Asia



**Circular Economy Leadership Award** 

Growth through Innovation Leadership Award People Development Leadership Award Sustainability Report Award - Platinum Award

Manufacturing Industry

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Taiwan

ing from Home:

business operation.

**Taiwanese Workers** 

FENC monitors the COVID-19 pandemic and responds

The Company has been implementing the remote

work model since 2020. In May 2021, the government

issued the level 3 COVID-19 alert. As a response, the

Company switched to working from home to keep the

employees from contracting the virus. In addition, the

Company split the shifts with flexible working hours to

reduce the risk of infection during commute or cluster-

ing. Anti-pandemic leaves were provided in accordance

with government regulations. The above measures

have effectively protected the health of staff and their

families while allowing the Company to maintain its

• Implementing Split Operation and Work-

with agility. The following are measures taken:

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# Special Report 1) Safe Workplace Amid COVID-19



Two years into the pandemic, COVID-19 continues to wreak havoc across the world. Border control is still in place and international travel is still restricted. Be it the business or personal front, human lives have suffered at an unprecedented scale. Corporations around the world are examining this capricious environment closely and pondering the next move to survive and thrive in an international trade system that had been overly reliant on globalization.

FENC regards the human resources as paramount. In the fight against COVID-19, the Company has implemented measures to protect valuable human capitals while complying with governmental policies and international conditions regarding the pandemic. FENC has established anti-pandemic policies and supporting measures meeting the local conditions at FENC sites, providing workplace that offers timely assistance and safety. The Company extends care and warmth to the entire staff and their family members, providing various subsidies and assistance to help them strive at work and continue to grow and proper with FENC.

#### • Limiting Clustering:

The Company reduced unnecessary movement among different units. Conferences were conducted through video conferencing or plastic dividers were set up for in-person meetings. The staff canteen offered individual lunch boxes and seating arrangement to reduce contact and improve safety.

# • Establishing Mobile Health Care System:

The Company established the mobile health care system in 2020. All employees may report personal health conditions and the health of their family members through computers and mobile devices. Pandemic-related information issued by the government is also updated immediately through the system to provide convenience for staff. In 2021, the daily reporting rate averaged over 95%.



#### • Encouraging Vaccination:

FENC encourages staff to be vaccinated to increase the vaccination coverage and protection. As of May 30, 2022, the vaccination rate for the first dose of COVID-19 vaccine reached 98%, and the second reached 96%. To encourage staff to receive the third dose, the Company provided gift certificates from the Far Eastern Department Stores as an incentive beginning in March 2022.



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#### • Stabilizing Anti-pandemic Supply:

FENC provides face masks to employees regularly. As of March 2022, the Company has provided a total of 8.03 million face masks among its global sites. For employees at higher risks of exposure, the Company provides face shields and goggles. Before the Chinese New Year began in 2022, the Company provided 4,340 testing kits for employees to conduct self-tests prior to returning from the holiday season. The test results for all who took the test were negative. The measure has helped employees protect themselves as well as others.

#### Percentage of Employees Vaccinated at FENC Sites

Region	First Dose (%)	Second Dose (%)	Third Dose (%)
Taiwan	98%	91%	1%
Mainland Chir	na 95%	95%	55%
Vietnam	96%	86%	16%
Japan	82%	78%	0%
U.S.	50%	50%	0%
Total	95%	88%	21%

Note: The data collection period ended on December 31, 2021.

Region	First Dose (%)	Second Dose (%)	Third Dose (%)
Taiwan	99%	98%	90%
Mainland China	97%	96%	79%
Vietnam	99%	96%	73%
Japan	82%	82%	52%
U.S.	48%	48%	18%
Total	98%	96%	78%

Note: The data collection period ended on May 30, 2022.

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#### **Caring for Migrant Workers**

3

To stay in line with Migrant Work, Life, and Travel Management Precautions issued by the Ministry of Health and Welfare in June 2021, FENC implemented strict rules to safeguard the health of foreign employees and help strengthen the anti-pandemic implementations at the production line to maintain employee health, workplace safety and corporate operation.

The following measures were implemented during the pandemic:

The Company took body temperature, provided rubbing alcohol at sanitizing points and promoted pandemic control awareness.

2 The Company issued face masks regularly with strict rules on the mask mandate.

Public facilities such as the basketball court, lounge and gym were temporarily closed. Work areas were sanitized regularly.

Split operation was implemented. Employees riding on company shuttles must be documented. Independent entrances were set up at the dormitories. Bathrooms were separated into different zones.

Designated employees were responsible for shopping for the residents in the dormitory with goods sent in one delivery to reduce the risk of infection during shopping and clustering.

Plastic dividers were set up at the staff canteen. Talking during dining hours was prohibited. When the pandemic grew severe, dining at the canteen was not permitted and lunch boxes were provided instead.

The Company prepared individual rooms for each quarantined employee to facilitate timely emergency response.

The Company established a health care platform designated for migrant workers, who could utilize the system to report health conditions. The system notified the supervisor or manager automatically when migrant workers experience discomfort, making it beneficial for monitoring their health. The system received over 90% of daily responses.

9 The Company promoted the COVID-19 vaccination campaign. In January 2022, over 90% of the employees had received 2 doses of the vaccines.

The Company conducted plant-wide COVID testing for over 800 migrant workers in June 2021 and January 2022. All test results were negative.

#### **COVID Screening for Migrant Workers**

In June 2021, Taiwan experienced a large surge in COVID-19 cases among migrant workers in Hsinchu and Miaoli. FENC sites in Taiwan implemented a plan to provide COVID-19 screening for migrant workers. Considering the highly contageous nature of the Omicron variant and large traffic volumes during the hoiday season, the Company conducted another screening for the migrant workers after the Chinese New Year in 2022 to comply with the policies set forth by Central Epidemic Command Center and the labor departments in the counties and municipalities. A total of 849 employees completed the screening.



Stage 3:

**Transfer Home** 

When the following conditions

apply, assistance will be provided to

transfer the employee back to Taiwan.

1. It is necessary for the employee to

2. The employee's physical conditions

3. Both countries allow interna-

receive medical treatment in

allow such transfer.

tional travel.

0.0

3

Taiwan.

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## **Overseas Sites**

#### **Expat Employees**

FENC has nearly 400 expat employees stationing worldwide. Due to the risks involved in international travel and time costs during the pandemic, they are unable to use vacation days to visit families back home. To show the Company's gratitude for their hard work and devotion, and for their families' kind understanding, the Company has prepared multiple care and assistance programs.

First, the Company compiled a quick guide on international travel during the pandemic. The guide consolidated border control measures and pandemic alerts around the world; application process for out-of-pocket COVID-19 screening and list of hospitals; regulations on home quarantine/isolation. The guide served as a warm gesture to take care of employee health and to ease their worries during uncertain times.

Second, the Company provided official leaves for 50% of the period expat employees spend on quarantine when traveling between Taiwan and the country in which they station. The Company also helped lessening expat employees' burden by reimbursing a high percentage of the fees incurred for the quarantine hotel, screening and quarantine taxi.

Third, the Company established a 3-stage health management scheme for expat employees. The 3 stages encompass physical discomfort; confirmed infection; transfer home. The protection measures and procedures are clearly laid out under different scenarios. The Company also increased the medical coverage with insurance policies ranging from NT\$1 to 3 million based on the stationed region. In addition, the Company ensured that the insurance policy covered the cost of air ambulance to eliminate all concerns to help employees concentrate on work.

Lastly, as a token of appreciation for the expat employees who stationed at their posts during the pandemic, and for their families' thoughtful understanding for FENC, employees received a payout for any unused vacation days, and gift certificates were presented to the family members.

#### Stage 1: **Physical Discomfort**

- 1. The employee shall seek medical treatment in accordance with local regulations.
- 2. The employee shall call for emergency assistance for medical treatment.
- 3. The emergency assistance may provide medical consultation, help book doctor's appointments and arrange for hospitalization.

t S **3 Stages of Health Management** ••• for Expat Employees



#### Stage 2: **Confirmed Infection**

- 1. Medical interpretation is provided over the phone.
- 2. The employee is referred for necessary medical treatment and transferred back to Taiwan for evaluation.

#### Local Employees

For the overseas FENC sites, corresponding measures were taken to comply with local pandemic prevention policies, including working from home, vaccination, face masks and social distancing.

In July 2021, the Vietnamese government mandated the "3 on-site" policy. That is, plant employees must temporarily work, eat and sleep on-site in order to continue the operation. FENC's sites in Vietnam provided full support for the employees, including free meals, accommodation, hot water and laundry facilities, offering safe work environment, ensuring employee health and maintaining uninterrupted operation.

The plant also offered as much as an additional 54% of daily wages as bonuses for employees who were working on-site. Employees who stayed home also received minimum wages.

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# Fighting the Pandemic with Strategic Foresight and Preventative Measures at FEPV

In 2021, Vietnam braced the impact of COVID-19. The pandemic control team at FEPV exercised strategic foresight with preventative measures that helped weave a web of protective shield that kept the production and even the expansion plan running. In addition to preparing various anti-pandemic supplies, the plant conducted COVID testing for 20% of the employees. The plant also rented nearly 300 dormitories at short notice for employees who lived in areas deemed as high risk by the authority or who came into contact with infected employees to reduce movement. Additionally, the plant established quarantine zones within the plant that were certified by the authority to provide a safe haven for employees who contracted COVID-19 or contacted those who were infected and to provide emotional support.

Between July and November, the peak of the pandemic, FEPV complied with the "3 on-site" mandate from the Vietnamese government – on-site production, eating and sleeping. The plant arranged for the entire staff stationing at the plant to receive the PCR testing to prevent cluster infection. At a time when most factories had to close down the operation, FEPV was able to remain operating at over 80% capacity, demonstrating professionalism in this remarkable performance of pandemic control.

FENC has provided solid support throughout the process. In early July, the Company launched the procurement project at the headquarters in Taipei and delivered 10,000 COVID-19 testing kits to Vietnam within 10 days. The gesture provided the FENC sites in Vietnam the assistance they need to stabilize production and operation amid the strict border lockdown and pandemic control.



#### FEAV's Assistance Program for Employees Impacted by COVID-19 Pandemic

In July 2021, the COVID-19 pandemic erupted in Bình Dương Province, Vietnam. To comply with the governmental policy, over 90% of the employees had to temporarily discontinue their work. Between July and September 2021, FEAV provided living stipends for 3,189 employees who suffered a loss of income due to this mandate. FEAV also provided vitamins for 3,500 employees to help boost their immune system and safeguard their health. This is a show of support and care from FEAV to improve their sense of well-being.



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# Special Report 2 Green Growth Through Circular Economy

Over 30 years of dedication has won FENC the undeniable leading status in the global polyester recycling industry. By vertically integrating the polyester supply chain and taking advantage of its cross-domain know-how, FENC channels its core strengths and continues to deliver innovative recycling technologies and products. Current development is aimed towards a diverse and all-encompassing deployment of circular technology to create dominance in the global recycling domain. With total green transformation, FENC is chartering a new blueprint for sustainable growth.

# Deployment of All-Encompassing Circular Technology

FENC has marked extraordinary milestones in the promotion of circular economy. In addition to recycling PET bottles and polyester waste from the land and ocean, the Company has ventured into the recycling of industrial waste gas, tackling waste recycling and green technology from the land, ocean and air.



# Innovative Business Model and Technological Breakthrough in Circular Economy

To expand the scope of recyclable materials, FENC introduced FENC®TOPGREEN®rTEX. The chemical composition of recycled textiles is much more complex than that of PET bottles. FENC has mastered the technology to transform textile waste into polyester fibers with commercialization. FENC also developed FENC®TopGreen®ChemCycle, a technology with an even higher threshold. Waste polyester materials, which are blended with multiple substances, are chemically reduced into rPTA, and then repolymerized and produced into brand new polyester products.

#### • FENC®TOPGREEN® rTEX - From Textile to Textile with Commercialization

The market for PET bottle recycling is maturing, and FENC is shifting its research and development efforts towards waste apparel recycling. Remanufacturing waste fabrics into new products will solve the mounting problem of used clothing while reducing the waste of resources. FENC introduced FENC®TOPGREEN®rTEX, the fabric to fabric (F2F) solution. The technology transforms waste textiles and clothing into polyester fibers. FENC is able to supply to major brand customers in large quantities. In the future, the Company will continue to expand the production capacity. FENC's seasoned experience and technological solutions on recycling PET bottles have led to the solution that repurposes waste clothing and textiles into new products, hence tremendously increasing the scope of recyclable materials.

#### ★ FENC®TOPGREEN®rTEX Filament Textile Recycling Solution



#### FENC®TopGreen®ChemCycle - The Leading Technology with Multiple International Patents

FENC's proprietary FENC®TopGreen®ChemCycle is a chemical recycling technology that recycles not only waste PET bottles, which is rather simple in composition, but also waste PET products that are much more complex, such as textiles, apparels and packaging products. These waste products are transformed into one of the main raw materials for polyester, rPTA, through FENC®TopGreen®ChemCycle, delivering comparable quality to virgin polyester made of petrochemical sources. The rPTA can then be applied to produce all polyester products. The Company has obtained patents in Taiwan, Australia and the U.S., and testing on the applications of FENC®TopGreen®ChemCycle towards bottle to bottle (B2B), fabric to fabric (F2F) and label to label (L2L) have been completed. The Company is forming partnerships with major international brands and developing downstream applications. In the future, the Company will continue to lead sustainable development in the industry with additional technological innovations.

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#### **Ocean** From Ocean Waste to Recycled Ocean Polyester Filament, the Largest Supplier in the World

To protect the marine habitat, FENC forms partnerships with its customer, adidas, and the NGO, Parley for the Oceans, to develop recycled ocean plastic, which can be used to produce brand new products out of waste PET bottles from the ocean. However, these PET bottles tend to contain higher percentages of impurities. FENC is able to consolidate its resources to overcome technological challenges. With its core strengths in polyester synthesis, recycling and remanufacturing, the Company produces rPET resins that enhance the tenacity of recycled ocean plastic and ensure yarn quality.

Currently, FENC is the largest producer of recycled ocean polyester filament in the world. As of the end of 2021, FENC has successfully averted over 11,000 metric tons of plastic waste from the ocean, and turned them into nearly 60 million pairs of high-end sports footwear and 30 million functional apparels. FENC has made a significant contribution to the protection of marine habitat with its proprietary ocean waste recycling and remanufacturing technology.

#### • FENC Joining the Marine Debris Recycling Coalition

On October 21, 2021, Ocean Conservation Administration of Ocean Affairs Council established the Marine Debris Recycling Coalition. The coalition aims to establish a circular industry chain targeting ocean waste by connecting suppliers with innovative waste recycling solutions in the field of circular economy. In 2020, prior to the establishment of the Marine Debris Recycling Coalition, FENC was invited to partake in the planning process and organizational operation. The Company was in charge of remanufacturing the ocean waste. In the future, the Company will continue to build its momentum in circular economy, creating the recycling and reuse system for ocean waste with members of the coalition.

#### • OGM Signing Letter of Intent with Taoyuan City Government on Recycling Ocean Waste PET Bottles for Remanufacturing

On December 13, 2021, OGM received the memo from Taoyuan City Government to sign the Letter of Intent for the collaboration to reduce the impact of waste PET bottles on the marine habitat. Taoyuan City Government provides waste PET bottles from the ocean to OGM without compensation. In return, OGM provides 38 clothing items produced with the waste materials for every metric ton of waste PET bottles processed. The Letter of Intent, which is effective for 3 years, went into effect on June 4, 2021. It is the hope from both parties that this government-industry collaboration will promote the reuse of recycled waste PET bottles.



Sports footwear

made of recycled

ocean plastic

#### New Circular Applications from Waste Gases to Polyester Material

Considering the drastically deteriorating climate patterns, carbon reduction is critical. The world is turning its gaze to ways of looping captured carbon back to the production process.

Air

In 2021, FENC formed collaborations with major international corporations, lululemon, ZARA and LanzaTech to turn waste gas into apparels. Utilizing LanzaTech's carbon capture technology, waste gases collected from the steel plant is converted to ethanol and then polyester materials, which contain 30% bio-based ethylene glycol. The finished product, FENC®TOPGREEN®Bio3 PET, becomes the raw material for apparel, footwear and textile products. In July 2021, lululemon released the world's first yoga apparel made of waste gas from the steel plant. In December 2021, ZARA introduced the little black dress made with the carbon capture technology.

Relying on over 30 years of recycling expertise and its vertically integrated supply chain, FENC pioneered the world's first apparel item made of waste gas. The material parallels the quality of those made of petrochemical sources. The technology also reduces 30% GHG emissions, setting a bright sustainable course for the industry.

World's first apparel product made of recycled industrial waste gas



#### ★ FENC®TOPGREEN®Bio3 PET

Industrial Waste Gas Ethanol MEG

FENC®TOPGREEN®Bio3 PET

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### Developing Wide Array of Circular Product Applications

In 1988, FENC established the first PET bottle recycling plant in Taiwan. By revamping the production process, the Company made quantum leaps in the quality of rPET it produced. The Company went even further by introducing innovations to the recycling technology, expanding the scope of recyclable materials to include textiles. In addition to **beverage bottles**, **non-food-grade packaging**, **apparels**, **shoe materials** and **home products**, FENC also produces highly technical products such as industrial grade fibers as in the case of its collaboration with Continental AG, the German tire brand. Over 2 years of research and development bore fruit in 2021 with the release of the **tire cords** made out of recycled PET bottles. This collaboration is a remarkable breakthrough in circular economy. With the ability to produce raw materials from waste PET bottles as well as recycled apparel and textile products, the Company has successfully developed a wide range of green products. In the future, the Company will expand the applications further to help brand customers fulfill their sustainable commitments.

#### **Applications of Recycled Waste PET Bottles**



#### **Environmental Performance**

#### **Waste Reduction**

FENC's contribution to waste reduction in 2021: **20,000,000,000** PET bottles/year The bottles may circle the earth **115** times.



#### **Product Certification**

#### Food-grade Approval



厚生労働省

Compared to conventional production using fossil fuel, producing PET resins with recycled PET bottles reduces GHG emissions by **63%**.

FENC's contribution to carbon reduction in 2021: 580,000 tCO<sub>2</sub>e/year The equivalent of carbon absorbed by 58,000 hectares of forests or annual carbon emissions from 320,000 households.

Note: The values of electricity carbon emission factors in Taiwan, carbon absorption per hectare of forests and monthly electricity consumption per household are based on data published by Taiwan Power Company

**Recycled Content Certification** 

#### **Green Mark**







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# Constructing **Global Recycling Business**

FENC is expanding its recycling business frontier. In 2021, FENC's annual production capacity of rPET exceeds 300,000 metric tons, making FENC the second largest supplier in the world. Its production sites span across the Pacific Ocean in Taiwan, Mainland China, Japan and the U.S. The recycling empire continues to grow. The Company has announced the plan to construct the new Kansai Plant in Japan. Expansions are also underway in Vietnam, Malaysia and the Philippines. FENC is set to become the largest rPET producer in 2025.

000

Timeline on

FENC invested in building

remanufacturing plant in

Recycling Co., initiating

tion model with waste

recycling and reuse.

circular economy produc-

1988

Taiwan – Taiwan Resources

the first PET bottle

**FENC's Expansion of** 

rPET Production Capacity

FIGP announced the construction of the third production line in the Kansai region, Japan. The move solidifies FENC's leading status in the rPET industry in Japan.

2021

2020

FENC acquired

manufacturer

Technologies

International,

the rPET

Phoenix

LLC.

201

9

FIGP built the second production line, which began production in 2021.

In light of growing demand for green products, the recycling business unit of Oriental Resources Development Limited is separated into Oriental Green Materials Ltd. (OGM).

20

FENC established Far

Corporation (FIGP),

territory to Japan.

Eastern Ishizuka Green PET

expanding its production

Production began in Plant 2 in Taiwan. Manual bottle recycling is now replaced by machines, which expands the processing capacity to over 50% of waste PET bottles in Taiwan.

FENC expanded green production into Mainland China, launching rPET production at FEIS.

2006

2012

2010

FENC obtained 100% of the shares of Taiwan Resources Recycling Co., which is consolidated into the recycling business unit of Oriental Resources Development Limited.



#### Building Net Zero Factory and Fulfilling Sustainable Development **Goals with FIGP Kansai Plant**

In face of growing threats from climate change, FIGP Kansai Plant is introducing renewable energy systems such as the solar power. With building a net zero factory as the goal, the plant is also purchasing green electricity to promote energy and carbon reduction. In addition, FIGP has collaborated on green financing in the amount of ¥5 billion with



Mizuho Bank for the construction of the Kansai Plant. The fund will be used towards the establishment of recycling operation and green production to expand the production capacity and enhance the plant's performance in promoting circular economy. This financing project is unprecedented among the overseas subsidiaries of Taiwanese corporations, in which sustainable financing is sought. Since 2019, FIGP has been building a 100% PET closed loop in Tokyo with 7-ELEVEN Japan. In 2021, the plant made an agreement with Himeji City and Ito En, Ltd. on forming the 100% PET closed loop. In the future, the plant will recycle waste PET bottles from the city and deliver them to the Kansai Plant and local bottling plant. The finished PET bottles will be used by Ito En, Ltd. It is anticipated that when the Kansai Plant inaugurates in 2024, FIGP will be able to process 270,000 metric tons of waste PET bottles each year with 190,000 metric tons of rPET production capacity, taking a healthy bite out of the market share at 50%.

A 100% PET Closed Loop Among FIGP, Himeji City and Ito En, Ltd. (Japanese)

FIGP Receiving SDGs Promotion Support Loan from Mizuho Bank (Japanese)





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2. Green Growth Through

**Circular Economy** 

FENC is the proprietor of multiple recycling technologies and green products with a global deployment of green production. The Company is also eager to share its experience in the development of circular economy through external engagements. In 2021, FENC accepted invitations to speak during events featuring circular economy in Taiwan. The Company was also conduct exchange on the subject with business counterparts from Indonesia and Australia as well as governmental officials. The Company will continue to raise public awareness on sustainability through the promotion of green products.

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#### Participation in the Production of Taiwan Day Video for UNFCCC **COP 26**

FENC provided assistance to Environmental Protection Administration of Executive Yuan and Circular Taiwan Network with the production of CC4CC Accelerating Circular Collaboration for Climate Crisis, a video for Taiwan Day, which was held on the sidelines during United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP26). The video features FENC's special rPET technology and vertically integrated production that turn waste PET bottles into functional apparels. The innovation greatly reduced energy consumption and carbon emissions, showing the world Taiwan's contribution to mitigating the global climate crisis.

**CC4CC** Accelerating **Circular Collaboration** for Climate Crisis

Video produced by Environmental Protection Administration of Executive Yuan and Circular Taiwan Network



#### Sharing Circular Economy Technologies with Indonesian Economic and Trade Office in Taipei and **Business Delegation**

Representatives from Indonesian Economic and Trade Office in Taipei and the business delegation visited FENC at the Far Eastern Plaza. During the meeting. FENC presented its green product applications and circular economy technologies. The exchange is beneficial for the Indonesian business community to establish the recycling and reuse system for waste plastics. It also presents an opportunity to promote FENC's green products to Indonesia while the Company evaluates the plan the build its recycling production in Indonesia for the future.



#### FIGP, Katsushika City and Japan Soft Drink Association Collaborating on B2B Circular Economy

Katsushika City in Tokyo and Japan Soft Drink Association signed the cooperation agreement to collaborate on the recycling of PET bottles in Katsushika City. In the future, FIGP will apply the B2B model to transform the PET bales from the city into rPET resins, which will then be utilized by corporate members of Japan Soft Drink Association.

#### Speaker for Circular Economy Lecture Series at Hsing Tian Kong **Community School**

FENC was invited to speak on the topic of The Path To Revolutionize Ocean Plastic during the Circular Economy Lecture Series at Hsing Tian Kong Community School, The aim was to raise public awareness on the protection of marine habitat. The Company shared its experience in recycling PET bottles from the ocean and transforming them into functional apparels as well as footwear to remind the public to value the marine habitat. It is the hope that those in attendance will spread the concepts of circular economy and sustainable development further in their communities.



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#### Online Bilateral Meeting between Taiwan and Australia - Cooperation in Recycling and Circular Economy of Plastics

FENC was invited by the Environmental Protection Administration to attend an online bilateral meeting between Taiwan and Australia for in-depth discussions on recycling and circular economy with the business communities from both sides. Among the representatives from Australia are Brent Moore, Deputy Representative and Senior Trade and Investment Commissioner. Australian Office, as well as Gayle Sloan, Chief Executive Officer of Waste Management and Resource Recovery Association of Australia. FENC shared its vertically integrated supply chain for green products and recycling technology, showcasing its competitive edge in the green industry in Taiwan. The meeting presents an opportunity to initiate collaborative efforts between Taiwanese and Australian businesses to promote environmental protection and create values through circular economy,

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# Special Report 3 The Path to Net Zero Through Low-Carbon Transformation

FENC has taken immediate steps towards the global vision of GHG reduction, answering the call with comprehensive measures to lower carbon emissions. The Energy Task Force, FENC's designated entity for environmental and energy management, has coordinated the establishment of short- to long-term targets. Energy conservation and carbon reduction teams are established at all production sites to set up carbon reduction pathways based on the 5 major strategies in order to build a green and low-carbon operating model.

Effects of climate change and global warming are growing severe. In August 2021, Intergovernmental Panel on Climate Change (IPCC) released the Sixth Assessment Report (IPCC AR6), indicating the dire consequences excessive post-industrial CO<sub>2</sub> emissions have brought upon the earth, and the early arrival of global temperature rise by 1.5°C. If the world is to curb the temperature rise before the end of the 21st century, it would require a total transformation in economic development and energy use. The only feasible path is net zero emissions by 2050. Carbon management grabbed international attention in 2021. During the UNFCCC COP26 in 2021, over 200 countries adopted the Glasgow Climate Pact. Key outcomes include multiple nations stepping up their national 2030 climate targets by the end of 2022; phasing down unabated coal power for the first time; additional climate assistance for developing countries; regulations for global carbon trading.

In 2020, Financial Supervisory Commission R.O.C. issued Corporate Governance 3.0 – Sustainable Development Roadmap, requiring listed companies to make disclosures in sustainability reporting based on Task Force on Climate-Related Financial Disclosures (TCFD). In 2021, Environmental Protection Administration issued a notice on the upcoming amendment to the Greenhouse Gas Reduction and Management Act and the renaming of the act to the Climate Change Response Act, which will entail stipulations on 2050 net zero targets and earmarking carbon fee revenues. The growing governmental focus on carbon-related issues is evident.



# Establishing GHG Reduction Goals with Strategic Foresight

The Energy Task Force, FENC's designated entity for environmental and energy management, coordinated the establishment of short, mid and long-term GHG reduction targets. FENC is also in the process of receiving approval from the Science Based Targets Initiative (SBTi). The approval is pending the announcement from SBTi on the guidance for the chemical sector.



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# Building Low-Carbon Operation Through 5 Major Strategies

To reach the GHG reduction targets, FENC formulated 5 major strategies, taking actions towards carbon reduction while seeking cutting-edge technology to put the strategies into practice on the mitigation pathways.



Expenditures on energy conservation projects have long been a critical link in FENC's response to climate change. The first special budget of NT\$2 billion was appropriated for energy conservation in 2010. Another NT\$2 billion was appropriated in 2017, and the latest special budget for energy conservation, which was appropriated in 2022, reached a new record with NT\$4.18 billion. New projects funded by the special budget are anticipated to reduce a minimum of 196,000 tCO<sub>2</sub>e in GHG emissions. For more details, please refer to <u>3.1.1 Energy Management</u> - Measures and Performance in Energy and <u>Carbon Reduction</u>.

# Seeking Low-Carbon Fuels

The short-term plan focuses on replacing coal or crude oil, which are high-carbon fuels, with natural gas, which is relatively low in carbon emissions. The mid and long-term plans focus on replacing natural gas with hydrogen fuel and achieving energy transformation as the technology for developing hydrogen energy matures.

#### Developing Renewable Energy

FENC started installing solar power generators in 2016. Currently, 10 production sites in Taiwan, Mainland China and Vietnam have completed the installation with a total capacity of 13.39 million kWh in 2021. To reach the carbon-reduction targets, production sites yet to do so have initiated the evaluation process, and production sites with existing solar power systems are ready for expansion. It is anticipated that the total installed capacity will nearly triple by 2025, reaching 46,000 kW. For more details, please refer to <u>3.2.2 Renewable Energy.</u>

OPTC Plant 2 is planning to install a biogas power generation system with 2,400 kW in capacity utilizing the biogas generated from the anaerobic wastewater treatment system. In addition, the plant is assessing the feasibility of other renewable energy options such as small wind turbines.

According to Renewable Energy Development Act, major energy users must incorporate 10% of green power in the energy mix. For production sites with 5,000kW of contract capacity, 10% of it must be green power. The stipulation is applicable to 6 FENC production sites in Taiwan, including Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, Hukou Mill, OPTC Plant 1, OPTC Plant 2 and FEFC. All 6 have invested in renewable energy generation and are on track to comply with this requirement in 2023, which would be eligible for the early bird incentive.



#### **/** Transforming Raw Material Use

FENC adopts low-carbon fuels with recycled and biomass alternatives as the main focus. With the competitive edge gained through its core technology, the Company aggressively develops innovative materials that are low-carbon and environmentally friendly and expands product applications.

- ★ Recycled raw materials: As the leader in the global rPET industry, FENC accomplishes a circular economy by turning waste into raw materials. For more details, please refer to <u>Special Report 2. Green</u> <u>Growth Through Circular Economy</u>.
- ★ Bio-based materials: FENC focuses on the R&D of bio-based polyester materials that can be commercialized and mass-produced. For more details, please refer to 2.1 Instigating Production and Product Innovation. ※

#### Utilizing CCUS Technology

FENC hopes to capture carbon emissions from the boiler exhaust using carbon capture, usage and storage (CCUS) to reach carbon reduction.

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### Activating ISO 14064-1:2018 GHG Inventory

Prior to establishing GHG reduction targets, current carbon emissions within the industry must be examined. Hence, FENC activated the comprehensive GHG inventory project based on the latest ISO 14064-1:2018 standards. The 20 FENC production sites first identified major indirect GHG emission sources, and conducted GHG emission calculations on procured goods and services, fuels, upstream and downstream transportation, employee commute and business trips based on the 15 indicators for quantification from GHG Protocol-Scope 3 Accounting and Reporting Associated Standards, WRI and WBCSD, 2011. The Company conducted 24 internal training sessions and 8 official training sessions for internal auditors. The project mobilized 672 employees and 332 are now qualified internal auditors. The 20 production sites are on schedule to pass internal audits on GHG inventory by April 2022 and obtain external verification certifications by the third quarter of 2022, which covers 100% of the scope of implementation.

Note: Due to scheduled relocation for FEAZ, the external verification based on the latest ISO 14064-1:2018 will be scheduled after the plant is relocated.

## Support for Climate No.1 Change Initiatives

FENC has long been dedicated to corporate sustainability. The Company takes concrete actions, looking to stay on par with top international corporations and cheering industry peers to work together towards finding solutions to curb climate change. On Friday, August 21, 2020, FENC signed the statement of support for the Task Force on Climate-related Financial Disclosures (TCFD). As of the end of January 2022, nearly 3,000 corporations worldwide have signed the statement. FENC is **the first petrochemical corporation in Taiwan** to do so, and the first traditional manufacturer in Taiwan to make the declaration of signing the statement.

# Enhancing Stakeholder Engagement

Donald Fan, Acting President of Polyester Business, and B.C. Chang, Chief Operating Officer of Polyester Business, were interviewed by CSR@CommonWealth, a reputable online CSR platform. Three aspects were discussed during the interview, which started with the demand for carbon reduction measures from international customers. FENC continuously engages with these major international corporations with positive responses, forming partnerships that incorporate carbon reduction through circular design and avoidance. The second aspect centered on FENC's vertically integrated supply structure as well as its competitive edge stemming from over 3 decades of experience in PET bottle recycling. FENC tackles green product development from the land, ocean and air, transforming waste PET bottles, textiles, ocean plastics as well as industrial gas into raw materials. Lastly, the interview covered FENC's carbon reduction strategies, conveying to the world its determination in low-carbon operation and pathways to net zero.



FENC Building Low Carbon Operation as Answer to the Urgency of Net Zero (Chinese)

Photo Credit: CommonWealth Magazine

Business Weekly ESG and Taiwan Climate Partnership co-hosted 2021 Carbon Reduction Summit and invited FENC to share its experience during the event. B.C. Chang, Chief Operating Officer of Polyester Business, was among the speakers during the summit. He shared his talk during the session on Low-Carbon Life Circle: Environmental Textile. Mr. Chang shared the talk on the topic, The Sustainable and Circular Textile Industry, during which he discussed the development in the circular polyester industry as well as FENC's carbon reduction strategies and pathways. As of the end of February 2022, the talk had drawn over 1,000 views on the YouTube channel of Business Weekly. FENC's experience was also featured in the 1770th issue of the magazine, which was published on Thursday, October 14, 2021. The coverage features FENC's technological evolvement, from turning waste PET bottles into new polyester materials and bottles, and the Company's utilizing the carbon capture technology to produce yoga apparels out of waste gas. FENC has always been a faithful soldier in the fight for net zero.



2021 Carbon Reduction Summit - Forming a Carbon Reduction Network in the Fight for Net Zero with Experiences from Prominent Corporations! (Chinese)



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

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

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

**ESG** Issues

Meeting

are on the Agenda of

**Every Quarterly Board** 

# **A Zero-Default**

Record for 13 Consecutive 🌣 👸 Years

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

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

**Succession** 



OPTC Secured a NT\$20 Billion **Syndicated Loan** 

### **The First Sustainability-**Linked Loan

in the Petrochemical Industry in Taiwan



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

#### Sustainable Governance at FENC

**Board of Directors, Sustainability Committee and Sustainability Implementation Committee Promoting Corporate Sustainability** From the Top Down





Strengthening **Regulatory Compliance Among Suppliers and Contractors** 

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# **Targets and Progress**





- ability awards.
- Improve international ESG ratings.



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#### Performance and Strategies

#### Significance and Purpose of Management for FENC

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

#### Management Approaches and Effectiveness Evaluation Mechanisms

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

#### Authority

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



#### Significance and Purpose of Management for FENC

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

#### Management Approaches and Effectiveness Evaluation Mechanisms

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

#### Authority

- Corporate Governance Officer
- Corporate Governance Task Force



#### Significance and Purpose of Management for FENC

Perfect Risk

Management

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

#### Management Approaches and Effectiveness Evaluation Mechanisms

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

#### Authority

- Corpoarte Management
- Petrochemical Business, Polyester Business, Textile Business

# Implement Sustainable Development

# Significance and Purpose of Management for FENC

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

#### Management Approaches and Effectiveness Evaluation Mechanisms

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

#### Authority

Sustainability Implementation Committee

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#### **1.1 Refining Operational Performance and Strategies**

Mission

Statement

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

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



#### Assets and Revenue in 2021



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

#### **1.1.1 Financial Performance**

Healthy financial performance is the cradle of success for sustainability projects. It is also the key to sustainable corporate development. Each year, FENC sets the annual operating and capital expenditure budgets. Once the budgets are approved by the Board of Directors, the Accounting Department presents the Company's financial performance during each Board meeting. The presidents of each business reports on the state of operation at the Board meetings and the monthly operation review meetings, which enables the highest governing entity to monitor budget status. FENC chooses professional, accountable and independent

certified accountants to audit the Company's finance and internal control. The accountants' independence and qualification are evaluated and reported to the Board annually based on The Norm of Professional Ethics for Certified Public Accountant of the Republic of China issued by CPA Association R.O.C. (Taiwan) and FENC's Corporate Governance Principle. The certified public accountants selected for 2021 were evaluated and approved by the Board on March 24, 2021.



(2021)

Unit: NT\$1,000

#### Financial Performance

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

Note: FENC consolidated financial statement

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• Economic Values Distributed to Stakeholders Unit: NT\$1.000 2019 2020 2021 **Operating Cost** 205,396,660 166,373,605 192,320,517 **Employee Wages and Benefits** 22,865,446 19,790,390 23,318,469 Payments to Investors 20,612,117 17,700,487 16,664,889 (Interest Expense and Dividends) Payments to Government 2,695,092 3,142,945 2,982,820 (Income Tax) Investments in Community 139,578 238,392 112,099

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

Accrued Income Tax Expense	9		Unit: NT\$1,000
	2019	2020	2021
Taiwan	2,354,409	2,241,434	2,338,061
Mainland China	292,177	859,003	388,621
Malaysia	12,389	15,058	3,546
Hong Kong	5,764	11,409	50,087
U.S.	3,110	6,195	5,788
Bermuda	996	5,966	7,230
Vietnam	25,483	4,882	(7,096)
Singapore	-	4,550	3,533
Netherlands	-	45	-
Japan	764	(5,597)	193,050
Income Tax	2,695,092	3,142,945	2,982,820
Ratio of Income Tax to Revenue	1.08%	1.52%	1.25%

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

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

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

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










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Initiating Market Innovations through ESG 9 MONTREASE

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

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

OPTC has long been focusing on carbon and waste reduction as well as recycling. The plant ties its corporate operation with sustainable performance, entering into a loan agreement with an ESG margin

ratchet where borrowers may take advantage of a lower interest rate when meeting ESG credentials in GHG emissions, energy and water conservation as well as corporate social responsibilities. OPTC is the first petrochemical corporation in Taiwan to secure a sustainability-linked syndicated loan, which is backed by enthusiastic offerings from a consortium of 14 financial institutions, including the 8 state-funded banks. OPTC secured the loan within 2 months and signed the loan agreement on August 30, 2021.

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

# 2021 TSAA 家績行動 建果新世纪股份有限公司 全级 \$2017永增全級指并水增發表 新發 \$2068永靖法道:風險管理到新 man St. A

17 PARTNERSHIPS FOR THE GOALS 8

#### 1.1.2 Production Business

#### Main Products and Value Chain



#### Sales Ratio



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







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

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

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

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

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# **1.2 Governing with Steady Pace**

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



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

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

# 1.2.1 Integrity and Anti-corruption

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

Articles of Incorporation 👧 Corporate Governance Principles 👰

Best Practice Principles of Ethical Corporation Management 🕋 Code of Ethics 🕋

Whistle-blowing and Disciplinary Method of ViolatingLegal Compliance ExecutionEthical Conduct and Ethical Management (Chinese)Report (Chinese)

# Code of Conduct

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

# System

1. Conflict of interest stipulated in the Rules of Procedure for Board of Directors – Donations from stakeholders or major donations to nonstakeholders: Rules of Procedure for Board of Directors stipulates that such conduct shall be reported to the Board;

2. The whistle-blowing and disciplinary method of violating ethical conduct and ethical management;

3. Provisions of anti-money laundering measures under Control System on Preventing Economic Sanction from Financing of Terrorism;4. Remuneration system;

5. Internal control system and provisions governing its implementation, including management policy, authorization system and segregation of duties;6. Risk assessment mechanism, which applies to dealings with governmental entities;

7. Anti-corruption clause, which shall be included in procurement contracts.

# Scope

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

# Audit System

1. Integrity and anti-corruption practice are listed under mandatory audit in the internal audit system.

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

# Training and Promotion

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

# 2021 Implementation

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

# 2021 Results

1. There were no incidences of corrupt conducts at FENC.

- 2. Anti-corruption training was conducted for 90% of the permanent employees. Due to the COVID-19 pandemic, the training schedule in Vietnam was affected, hence reducing the completion rate of anti-corruption training.
- 3. All Board members completed the anti-corruption training, representing 100% in completion.
- 4. All new recruits in 2021 signed the declarations to commit to FENC's Best Practice Principles of Ethical Corporation Management, representing 100% in completion.

5. A total of 14,664 suppliers and contractors, including agents and traders, completed the anti-corruption trainingpromotion, representing 94% in completion.

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#### 1.2.2 Board Structure and Remuneration

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

Board Regulations 🔞 Profile of Board Directors 🔞

#### Functional Committees

Remuneration

Committee

Independent Board members serve as the convening body of the Remuneration Committee, which provides assistance to the Board in the establishment of performance review policies governing Board members and managers. The Committee is also responsible for establishing remuneration policy, system, standards and structure. FENC conducts regular performance reviews of employees, managers and Board members through the Remuneration Committee and determines salary, bonus Established in 201 and other forms of compensation. The Committee conducts industry payroll survey and provides recommendation to the Board for discussion. In 2021, the Remuneration Committee convened 2 times.

#### Remuneration Committee 🔞

Audit Committee is composed of all independent Board members and convenes quarterly. The objective of this committee is to monitor the appropriateness of financial reporting, implementation of Audit Committee internal control, compliance with company regulations, management of potential or existing risks, as Established in 2015 well as selection and evaluation of the independence and performance of certified public accountants. The Audit Committee convened 5 times in 2021.

Audit Committee 🎧

Independent Board members serve as the convening body of the Sustainability Committee, which actively fulfill the following responsibilities granted by the board of directors, including "Promote Sustainability and strengthen the corporate governance and integrity", "Implement and develop matters related to Committee Established in 2020 corporate sustainability" and "Supervise other matters related to corporate sustainability approved by the Board". In 2021, the Sustainability Committee convened 1 times.

Sustainability Committee 🔞

#### Board Management and Performance Review



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#### 1.2.3 Shareholder Benefits

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

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

Meeting Rules of Stockholders 👧

#### **1.3 Perfecting Risk Management**

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

#### 1.3.1 Risk Control Policy

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

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

#### Structure of Risk Control Organization

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

#### 1.3.2 Identification and Management of Major Risks

#### Major Risks

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



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

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



#### 1.3.3 Risk Control Mechanism

#### TSAA Recognition for Comprehensive Risk Control

Taiwan Institute for Sustainable Energy (TAISE) held the first Taiwan Sustainability Action Awards (TSAA) in 2021. FENC received the Bronze Award for its comprehensive risk control innovation, an action plan involving the establishment of corporate policies to implement risk control as well as the compliance with and practice of FENC Human Rights Policy and various labor standards. Other



implementations include the risk ranking project; regulatory compliance; risk alert system, pledge to Task Force on Climate-related Financial Disclosures (TCFD), Company-wide pandemic control measures and risk notification system. These measures received high remarks from the industry and academic jury members.

1. Regular Meetings			Enviro	onment 🛑 Social 🔵 Governance	
	Important Meeting	Interval	Corresponding Issue	Highest Ranking Attendee	
	Board Meeting	Quaterly	• • •	Chairman	
Board	Audit Committee	Quaterly	۲		
Meeting	Remuneration Committee	Semi-Annual	•	Independent Directors	
	Sustainability Committee	Annual	• • •		
	Management Meeting	Annual	• • •		
	Human Resources Managemet and Developmet	Semi-Annual	• •		
Themed	Special Report on R&D	Semi-Annual	• •		
Meeting	Seminar on Industry Strategies	Semi-Annual	•	Chairman	
	Budget Review	Annual	•		
	Environment Sustainability	Annual	۲	_	
	Operaton Review Meeting	Monthly	• • •	_	
Regular	Sales Meeting	Semi-Monthly	•	_	
Meeting	Risk Managemet Meeting	Monthly	• • •	President of Corporate Management	

#### 2. Risk Alert System: Advanced Response with Regular Tracking

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

#### Process of Risk Alert System



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#### • Scope of Risk Alert System

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

Zero Default for 13 Consecutive Years



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

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

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

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

#### Objective

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

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

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

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

Detail

About This Report	Category	Focus	Task	2021 Performance	
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Sustainability Strategy Blueprint		<ul> <li>A clear and adequate system for the conveyance, consultation, coordination and reporting of regulatory information was established</li> </ul>	<ul> <li>Designate regulatory compliance personnel.</li> <li>Report violations and penalty immediately.</li> </ul>	<ul> <li>The compliance staff from all departments report monthly on violations and penalty.</li> <li>No grievance claims were filed in 2021</li> </ul>	
FENC's Contribution to UN SDGs	Establish Communication	• The SOP and grievance mechanisms for violations were established, including	report fiolations and penalty infinediately.		
Identification of Stakeholders and Material Topics		the email for reporting regulatory compliance issues and for the Audit Committee and Audit Department.			
Boosting Stakeholder Dialogue		• Track the latest regulatory amendments and updates on a regular basis and	• Convey the latest regulatory changes to applicable units and	• The Environmental Protection Administration, Executive Yuan amended the	
Sustainable Recognitions	Regulatory Update	<ul><li>convey the changes to all units immediately.</li><li>Provide advanced risk alert on violations for all units.</li></ul>	personnel. • Update Company regulations in accordance with regulatory	Regulations of Fine Determination for Violation of Waste Disposal Act and briefed the managers from FENC sites during on-site inspections.	
Special Report			changes.		
<b>Fostering Robust Governance</b> 2021 Highlight Targets and Progress Material Topics 1.1 Befining Operational	Regulatory Training	<ul> <li>Publish information on regulatory enactment, case studies and regulatory education.</li> <li>Conduct training on key regulatory amendments.</li> <li>Provide in-person and online training on regulatory compliance for new employees (intellectual property/copyright/Criminal Code and corporate corruption/labor conditions/trade secret).</li> </ul>	• Designate appropriate staff to undergo training.	• To improve managers' awareness of legal risks and emergency response, FENC invited 4 attorneys from Lee and Li Attorneys-at-Law to give a lecture on January 13, 2021. With backgrounds in public prosecution and environmental safety, the attorneys spoke on the topic, Corporate Response to Criminal Risks and Environmental Safety and Health Risk Control. A total of 252 employees participated, including the managers and plant managers, security staff and environmental safety staff from FENC sites as well as the legal staff from FENC affiliates.	
Performance and Strategies		Implementation of regulatory compliance was reported to the Board quarterly.	• All departments conducted self-evaluation on regulatory	• To ensure the confidentiality of trade secrets or classified information, employees at	
1.2 Governing with Steady Pace		<ul> <li>Self-evaluation checklists were established targeting the regulatory control points.</li> <li>The logal Department collaborated with the Human Recourses Department</li> </ul>	compliance and completed the necessarily forms.	9 FENC sites were required to sign the confidentiality agreement with customers or	
1.3 Perfecting Risk Management			On-site inspections were conducted with supplementary information provided	business partners during the technological promotion or development process as legal	
1.4 Implementing Sustainable Development	Compliance Evaluation	Labor Safety and Health Department and Audit Department to complete on- site inspections, report to the Board, provide guidance for all departments on	<ul> <li>Suppliers and contractors were required to sign FENC's Supplier Corporate Social Responsibility Commitment</li> </ul>	<ul> <li>A total of 6,001 suppliers signed the Supplier Corporate Social Responsibili Commitment Statement, accounting for 85% of the total suppliers.</li> </ul>	
Enabling Unlimited Innovation		improvements and follow up. • Suppliers and contractors at all FENC sites were required to comply with	Statement or include equivalent clauses in the transaction documents.		

corporate social responsibilities regarding labor and human rights; health and

safety; environmental protection; business ethics.

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

#### 1. Annual Confirmation on Regulatory Compliance

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

#### 2. Monthly Regulatory Compliance Meetings

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

#### 3. E-learning on Regulatory Compliance

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



	Violation	Fine (NTD)	Improvement Plan
OPTC	The test results for odorous pollutants in the discharge pipe exceeded the limit stipulated in the Standards for Air Pollutant Emission from Stationary Pollution Sources.	NT\$585,000	<ol> <li>The investigation conducted by the Production Development Department found mild traces of production fluids, which caused the odor that violated the regulatory requirement. A condensate system was installed for venting and cooling as a mitigation measure.</li> <li>After the improvement, OPTC hired SGS Taiwan Limited to evaluate the odorous pollutants in the discharge pipe. The concentration reading from the first test was 234 and 309 for the second. Both are under the maximum limit of 2,000 stipulated in the Standards for Air Pollutant Emission from Stationary Pollution Sources. The improvement is satisfactory.</li> </ol>
FIGP	During an investigation, the local tax office found omissions in the bookkeeping records for the corporate income tax, sales tax, withholding tax and stamp tax. The tax base used was also non-compliant.	NT\$245,000	<ol> <li>The tax return was corrected and the tax payment was remitted.</li> <li>Improvements were made to the inventory form and the tax forms were corrected.</li> <li>Applicable units confirmed the accuracy of the tax base.</li> </ol>
FENC Kuanyin Dyeing and Finishing Plant	The pressure difference of the air pollution control device in the gravure printing operation did not match the limit listed on the stationary pollution source permit. The operation was deemed non-compliant.	NT\$100,000	<ol> <li>Cleaning operations were immediately scheduled within the week to ensure compliance with the pressure difference requirement.</li> <li>Unit managers are now required to review and verify the operation record of stationary pollution sources to ensure that the pressure difference complies with regulatory standards.</li> <li>The printing operation and emission values are monitored every 2 hours based on the air pollution monitoring form to determine whether the values are acceptable.</li> </ol>

Note: The threshold of disclosure is set at NT\$100.000 and 3 violations exceeded this threshold in 2021.

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

#### 4. Risk Ranking Project

Maior Violations in 2021

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

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

#### 5. Strengthen Risk Control Training

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

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

#### 6. Oversight and Management of Internal Control System

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

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

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

#### • 2021 Implementation

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

#### • 2021 Training for Audit Personnel

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

Internal Auditing Organization and the Process of Self-Internal Auditing 🕋

#### 7. Management of Information Security

#### Information Security Management System (ISMS)

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

#### • Ensure Effectiveness of Information Security Protection

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

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#### Implement Staff Safety Management and Training

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

#### Policies Governing Remote Work and Use of Mobile Devices

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

#### Review of Business Continuity Plan

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

#### 1.3.4 Climate Risk Management

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

TCFD Climate-related Financial Impact 🔍

#### Governance of Climate-Related Risks

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

#### Structure of Climate Risk Management



#### Identification of Climate-Related Risks

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

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

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



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#### • List of Climate-Related Risks

🔇 Irrelevant 🕕 Low Impact M Medium Impact 🔒 High Impact

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			Scope of Impact						
Risk Type	Sub-type	– Detail		Supplier		(	Corporate Operation		
		Raw Material Supplier	Equipment Supplier	Logistics	Petrochemical	Polyester	Textile	Customer	
Transition Risk	Technology	Costs to transition to lower emissions technology	C	0	C	H	•	Ð	0
Transition Risk	Policy and Legal	Increased costs of GHG emissions due to GHG regulations	C	0	C	H	Ð	Ð	X
Physical Risk	Acute	Typhoon (hurricane)	l	0	C	Μ	Μ	C	l
Transition Risk	Policy and Legal	Regulations related to renewable energy development	C	0	X	Ð	•	•	X
Transition Risk	Reputation	Climate-related risks for corporate reputation	C	X	X	Μ	M	C	M
Transition Risk	Market	Changing customer behavior	C		X	L	M	C	C
Physical Risk	Chronic	Draught caused by changes in precipitation patterns	C	X	X	M	M	M	X
Transition Risk	Technology	Substitution of existing products and services with lower emissions options	X	X	X	M	Μ	C	C
Physical Risk	Acute	Torrential rain and flood	X	X	l	C	C	C	C
Physical Risk	Chronic	Rising mean temperature	C	X	X	L	C	C	l

#### List of Critical Climate-Related Opportunities

Opportunity Type		Detail	Management Approach
Resource Efficiency	<ul> <li>Use of more efficient modes of transportation</li> <li>Use of more efficient production and shipping methods</li> <li>Recycling and reuse</li> </ul>	<ul><li>Relocating to more efficient buildings</li><li>Reduced water usage and consumption</li></ul>	
Energy Source	<ul><li>Use of low-carbon sources of energy</li><li>Participation in carbon market</li></ul>		<ul> <li>Implement energy conservation and carbon reduction products.</li> <li>Invest in solar power generation.</li> </ul>
Products and Services	<ul> <li>Develop/expand low-carbon products or services</li> <li>Development of climate adaptation and insurance risk solutions</li> </ul>	<ul> <li>Development of new products or services through R&amp;D and innovation</li> <li>Shifts in consumer preferences</li> </ul>	<ul><li>Incorporate water efficient production and projects.</li><li>Develop green products.</li></ul>
Markets	Access to new markets		
Resilience	• Participation in renewable energy programs and adoption of energy-e	fficiency measures	

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# Step 2 Determine Climate Risk Scenarios

(1) 2 Degree Scenario (2DS): The Paris Agreement calls for keeping the global

(2) Nationally Determined Contributions (NDC): With Nationally Determined

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

FENC invited members of the Sustainability Implementation Committee and

managers from production sites under the Petrochemical, Polyester and Textile

Businesses to attend 3 meetings to discuss the climate scenarios. A total of

70 members from Taipei, Hsinchu, Taoyuan, Shanghai and Suzhou were in

FENC selected 3 major risks from a list of 10 critical climate-related risks for

quantitative impact analysis under the 2DC and NDC scenarios. Corresponding

Contributions, the anticipated global temperature rise by the turn of the

temperature rise by the turn of this century below 2°C.

7 production sites in Taiwan and 7 in Mainland China.

Step 3 Analysis of Climate-Related Financial Impact

action plans were formulated and implemented.

1. Scenario for Temperature Rise

century is set to be 3°C.

2. Scope

3. Output

categories.

attendance.

4. Approach

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

Risk Type	Potential Financial Impact	2021 Action Plan	
Typhoon (hurricane)	<ul> <li>Decrease in sales revenues due to impacts on production</li> <li>Loss in asset values</li> </ul>	<ul> <li>Focus on flood prevention and reinforce measures against typhoon damage production sites.</li> <li>Install emergency power generation systems to maintain steady power supportical facilities.</li> <li>Purchase diesel generators to maintain steady power supply for critical facilities.</li> <li>Make adjustments to ensure sufficient manpower during disasters.</li> </ul>	
Costs to Transition to Lower Emissions Technology	• Increase in operating costs due to investments in renewable energy and facilities that improve energy/resource efficiency	<ul><li>Invest in equipment that improves energy efficiency.</li><li>Invest in solar energy.</li><li>Purchase green power.</li></ul>	
Increased Cost of GHG Emission Due to GHG Emission Regulations	• Increase in operating costs due to carbon tax in Taiwan, Carbon Border Adjustment Mechanism (CBAM) in the EU and the national carbon trading scheme in Mainland China	<ul> <li>Conduct GHG inventory verification.</li> <li>Invest in low-nitrogen combustion and improve treatment for volatile organic compounds to reduce GHG emissions.</li> <li>Implement energy conservation and carbon reduction projects.</li> <li>Refine GHG emission management.</li> </ul>	

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

Opportunity Type	Potential Financial Impact	2021 Action Plan	
Resource Efficiency	<ul> <li>Increase in operating costs due to the procurement of energy- conserving equipment</li> </ul>	<ul> <li>Promote energy conservation and carbon reduction projects.</li> <li>Incorporate water-efficient production and projects.</li> <li>Replace equipment with low energy/resource efficiency.</li> <li>Implement waste recycling and reuse.</li> <li>Choose low-carbon transportation options.</li> </ul>	
Increase in operating costs due to increase in investments in renewable energy facilities		<ul> <li>Invest in low-carbon energy.</li> <li>Purchase Taiwan Renewable Energy Certification.</li> <li>Establish carbon trading management teams.</li> </ul>	
Products and Services	<ul> <li>Increase in operating costs due to investments in R&amp;D resources and product certifications</li> <li>Increase in asset values through obtaining green/smart building certifications</li> <li>Increase in sales revenues from green products</li> </ul>	<ul> <li>Devote R&amp;D efforts in green/functional products.</li> <li>Obtain green product certifications.</li> <li>Obtain green/smart building certifications.</li> </ul>	
Markets	<ul> <li>Increase in operating costs from expansion of production capacity</li> <li>Increase in asset values from the expansion of production sites</li> <li>Increase in sales revenues from rPET products</li> </ul>	• Expand applications of rPET.	
Resilience	<ul> <li>Increase in operating costs from the procurement of renewable energy facilities and green production</li> <li>Increase in sales revenues from green products</li> </ul>	<ul><li>Invest in solar power generation.</li><li>Develop green production.</li></ul>	

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#### Climate Risk Indicators and Targets



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

#### GHG Emission Data and Carbon Reduction Targets

Please refer to 3.2.1 GHG Inventory 🏷 and 3.2 Responding to Climate Change. 🏹

#### Carbon Reduction Strategy and Performance

Please refer to <u>3.2 Responding to Climate Change.</u>

#### Other Climate Targets and Progress

Please refer to <u>3 Navigating a Green Future – Targets and Progress.</u>

#### **1.4 Implementing Sustainable Development**

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

#### Guidance for Sustainability Governance

#### 1. Sustainable Development Principles

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

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

#### 2. Sustainability Strategy Blueprint

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

#### Structure of Sustainability Governance

#### 1. Board of Directors

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

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

#### 2. Sustainability Committee

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

Sustainability Strategy Blueprint 🔍

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Committee activities in 2021:

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

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

#### 3. Sustainability Implementation Committee

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

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

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

Profile and Duty of Sustainability Implementation Committee 🕋

#### • Structure of Sustainability Governance



#### **Disclosure of Sustainability Data**

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

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

#### Influential Press Coverage on FENC's ESG Performance

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

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

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

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

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

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

#### Sustainability Report Preparation Process



**副收置料** 

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# 2021 Highlight





**ISPO Textrends Award** 

**Accelerated Eco** 

**Best Product** 



# **First Bio-material**

Utilized in Face Masks in the World

78% Digitized of 161 Operations in Corporate Management

**Ranked No. 2** Among Nike's Apparel Suppliers in Lean Maturity Assessment

The Only

Vertically Integrated N66 Supplier in the World



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2030 Target

2025 Target

2022 Target

2021 Target

2021 Progress

**Action Plan** 



Introducing **5** innovative production process each year

Introducing **5** innovative production process each year Completed

Please refer to <u>2.1 Instigating</u>
<u>Production and Product Innovation.</u>

Continue the partnership with NIKE on global digitization and modernization.
Continue incorporating AI and Industry 4.0 applications.



Growth in Green Product Revenue

100% growth

80% growth

65% growth

55% growth Completed

NT\$ **38.379** Billion **76%** Growth

Accelerate research and development of green products.
Expand production capacity.
Enhance sales to customers.



Growth in New Product Revenue

2000% growth

500

1500% growth



1200% growth

**1100%** growth

NT\$ **13.820** Billion, **1000%** Growth FENC enhances product development and marketing to address unmet goals.

• Accelerate research and development of new products.

Provide training for R&D talents.
Facilitate close collaboration between R&D and business units.



Implementing **3** customer

Improving

**Customer Satisfaction** 

satisfaction initiatives yearly

Implementing **3** customer satisfaction initiatives yearly

Implementing **3** customer satisfaction initiatives yearly

Implementing **3** customer satisfaction initiatives yearly Completed

• FENC constructed the only vertically integrated supply chain for N66 in the world.

- FENC hosted 2021 product showcase.
- Products comply with international standards with certifications.
- Gain insights into customer needs through meetings and plant visits.

• Respond to customer requests on a timely manner and conduct review and improvements based on customer feedbacks.



Note: Growth in Green Product and New Product Revenue are set with 2015 as the base year.

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#### Significance and Purpose of Management for FENC

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

#### Management Approaches and Effectiveness **Evaluation Mechanisms**

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

#### Authority

Production Units

**Material Topics** 

**Instigate Production and** 

**Product Innovation** 

R&D Center



# **Build Customer Rapport**

#### Significance and Purpose of Management for FENC

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

#### Management Approaches and Effectiveness **Evaluation Mechanisms**

- Establish Regulations Governing Customer Relationship Management as the principle guiding customer relations.
- Conduct 2 company-wide sales meetings each month to stay current on market trends and review sales conditions.
- Managers of business units are to monitor interaction between sales and customers and conduct customer satisfaction surveys to maintain customer orders.

#### Authority

- Petrochemical Business
- Polyester Business
- Textile Business



# **Promote Product Marketing**



#### Significance and Purpose of Management for FENC

We appeal to customers with diverse marketing approaches by tracking customer needs, meeting market demands for new products, strengthening sales abilities and polishing corporate and product image.

#### **Management Approaches and Effectiveness Evaluation Mechanisms**

- Actively participate in exhibitions, presenting the latest products and documenting performance such as the number of visitors and orders as well as business development to align sales directions.
- Obtain product certifications and ensure compliance with international standards.

#### Authority

- Petrochemical Business
- Polyester Business
- Textile Business

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#### 2.1 Instigating Production and Product Innovation

FENC is the leader in the global polyester and textile industry. While the Company continues the pursuit of excellence to hone long-term competitiveness during business expansion, its devotion to R&D is unparalleled.

#### **Elevating Innovative Momentum**

Performance in R&D and Innovation

1,133

2001-2019

1. R&D Center was founded in 2001

797

Note:

1,163

2001-2020

2. FENC acquired Sharon Center in the U.S. in 2018, and the

2021, ownership for 483 of them has been transferred.

transfer of patent ownership has been ongoing. Sharon Center received approval on 558 patents. As of the end of December

Patent Applications

845

- 1. Units dedicated to R&D include Far Eastern Group R&D Center (R&D Center) in Taiwan and Sharon Center in the U.S. The two organizations are devoted to developing next-generation products, materials and production processes and continue to infuse growth momentum for FENC.
- 2. Product development departments are established in the business units to develop products tailored to customers' needs through frequent communications as well as to produce and commercialize the products in a short period of time, which would ensure customer satisfaction while generating revenues.

1,182

2001-2021

879



Note: Revenue from new products is generated through the use of technology from the R&D Center or from technology transfer.

#### Launching Digital Transformation

In recent years, global manufacturers have been racing towards digital transformation and smart manufacturing. FENC has not shied away from the race, devoting resources and establishing departments dedicated to organizational implementation. Currently, multiple projects are under way and have borne fruits. Interactions among the units have accelerated the learning process, creating more successes that will sustain the innovative momentum.

- 1. Hsinpu Chemical Fiber Plant established Smart Information Department in 2021 to promote intellectualization tasks. On September 15, the plant held a contest and sharing session on the promotion of digital transformation, which covers agile application; integrated perception; IoT application and integration; coordinated operation; best practice in the intelligence center; AI application; digital transformation innovation. A total of 155 employees from 90 divisions participated in the contest and 279 attended the sharing session. The event concluded with the presentation of 1 special award, 7 high distinctions, 5 awards of excellence and 11 honorable mentions.
- 2. The spread of COVID-19 prompted Corporate Management to accelerate the utilization of cloud and digital systems as the means to enhance corporate resilience. As of the end of 2021, 78 information systems have transitioned to the cloud, and 78% of 161 operational procedures are digitized. Digital transformation allows employees to embrace the remote work model. The Company has another 30 projects on value-adding information application, some of which have been completed, including platforms for customer and product contribution analysis; customer credit management; Forex gain/loss forecast; export receivable analysis; employee health care system; energy consumption analysis.

### Digital Transformation Budget



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The disruptive impact of COVID-19 on life and work is felt worldwide, and face masks have become the most effective and essential pandemic fighting tool. Statistics show that in 2021, average monthly face mask production reached 129 billion, which would require 540,000 metric tons of fiber, meaning 540,000 metric tons of monthly petrochemical waste.

FENC is one of the suppliers providing raw materials for the National Face Mask Production Team. During the 3rd quarter of 2021, Staple Fiber Division successfully developed FENC® Bio-hygiene, the raw material for non-woven fabric used in biomass and biodegradable face masks. Made from fermented sugarcane, the fiber is hydrophilic, skin-friendly and supple, which is likened to the quality of petrochemical fibers. At the end of the product life cycle, the material is biodegradable underground. The use of FENC® Bio-hygiene reduces carbon emission by over 50%, helping FENC fulfill its social responsibility and protect the environment.

#### Focusing on Green Innovation

#### 1. Climate Change Series

With Replace, Recycle and Reduce as the core concept, products in this series aim to mitigate climate change.

#### 2. Eco-friendly Series

This series offers a wide range of products that are friendly to the environment by using non-toxic materials, catalysts and additives to reduce pollutants emitted during production and minimize negative environmental impacts.

#### Revenue from Green Products



# Automated Warehouse System



At the textile plant of FEPV, products and raw materials are stored in and retrieved from the warehouse with manual operation and forklifts. Such operation is time and labor intensive. In 2021, the plant installed an automated warehouse system with sorting loop vehicle (SLV), which automatically delivers the raw materials into the warehouse, and from the warehouse to the unit with material requisition. At the end of the production process, SLV may also deliver the finished fabric products to the warehouse. With the previous manual warehouse operation, 40 metric tons of raw materials would require 6 hours to complete, but it takes only 4 hours with SLV. SLV routes can be programmed through smart systems, which drastically enhance energy and operational efficiency.

# **2.2 Building Customer Rapport**

FENC is the leader in the global polyester industry. Being the only vertically integrated supplier, the Company has the market advantage of providing one-stop shopping solutions with goods and services spanning from polyester materials to product applications. Such ability allows FENC to target market trends with precision and formulate R&D strategies. Customers are one of the most important stakeholders for FENC. We monitor product quality with the highest standards, establishing client relations management rules and quality control manuals. The Company also assesses customer needs through multiple channels, such as face-to-face meetings, video and teleconferencing as well as mail correspondence, to establish long-term partnership.

Customer feedback is what drives improvements in products and services at FENC. Hence the Company conducts 1 to 2 customer satisfaction surveys each year. The design and implementation of the survey are fulfilled by the sales and production units with the Presidents of Petrochemical, Polyester and Textile Businesses serving as the highest-ranking executives. Regular customer satisfaction surveys allow the Company to pinpoint customer needs and feedback. The Company also conducts reviews with follow-ups and improvements through internal meetings.

#### FENC's Customer Relations



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**Delivering Success for Clients by Solving Port** 

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The COVID-19 pandemic paralyzed land and marine supply chains worldwide. The dire situation has not subsided since it began in 2020. Labor and vehicle shortages lead to container shortages and congested ports, which result in surging shipping prices and prolonged delivery. FENC values each and every order placed by customers, and therefore developed multiple contingency plans within the least amount of time. Using multi-modal transportation, FENC has been successfully delivering all orders to the appointed destinations on time since the pandemic erupted.

In the past, FENC's worldwide shipment is delivered through container ships. Given the degree of container shortages, the Company chose the alternative of using bulk carriers and refrigerated containers. The first bulk carrier set sail on September 13, 2021, carrying 7,800 metric tons of goods and the second on February 15, 2022 carrying 20,000 metric tons. Compared to container ships, shipping through bulk carriers and refrigerated containers requires completely different logistic thinking in terms of packaging, quantity and loading, all of which are testing the Company's agility. In addition, the shipment of products from Mainland China to Europe is partially modified through container railways in Central Europe. Goods shipped to the U.S. are transported through the railway system of APG Polytech, a subsidiary of FENC, which facilitates the shipment of goods from the harbor to customers, ensuring for them uninterrupted supply of materials and operation. The swift response successfully resolved the port congestion crisis.



# No. 2 Global Ranking in Nike's Lean Maturity Assessment



FENC's customer, Nike, developed Lean Maturity Assessment (LMA) to evaluate its global suppliers' apparel and footwear factories. LMA encompasses 35 categories at 4 levels, leadership, roadmap, execution and sustain.

FEAZ obtained the no. 2 ranking in the 2021 LMA among Nike's apparel factories, and no. 1 among the apparel factories in Mainland China. FEAZ examined its own lean management through LMA and used the assessment to guide internal implementation and improvement. Optimization projects implemented include development of lean management talents, improvement on lean production, process on analyzing irregularities as well as introduction of SOP and systematic tools to fully incorporate lean management into the corporate system.

FEAZ has received high distinction among Nike's apparel suppliers, which will strengthen the collaboration between the two companies. The plant will also apply lean management practices to other apparel production or dyeing and finishing sites under FENC to extend the benefit.





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N66 is a highly differentiated and highvalue textile product with strict standards regarding raw materials, technology, production process and management. The production of N66 requires high thresholds and the market is currently oligopolistic with few suppliers. With a strong backbone of vertically integrated polyester supply chain, FENC has amassed rich experiences in supplying for international brands. By integrating the strengths from FEFC, FEIS,



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FEDZ, FEAZ and FEAV, the Company constructed a supply chain capable of producing a wide range of products, from the POY, DTY, high stretch fabric to yoga apparel, becoming the only vertically integrated N66 supplier in the world.

N66 products are susceptible to deterioration caused by ultraviolet light, high temperature and metal abrasion. Compared to other chemical fibers, the production of N66 is much more challenging. FEIS built machine shops with temperature and humidity control and a DTY production line specifically for N66; FEDZ installed a circular knitting machine with high yarn counts as well as dyeing and finishing equipment. Staff utilized production and quality management technologies with quality assurance to set up N66 operation and the SOP for inspection. The production process and storage conditions are strictly controlled to ensure consistent quality. The yield rate of FENC's N66 DTY reached 93%, which is higher than the industry average of 85%. FENC's breakthroughs in the quality of solution dye greatly reduced water consumption during the dyeing and finishing process, thus giving the Company a competitive advantage.

FENC's vertically integrated supply chain for N66 produces high-quality products with a short lead time for delivery. The product is favored by lululemon, the yoga apparel brand which made FENC a strategic partner. In 2021, orders from lululemon increased dramatically, increasing 9 times compared to 2018.

#### Green Initiatives

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

- Taiwan Circular Economy 100, TCE100
- Packaging Recycling Organization Vietnam, PRO-Vietnam
- The National Association for PET Container Resources, NAPCOR
- The Association of Plastic Recyclers, APR
- Zero Discharge of Hazardous Chemicals, ZDHC
- Sustainable Apparel Coalition, SAC
- Textile Exchange, TE

#### **Compliance with Customer Requirements**

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

- We comply with ethics provisions from brand customers and pass SEDEX Members Ethical Trade Audits (SMETA).
- Fair Trade Certified USA (FTC USA)
- Social & Labor Convergence Program (SLCP)
- We follow brand customers' safety compliance standards.
- We manage green supply chain.

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# **2.3 Promoting Product Marketing**

FENC produces the raw materials for our customers, which are mainly corporate entities. Channels of product marketing include conferences, trade expos and other forms of corporate interactions, which give the Company means to promote products, establish brand value and improve sales revenue.

#### Product Quality and Safety Certification



#### Concerned Substance and Issue Management

• Products, raw materials and production processes at FENC do not involve (not applicable) genetic engineering, nanotechnology, stem cell research, conflict minerals, animal testing or endangered species.

- Safety Data Sheet (SDS) is provided for all FENC products in compliance with regulatory requirements, and managed and updated by designated personnel. Hazard assessment is conducted through the requirements listed on SDS, which cover risk identification, implement, required documentation, information provision and communication. The assessment ensures the safety of product usage, storage, delivery and disposal.
- None of the products produced by Polyester and Textile Businesses are under hazard categories 1 and 2 of Globally Harmonized System of Classification and Labeling of Chemicals (GHS). PTA, a product under Petrochemical Business, is classified under health hazard category 2 (serious damage/Category 2B of eye irritation: the effects are fully reversible within 7 days of observation; Category 2 for reproductive toxicity: suspected human reproductive toxicant.)

• During the reporting period, there were no incidences or disputes involving inappropriate usage, storage, transport or waste disposal regarding Company products.

#### **Green Product Certification**

Global awareness on environmental sustainability is on the rise, and our downstream customers are more inclined towards raw materials with low environmental impact. FENC seeks out green product certifications with high standards to gain downstream customers' support for and desire to purchase our products. FENC has obtained the following green product certifications, which we regularly update to ensure compliance.



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Taipei Innovative Textile Application Show (TITAS) is the most celebrated event of the year in the textile industry in Taiwan. Concerns over the COVID-19 pandemic moved the conventionally in-person format to a virtual one in 2021. The 30day online event drew over 70,000 viewings from 102 countries.

FENC also held the 2021 product showcase on November 3 and invited the press to cover the latest product lineup from FENC. This year's theme is "Making Strides through Land, Ocean and Air," which narrates how FENC utilizes cutting-edge technology to I2 CONSIDER AND PRODUCTION AND PRODUCTION





transform used clothing, ocean waste plastic and industrial waste gas into recycled polyester. The fruit of this labor has been favored by international sports brands. FENC has also been designated as the supplier of sports jersey materials for 17 Olympic teams. Additionally, soccer athletes from 7 national teams during the 2022 FIFA World Cup will be dressed in uniforms made of recycled ocean plastic provided by FENC. In the future, FENC will continue to enhance its green supply chain and strive to protect the environment.

#### **Best Product Award at ISPO TEXTRENDS**

F E N C 's proprietary FENC®TOPGREEN®BIO3 has been recognized with FW23/24 Accelerated Eco Best Product Award at 2022 ISPO TEXTRENDS.

ISPO TEXTRENDS, the Oscars of the global textile industry, is a worldclass platform to showcase textile products. During this international



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event, FENC stood out among over 200 suppliers, grabbing the spotlight with Solution Dye N66 and FENC®TOPGREEN®BIO3, the world's first polyester material made with carbon capture technology. The innovation won FENC Accelerated Eco Best Product Award, the highest honor from ISPO TEXTRENDS.

The Company also collaborated with LanzaTech, a bio startup, and several apparel brands to capture and transform waste gas from steel plants into polyester material. Manufacturing recycled yarn from waste gas delivers direct benefits in energy conservation and carbon reduction, cutting GHG emissions by 30%. While reducing environmental pollution, this technology in turn minimizes the reliance on fossil fuel and bio-based materials.

In terms of the production process, the Company has incorporated the N66 solution dye process, which skips the water dyeing process. By moving up the solution dyeing process during spinning, the entire production consumes 61% less water, 67% less energy and produces 85% less GHG emissions compared to the conventional dyeing process. This technology allows the dye to fully mix with the fiber during the melting and spinning process, giving the fabrics better color saturation and vibrancy than those produced with conventional methods. In addition to the color performance, better sunlight and washing fastness also contributes to energy reduction.

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**FENC** Pledges to **Net Zero Emissions** by 2050

**Power Generated** at Solar Power Station -Ò-GWh

Water Withdrawal per Unit Production

15%

**Energy Comsumption** per Unit Production 13%

Solar Power Capacity **12.4** MW

**Energy Saving Projects GHG Emissions Avoided** 114.048 tCO<sub>2</sub>e

**OPTC Plant 2 Passing** 

**ISO 46001** 

**External Verification on** 

**Water Efficiency** 

**GHG** Emission per Unit Production

Non-recycled and **Non-reused Waste** 

per Unit Production

6%

of Total Water Withdrawal Water Saved Through **Water Conservation Projects** 

98% Water Recycling Rate

**Management System** 



Water Consumption per Unit Production

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2017 19,206 metric ton

 $\mathbf{\nabla}$ 

Completed



Note: The scope of the 3 goals listed on this page covers 17 production sites, including OPTC Plant 1, OPTC Plant 2, OPSC, Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, FEFC, FEIS, WHFE, Hukou Mill, Kuanyin Dyeing and Finishing Plant, OTIZ, FEIW, FEDZ, FEAZ, FEAV, Neili Texturizing Plant and FEIZ. However, the last 2 plants are excluded from the scope of this report since operation discontinued in 2019 and 2018 respectively, making the scopes differ from that of this report.

# **Targets and Progress**

2030 Target

2025 Target

2022 Target

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**Action Plan** 

**Target Base Year** 

**Base Year Data** 

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Base Year Data

Appendix



1,833 metric ton

**Targets and Progress** 



Note: The scope of reduction targets for the total air pollution covers 17 production sites, including OPTC Plant 2, OPSC, Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, FEFC, FEIS, WHFE, Hukou Mill, Kuanyin Dyeing and Finishing Plant, OTIZ, FEIW, FEDZ, FEAZ, FEAV, Neili Texturizing Plant and FEIZ. However, the last 2 plants are excluded from the scope of this report since operation discontinued in 2019 and 2018 respectively, making the scopes differ from that of this report. The scope of the targets for greenhouse gas reduction and increasing installed capacity of renewable energy is identical to that of this report.

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#### Significance and Purpose of Management for FENC

FENC regards natural resources as shared resources. Our goal is to improve the efficiency of energy and resource use to avoid depletion due to over consumption.

#### **Management Approaches and Effectiveness Evaluation Mechanisms**

- Establish targets for reducing energy and resource use.
- Appropriate budget and establish intercompany authority.
- Implement reduction projects and regularly performance tracking.
- Obtain international certifications such as ISO 14001 and ISO 50001.

#### Authority

• Energy Task Force

**Material Topics** 

**Elevate Energy and** 

**Resource Efficiency** 

• All production sites



# **Respond to Climate Change**

#### Significance and Purpose of Management for FENC

FENC evaluates the risks and opportunities posed by climate change, proposes corresponding strategies and implements GHG emission avoidance projects as contributions to slow down global warming.

#### **Management Approaches and Effectiveness Evaluation Mechanisms**

- Conduct R&D on products that mitigates effects of climate change.
- Utilize alternative fuels.
- Continue to expand the scope and category of GHG inventory.
- Increase the use of renewable energy.
- Obtain international certifications such as ISO 14064-1.

#### Authority

- Energy Task Force
- All production sites



# **Prevent and Control Environmental Pollution**



# Significance and Purpose of Management for FENC

FENC cherishes natural habitat and resources. We are dedicated to keeping pollutants from damaging local environment. By recycling and upcycling land and ocean waste, we prolong the life cycle of natural resources, and safeguard biodiversity and environmental sustainability.

#### Management Approaches and Effectiveness **Evaluation Mechanisms**

- Establish pollution reduction targets.
- Introduce innovative production and facilities.
- Environmental impact assessment for new plant locations
- Establish corporate authority to track progress.

#### Authority

- Energy Task Force
- All production sites

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FENC has a consistent track record in fostering environmental sustainability. With source reduction and recycling as the two major strategies, the goal is to enhance efficiency in resource consumption and

#### Note: 1.Please refer to the chapter content for details.

**Overview of Environmental Performance** 

2.The proportion of avoided GHG(%) is the denominator of category 1 and category 2 GHG emissions.



#### Environmental and Energy Management Authority - Energy Task Force

FENC established the intercompany and interdepartmental Energy Task Force in 2010. As the Company expands its territory, the Energy Task Force has also expanded its scope of management to cover production sites in Taiwan, Mainland China, Vietnam, Japan, the U.S. and Malaysia. As environmental sustainability gains traction, management issues also arise and require attentions. To implement energy management and operation, FENC production sites conduct energy management meetings at the plant level each month. The Energy Task Force consolidates the outcome from the plant meetings and presents it at the formal monthly energy management meetings. Every September, a special presentation on energy and carbon reduction is conducted with corporate executives such as the Chairman, Vice Chairman and President of each Business in attendance. As an effective means to regularly track and evaluate performance on environmental protection, FENC built the online database, Management Platform of Energy Conservation, Carbon Reduction and Circular Economy to systematically collect environmental data and implement internal environmental audits. In 2018, FENC established company-wide reduction targets. With 2021 as the year for the kickoff of GHG reduction campaigns, the Company has set carbon strategies and explored optimal pathways to reach them.

# Chairman Vice Chairman Presidents/ Chief Operating Officer of Petrochemical/Polyester/Textile Corporate Staff Office Energy Task Force Convener Members of Energy Task Force in Petrochemical/Polyester/Textile

Organizational Structure

Implementation/Execution Committee Members from Individual Plant

Electricity

Advisory

Group

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#### Special Budget for Energy Reduction and Environmental Protection

To promote implementations that help FENC fulfill environmental sustainability, all production sites set special budgets for energy conservation and environmental protection purposes. In 2010, NT\$2 billion was appropriated as the special budget for energy conservation. In 2017, another NT\$2 billion was appropriated to provide opportunities and resources for production sites to generate innovative energy conservation initiatives. Since 2018, the second special budget has infused NT\$1.94 billion into 212 projects. In addition to the special budget, production sites also appropriate annual budget specifically for energy conservation and environmental protection. The 2021 energy conservation budget reached NT\$1.28 billion, among which, NT\$690 million are for new projects and NT\$590 million are for continuation of existing projects. For details on the special budget for energy conservation and implementation, please refer to 3.1.1 Energy Management- Measures and Performance in Energy and Carbon Reduction. The 2021 environmental protection budget reached NT\$460 million, among which, NT\$410 million are for new projects and NT\$50 million are for continuation of existing projects. For details on the implementation, please refer to 3.3 Preventing and Controlling Environmental Pollution.

> Training for Comprehensive Environmental Data Collection

To refine the guality and efficiency of environmental data collection in 2021, FENC Sustainability Team joined forces with Energy Task Force, the designated agency for environmental and energy management. The two task forces conducted 5 training sessions for 92 employees on collecting and filling out environmental data for production units at 20 production sites. The course content reiterates the objective and standards on the collection of environmental data, stressing the importance of data to internal management and external communication. Currently, 70% of FENC's environmental data has been collected through Management Platform of Energy Conservation, Carbon Reduction and Circular Economy. The training also focuses on system operation as well as regular tracking and management.

12 RESPONSIBLE 13 ACTION

CO

# Building Green Factory with Smart Carbon 9 NUSTRINGATION 12 EXCOUNTED 13 LIMITE Reduction

OPSC adopted ISO standards and principles of DuPont Safety Excellence since its inauguration. When production began in 2006, the plant established Energy Conservation Committee to promote energy-saving tasks and implement Regulations Governing Proposal Improvement to encourage employees to present proposals for energy conservation. In addition, the plant bettered the adjacent environment by eliminating odors, reducing noises and installing online detector for volatile organic compounds (VOCs). Corporations have the undeniable responsibility to treat industrial waste. OPSC commissions reputable waste management companies for recycling and treatment while reducing waste through avoidance. The plant has obtained multiple environmental certifications, including cleaner production evaluation in 2009; ISO 9001/14000/45001 certifications in 2010; Water-saving Enterprise in Shanghai in 2017; ISO 50001 energy management system certification and the 4th round of designation of National Green Factory in 2019. At the end of 2020, OPSC answered the government's call for green development and launched ISO 14064-1:2018 certification process on GHG inventory to strengthen carbon emission monitoring during the production cycle to track carbon footprint and enhance energy and carbon reduction.

In terms of technological development, OPSC is aided by the sophistication of an experienced team, which has been with OPSC since the very beginning. The team was involved in the plant design stage and improved upon issues often confronted in other plants. After production began, the team engaged in the optimization of production process as well as energy conservation and consumption reduction. In addition, the team improved the dry scrubber system, recycled methyl acetate and enhanced energy efficiency at the pump. These projects greatly reduced energy consumption per unit production. The team also helped incorporate AI systems such as APC, electronic permit to work (PTW) system, energy management dashboard and real time display of energy consumption per unit production. With smart inspection, data collected from the meters on-site undergo big data analysis to ensure proper operation. To enhance reliability and issue maintenance notifications in advance, the team installed online sensors on 93 critical equipment beginning in 2019 to monitor the operation in real time. The sensors successfully provided advanced warnings when irregularities occurred at the dryer and the mixer for the oxidation reactor, and prevented equipment failure and unplanned downtime. The exceptional performance has helped OPSC reach the annual governmental targets on energy consumption and intensity dual control, hence winning the title, National Green Factory.

Unity is Strength – OPSC's Green Momentum 👰

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# **3.1 Elevating Energy and Resource Efficiency** 3.1.1 Energy Management

Management Guidelines and Measures



The overall energy consumption in 2021 increased by 4% compared to 2020. The main contributing factors are the pent-up demands as the impact of the COVID-19 pandemic eased around the globe, as well as production increase from Polyester and Textile Businesses. Despite of the overall increase, energy consumption per unit production reduced by 3% compared to 2020, which demonstrates the effectiveness of energy management at FENC.

Avid Support

for Governmental

Policies

2021 Energy Consumption



Renewable energy consumption at FENC in 2021 accounts for 1.1% of total energy consumption and 3.4% of total electricity consumption. The calculation of renewable energy consumption takes into account the percentage of renewable energy consumption within the energy mix of purchased power as well as the consumption of renewable energy generated in-house by FENC. Total renewable energy consumption in 2021 is 246 TJ.

#### Energy Consumption

e Linerg	y consumption												Offic. 1
			Petrochemical			Polyester			Textile			Total	
		2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
	Purchased Power	1,234	1,274	1,124	3,685	4,285	4,574	2,012	1,763	2,090	6,931	7,322	7,788
Derman	Purchased Green Power	0	0	0	1	0	0	0	0	0	1	0	0
Power -	Self-generated Green Power	2	3	3	6	12	12	29	32	33	37	47	48
_	Electricity	1,236	1,277	1,127	3,692	4,297	4,586	2,041	1,795	2,123	6,969	7,370	7,836
Natura	al Gas	4,645	4,398	4,248	1,663	2,226	2,445	1,015	833	944	7,323	7,457	7,637
Heavy	Oil	0	0	0	240	266	285	60	43	3	300	309	288
Fuel O	Dil	0	0	0	0	3	4	0	0	0	0	3	4
Coal		0	0	0	2,566	3,241	3,323	973	1,081	1,154	3,539	4,322	4,477
Coal W	Vater Mixture	0	0	0	2,257	2,246	2,299	125	103	144	2,382	2,349	2,443
Outsou	urced Steam	0	0	0	341	323	299	520	375	367	861	698	666
Total		5,881	5,675	5,375	10,760	12,602	13,241	4,734	4,230	4,735	21,375	22,507	23,351

#### Note:

1. The statistics take into account energy consumed during the production process only. 2.The calorific value is based on the factors of calorific value from all production sites.

3. External energy consumption is not taken into account. 4.Data collection on energy management accounts for 100% of the production sites within the scope of this report.

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Note: The Textile Business does not include FEAZ, FEAV and FENV.

#### System Establishment and Management

FENC has been expanding the coverage of ISO 14001 and ISO 50001 on environmental and energy management systems as it expands its business frontiers. The Company devotes ongoing efforts in the optimization of management systems to enhance energy and carbon reduction. Starting in 2016, a number of production sites have established Regulations Governing Energy Efficiency Rewards, which officially incorporates energy conservation performance into the evaluation criteria in the bonus system.

#### Internal Energy - Saving Incentives

To excel further in energy management, FENC is aware of the need to encourage collaborations among its affiliates. By learning from one another, these corporate entities may acquire energy conservation approaches that will inspire technological advancement and increase energy efficiency. Far Eastern Group started presenting Far Eastern Energy Conservation Award in 2005. The award recognizes and encourages technology and practices that enhance energy conservation within the Group, which continues to implement energy conservation projects to control energy costs.

#### Household Energy Conservation Contest

Taiwan is facing the predicament of power shortages as impacts of global warming grow devastating. Therefore, energy saving cannot wait. To help employees develop the practice of conserving energy, FENC held the very first household energy-saving contest in 2021, calling for all employees to love and protect the environment and the earth.



#### Environmental and Energy Management Certification Passed at Production Sites

Certification Standards	Sites with	Coverage Rate of Production Sites	
ISO 14001 Environmental Management Systems	<ul> <li>OPSC</li> <li>Hsinpu Chemical Fiber Plant</li> <li>Kuanyin Chemical Fiber Plant</li> <li>OGM</li> <li>FEIS</li> <li>WHFE</li> <li>Polyester Plant of FEPV</li> <li>FIGP</li> </ul>	<ul> <li>Kuanyin Dyeing and Finishing Plant</li> <li>OTIZ</li> <li>FEDZ</li> <li>FEAV</li> <li>FENV</li> <li>Textile Plant of FEPV</li> <li>Headquarters</li> </ul>	68%
ISO 50001 Energy Management Systems	<ul> <li>Plant 2 of OPTC, OPSC</li> <li>Hsinpu Chemical Fiber Plant</li> <li>Kuanyin Chemical Fiber Plant</li> <li>FEFC (INV)</li> </ul>	<ul> <li>FEIS</li> <li>Kuanyin Dyeing and Finishing Plant</li> <li>FEIW</li> <li>Headquarters</li> </ul>	41%



# Environment and Energy Management Certifications for Headquarters

To fully implement FENC's environmental and energy management policies, Headquarters introduced ISO 14001 and ISO 50001 systems on environmental and energy management in 2016 and the systems are audited by external agencies. The Company has also been refining and reviewing the system each year. In 2019, Kind Management Consulting Co. is invited to provide coaching for FENC, and the Company passed the external audit conducted by TÜV NORD Taiwan in October 2019. As of 2021, the Company continued to pass the subsequent external verifications, effectively preventing and controlling environmental pollution and increasing energy and resource efficiency.



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#### Incorporation of Innovative Technology and Facility

The age of AI is progressing at an unprecedented pace and FENC continues to embrace advanced technology. The Company has devoted considerable efforts into developing AI applications. To implement digital transformation, Industry 4.0 was incorporated with a smart platform as the core. With a smart platform as the core, the system is part of a brand new smart factory. Its production process entails VR training; smart electronic inspection; smart logistics management; electronic safety and energy bulletin; wall screen surveillance system. The plant also utilizes AI to improve quality forecast and energy efficiency.

### Sustainable Development of **Renewable Energy through Electricity Management Platform**



Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, FEFC, OGM and FEIS under Polyester Business constructed an electricity management platform to implement electricity management and promote renewable energy generation. Each month, the plants conduct meetings to share and explore case studies on the implementation of energy conservation plans and electrical safety; communicate on technology for solar power generation; improve management efficiency to achieve vertical integration with horizontal utilization. During the regular monthly meetings, reviews and exchanges are conducted on energy conservation measures, unit price of electricity, energy consumption, demand response from Taiwan Power Company and electrical safety.





# Smart Manufacturing Reward for Smart Machine Shop



The local authority in Suzhou established industrial enterprise transformation and upgrade guiding fund to foster high-quality industrial development, elevate smart manufacturing upgrade as well as amplify the support for corporate transformation and innovative development. OTIZ carefully reviewed the application materials, consulted with governmental agencies and completed the application after assessing actual plant operations.

- 1. In 2021, OTIZ devoted NT\$1.3 million to transport the residual gas from the cryogenic nitrogen generator from North Plant to South Plant. South Plant was able to operate with one less nitrogen generator, which reduced energy consumption by 820 MW, carbon emission by 577 tCO<sub>2</sub>e and energy costs by NT\$2.41 million per year.
- 2. OTIZ spent NT\$4.12 million to replace the dated 400kW rotary screw air compressors with the 250 kW models. Under the premise of maintaining consistent production, the plant reduced the compressor pressure from 14K to 12.5K. The pressure reduction lowered energy consumption by 520 MW, carbon emission by 365 tCO<sub>2</sub>e and energy costs by NT\$15.4 million per year.

In sum, OTIZ put in a total of approximately NT\$5.42 million into energy conservation projects in 2021, which reduced energy consumption by 1,340 MW, carbon emission by 942 tCO<sub>2</sub>e and energy costs by NT\$3.95 million per year.

OTIZ beat the competitions to represent Wuzhong District in the municipal and provincial level competitions. The plant ultimately stood out among the competitors with its smart machine shop, winning the title of Advanced Transformation and Upgrade Enterprise of Manufacturing Industry during the assessment conducted by Suzhou Engineering Technology Research Center. Accompanying the title is a NT\$27.6 million reward. In 2022, the plant continues to devote approximately NT\$170 million to smart transformation endeavors to continue serving as the role model of smart manufacturing plant.





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# Avid Support for Governmental Policies

Bureau of Energy, Ministry of Economic Affairs mandates 1% energy saving rate for major energy users. This mandate has been extended to 2024. Production sites in Taiwan have abided by this requirement, and in the past 7 years, their energy saving performance have exceeded government expectation.

# • Energy Saving Rate at Production Sites in Taiwan

	2015	2016	2017	2018	2019	2020	2021
Energy Saving Rate	1.9%	2.3%	2.0%	2.0%	2.1%	1.4%	1.4%

#### Measures and Performance in Energy and Carbon Reduction

FENC continues implementing energy conservation and carbon reduction measures. In 2021, the Company implemented 86 such projects. The main focus on energy conservation is refining the production process and reducing purchased power.

# 2021 Energy and Carbon Reduction Projects



# 2021 Energy Conservation and Carbon Reduction Project

		Energy	GHG Emissions	Avoided (tCO <sub>2</sub> e)
		Conservation (TJ)	Category 1	Category 2
	Improvement on Production Process	570	119	88,605
Project	Improvement on Equipment	57	0	7,673
	Energy Management	127	0	17,651
	Petrochemical	14	0	2,011
Business	Polyester	531	119	77,775
	Textile	209	0	34,143
	Total	754	119	113,929

#### Note:

1. The estimate of energy efficiency is compared against the energy consumption with original production process and equipment prior to project implementation.

2. The calculation of calorific value is based on the factors of calorific value from all production sites.

3. GHG emission factors: GHG emission factors in Taiwan are based on "GHG Emission Factors" version 6.0.4 from Bureau of Energy, MOEA and Environmental Protection Administration. The GHG emission factor is 0.502 t-CO<sub>2</sub>e/1000 kWh for electricity and 3.02468 t-CO<sub>2</sub>e/t for heavy crude. Calculation of GHG emission factors for electricity in Mainland China is based on the local electrical grid and calculated at 0.7035 tCO<sub>2</sub>e/1000 kWh.

4. Natural gas is the source of category 1 (scope 1) emission and purchased power for category 2 (scope 2) emission. 5. GHGs include CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, PFCs, HFCs, SF<sub>6</sub> and NF<sub>3</sub>.

# Energy Conservation and Carbon Reduction Projects in the Past Three Years

	2019	2020	2021
Actual Investment (NT\$1,000)	127,361	61,959	268,365
Savings (NT\$1,000)	50,078	40,958	85,467
Energy Conservation (TJ)	498	557	754
GHG Emissions Avoided (tCO <sub>2</sub> e)	74,151	78,955	114,048

emission per year. The energy saving rate reached 39.7%.

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	Drying area
TIZ	improvement project
	at impregnation line

Electricity

Heat recovery project

from condensate

Ceramic coating

cooling pump

Stenter cooling

project

project for efficiency

improvement at water

preheater

Production Site

**OPTC Plant 2** 

Natural Gas

FEDZ

A heat exchanger is added to the preheating stage during production to recuperate residual heat The project reduces 39,200T/h of high-pressure steam, approximately from the condensate on the exterior of the preheater, increase the slurry temperature and reduce the NT\$28.5 million in costs and 4,730 tCO<sub>2</sub>e of carbon emission per year. with addition to slurry consumption of high pressure stream in the downstream preheater, which will in turn reduce the loading of the boiler and natural gas consumption.

Cause and effect analysis and data collected from ultrasonic flowmeters show that the total flow of cooling water exceeds the design capacity, and therefore indicating the possibility of energy Water pump modification project conservation. To reduce electricity consumption, hydraulic and energy calculations were performed with at the cooling tower improvements to be conducted in 3 phases, including adjusting the outlet valve of the pump, trimming the pump impeller and using an energy efficient pump.

> Water cooling pump is a critical link in the cooling water circulation system at the plant. Its high flow is powered by high energy consumption. Longterm wear and tear and internal erosion created cavitation damages which lowered the efficiency. Therefore, an anti-erosion ceramic coating is applied to the pump. The ceramic material is highly adhesive, chemical resistant and hard. Coating the impeller and volute of the pump with this material will improve its efficiency, repair the rugged surface, ensure hydraulic stability, conserve energy and prolong the equipment life cycle.



Two pumps were modified in June and December 2021 for this project. Without adjusting the water flow and hydraulic head, the efficiency has been improved by 3.7%. The project reduces 92 kWh of electricity per hour, approximately NT\$2.236 million in costs and 289 tCO<sub>2</sub>e in carbon emission per year.

Performance

The project reduces 10,848,800 kWh of electricity consumption,

approximately NT\$69.757 million in costs and 4,595 tCO<sub>2</sub>e in carbon

## The average temperature of a textile stenter could reach 69°C during operation. Without cotton insulation, the heat emitted from the machine would elevate the room temperature throughout the entire plant. Therefore, carbon fiber and aluminum silicate insulations are installed on the top of the stenter and the vent duct is wrapped with aluminum sheet as well as aluminum silicate insulation. The insulation has the benefit of maintaining the temperature increase inside the machine from natural gas combustion, preventing heat loss while reducing the temperature of the conduits to 28.2°C, which is close to the ambient temperature of 26.9°C. The temperature decreased by 80% compared to the previous room temperature within the plant.



The project reduces 24,575m<sup>3</sup> of natural gas consumption, approximately NT\$360,000 in costs and 53 tCO<sub>2</sub>e of carbon emission per year.

Discussions were conducted with suppliers regarding actual production conditions and the structure above the drying area for the impregnation line. The plan is to enclose the roller at this location. The plan to add the fume hood, oil-water separator, vent duct and exhaust vent was canceled. The aluminum plated insulator will be added, and the loop around the roller will be supported partially through the exhaust fan. While reducing the fuel consumption during production, the project also eliminates accumulation of combustible debris at the exhaust fan and conduits, hence clearing fire hazards.



Post-improvement: The project reduces unit consumption of natural gas from 245m<sup>3</sup>/metric ton to 230m<sup>3</sup>/metric ton. Based on the annual production, the project reduces NT\$1.5 million dollars in costs and 1,093 tCO<sub>2</sub>e in carbon emission per year.

# 3.1.2 Raw Material Management

FENC devotes ongoing efforts in monitoring raw material usage while improving the production process and technology. By incorporating innovative technology and systems, the Company reduces raw material consumption while increasing the recycling rate. With standards more rigorous than the industry norm, the selection of raw material suppliers strictly follows the internal procurement management process and operational guidelines. FENC forms partnerships with those who abide by governmental regulations and sustainable guidelines, and commissions independent testing companies to examine the raw materials. To stabilize product supply, FENC procures raw materials from multiple suppliers, which ensures agility amid the capricious market conditions. Meanwhile, the Company interviews the suppliers and collects market information to assess their operational conditions and stay ready to respond swiftly in times of change.

Packaging materials are tailored based on production, marketing, customer types and delivery approaches. Priority consideration is given to packaging materials or operations that involve recycling, reuse or less material consumption. Safety is also assured in terms of management. The recycling quantity, recycling rate and completion rate are tabulated monthly. Unmet goals are examined. Managing the recycling of packaging materials may extend material life cycle while reducing consumption, costs and waste. In addition, FENC combines forces with suppliers and customers, working together and expanding our influence to create optimal packaging design that promotes recycling.

# Raw Material Management Guidelines and Measures



# Management Procedure for Raw and Packaging Materials



FENC has long been recycling packaging materials such as pallets, paper tubes and pegboards through continuous dialogues with customers to establish a robust recycling mechanism and management system. In 2021, 65% of the packaging materials at all production sites are recycled. The recycling rate from participation in external organization is 45%.

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**Targets and Progress** 

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#### 3.1 Elevating Energy and Resource Efficiency

3.2 Responding to Climate Change3.3 Preventing and Controlling Environmental Pollution

- Creating Inclusive Society
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• In 2021, FEFC adopted TIBICO, a data visualization system, to manage the collection and classification of recycled yarns. The system allows the plant to quickly assess the progress towards reaching monthly goals, compare past production status and analyze the collection and distribution of unspun yarn.

• Recycled paper tubes are susceptible to seasonal changes in humidity. The varied lengths of the tubes also cause rotary table failure and defects at the ends of the filament. FEFC requests that the suppliers adjust the tubes based on local climate during production to reduce such risks. The longer tubes are grinded down to reduce costs and maintain quality.

• The entire staff at the OTIZ machine shop collaborated on promoting the recycling and reuse of paper tubes. The continuous improvement is evident in the 15% increase in the recycling rate compared to 2020.

• OGM ships products in bulk bags or tank trucks, and provides assistance for customers to recycle and reuse the bulk bags. In 2021, approximately 28% of the bulk bags from downstream suppliers are recycled. Those that are too worn to be reused are stored separately and collected by qualified waste management companies for recycling and reuse.

• In 2021, OGM eliminated the use of pallets by 100%. This policy increased the shipping capacity of the tank truck and reduced the use of packaging bags. FEIS recycles the pallets and repairs damaged pallets onsite for reuse. The plant did not purchase any new pallets in 2021.

# Value Chain Collaboration

Raw

Material

Recycling

Paper

Tube

Packaging

Bag

Pallet

OGM works with Foundation of Taiwan Industry Service and inspects the recycled PET bales from suppliers on Wednesdays and Fridays in accordance with regulations established by Environmental Protection Administration on subsidy requirements for recycling businesses. The regulation stipulates that if the bales contain more than 1% impurities, the subsidy shall be deducted proportionately. The regulation aims to maintain the quality of the bale, preventing recycling businesses from mixing non-PET materials into the bale. OGM also discusses the testing results with suppliers, seeking to reduce impurity in raw materials and the scrap rate.



# **Conserving Fabric by Maximizing Marker Planning**



In order to reduce fabric waste and determine the most efficient pattern layout, the Marker Planning Section at FEAZ has been setting annual goals on the percentage of fabric utilized while simultaneously making internal and external improvements.

# Internal improvements:

- 1. Experiment with multiple pattern layouts: Identify the most efficient use of fabric and apply the pattern towards mass production.
- 2. Visualize target for utilization rate: Visualization allows cross comparison at any time. Patterns not meeting the target are modified through ratio adjustment or allowing additional time for marker planning.
- 3. Maximize efficiency based on fabric width: Create patterns based on the actual width provided by the quality control staff.
- 4. Skill training: Conduct training and regular evaluation for marker planning staff. Categories evaluated include the marker length, marker specification by brand and marker planning for special fabric.
- 5. Flexible and optimal use of marker width: Experiment with marker areas for different apparel products such as t-shirts, jackets and pants are tested to select the optimal standardized measurement.

# External improvements:

1. Conduct skill training for cutting and spreading staff with regular evaluation.

2. Invite top performing cutting staff to share their experience.

With these improvements, the utilization rate of marker planning reached 82.6% in 2021, exceeding the annual goal of 82.4%.



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Water Resources Management Guidelines and Measures



In 2021, the overall water withdrawal increased by 2%, and total water consumption by 1%. Despite of rising demand amid production increase, water conservation measures have delivered a significant 5% reduction in water withdrawal per unit production compared to 2020, demonstrating the Company's noteworthy efforts in water conservation.

FENC regards water as a shared resource. We value local water resources and their surrounding environment at all production sites. We have established reduction goals and continue to reduce water withdrawal and consumption per unit production. Working with our customers, we strive to mitigate the depletion of water resources. When planning for water withdrawal, we take governmental policies, corporate development and industry evolvement into account. We also carefully consider the needs of local residents, managing and distributing water resources in a reasonable and effective manner. We aim to reduce the use of resources as a means to maximize the efficiency of water storage and water consumption.

In terms of the quantity and approach of water withdrawal, there are no negative impacts on local residents and habitats. No quarry water, seawater, or water that enters an organization's boundary as a result of extraction (e.g., crude oil), processing (e.g., sugarcane crushing), or use of any raw material, and has to consequently be managed by the organization is used at any of the FENC production sites. In 2021, OPTC Plant 2 started using the water recycled by OPTC Plant 1 (174 kL), which is categorized under wastewater from external organization.



Note:

1. Surface water includes water from the rivers, lakes and streams as well as wastewater from external organizations. Third-party water mainly refers to tap water. Groundwater includes well water.

2. The difference between water withdrawal and effluent discharge is considered water consumption, which is mainly the result of evaporation at the cooling tower. Loss during production is a minor contributor.

3. The concentration of total dissolved solids (TDS) across the water withdrawal categories are under 1,000 mg/L.

4. Data collection on water resources management accounts for 100% of the production sites within the scope of this report.



Note: The Textile Business does not include FEAZ, FEAV and FENV.

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Water scarcity is an increasingly dire issue. In addition to increasing water recycling and reuse, effective management systems can play an essential role in promoting water conservation. In light of the fact, OPTC Plant 2 implements water efficiency management system based on ISO 46001. In 2021, the plant applied for third-party ISO 46001 verification. In February 2022, the plant passed on-site verification and received the certification in March, making OPTC one of the top 10 entities to receive such certification in Taiwan.



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1. As environmental impacts from industrial activities grow, so grows the concern for future sustainability. OPTC Plant 2 is shifting more focus on water efficiency in its activities, products and services, including measuring water footprints and efficient use of water resources. To improve water efficiency, production units must commit to systematic approaches and comply with the standards set forth in ISO 46001 to continue refining water efficiency.

2. The core of ISO 46001 encompasses responses and actions to address water risks and opportunities; water efficiency objectives and planning to achieve them, which include regulatory and other requirements, water use review, definition of activity indicators, decision on water efficiency indicator, baseline definition for water efficiency indicator as well as targets and action plans; operational plan as well as control, design and procurement of water use services/products/equipment; maintenance and inspection.

3. Operation of ISO46001 involves the iterative process of plan-do-check-act (P-D-C-A). The outcome of this cycle is confirmed through internal self-audits and review meetings conducted at the executive level. During the review meeting, discussions and reviews are conducted over water efficiency policy, indicators, performance, targets, improvements, action plans and results of self-audit on system operation. The overall water efficiency management, goals and performance are also reviewed.

Making Sustainable Vision a Reality with SGS Verification on ISO 46001 at OPTC (Chinese)

# Water Conservation with Gravity Separator



When the second plant of FIGP began production, the loading for wastewater treatment increased significantly. The plant addressed the issue by rerouting wastewater from the scrubber. Instead of discharging it for wastewater treatment, the wastewater is recycled, processed and reused. After going through oscillation, filtering and sedimentation, the wastewater is then reused by other equipment. By controlling the flow through globe valves, the water is mostly pumped back to the gravity separator to be used during flotation and for the crusher to conserve water. Monthly water conservation is estimated to be 2,000 kL, saving approximately NT\$51,000.





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Water conservation efforts at FENC focus on reducing water loss caused by the wind drift and evaporation at the cooling tower. With production management and control, the Company aims to increase the concentration of recirculating cooling water, reduce water consumption and construct water recycling and reuse systems to achieve water conservation.

#### Outcome of Water Saving Project in 2021

	Investment (NT 1,000)	Water Saved (kL/year)	Percentage to Water Withdrawal
Petrochemical	122,534	140,832	1%
Polyester	3,949	285,754	6%
Textile	33,992	757,681	26%
The Company	160,475	1,184,267	6%

Note: Water saved is calculated by before the project with the same facility and same production procedure.

#### Water Recycling and Reuse

FEAV recycles rainwater during the rainy season in Vietnam and recycled 2,070 kL of rainwater in 2021. OGM recycles the water circulated through the flotation area, which is collected in the water tank and redirected to the flotation tanks of the primary and then secondary lines. The water is then collected again and looped back to the crushers and bottler washers in the primary and secondary lines, and finally discharged to the wastewater treatment facility. The plant is currently able to recycle and reuse 100% of the water reclaimed from the production process.

#### Water Recycled and Reused

Note:

	_	Pe	etrochemic	al		Polyester			Textile			Total	
		2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Circu Wa	Cooling Water	774,541	728,309	704,250	403,432	476,094	502,117	34,732	34,858	33,106	1,212,705	1,239,261	1,239,473
lating Iter	Others	0	10,994	10,935	974	893	836	0	0	0	974	11,887	11,771
Recycl Wate	Recycled Water Excluding Reclaimed Water	288	4,922	5,478	725	896	741	1,865	997	1,054	2,878	6,815	7,273
ed.	Reclaimed Water	1,988	2,083	1,782	182	154	178	1,322	928	1,220	3,492	3,165	3,180
	Others	667	292	266	85	0	0	0	0	0	752	292	266
To I ar	otal Water Recycled nd Reused	777,484	746,600	722,711	405,398	478,037	503,872	37,919	36,783	35,380	1,220,801	1,261,420	1,261,963

3. Other recirculating water includes water from the boiler, production process, turbine condensate and low pressure condensate. Recirculating water at Hsinpu Chemical Fiber

Plant and OPTC is from the boiler. At OPTC and WHFE, the recirculating water is recovered from the production process. At OPSC, the turbine condensate and low pressure

1. Recirculating water refers to water that cannot be discharged after being used within a water unit, and is recirculated within the same water unit for reuse.

## Water Recycling Rate

The Company	98%	98%	98%
Textile	89%	91%	91%
Polyester	99%	99%	99%
Petrochemical	98%	98%	98%
	2019	2020	2021

Note: Water recycling rate = total water recycled and reused ÷ (total water withdrawal + total water recycled and reused) × 100%

# Water Recycling Rate (Excluding Circulating Water)

The Company	23%	32%	32%
Textile	41%	35%	38%
Polyester	16%	16%	14%
Petrochemical	18%	36%	36%
	2019	2020	2021

Note: Water recycling rate (excluding circulating water) = (total water recycled and reused - circulating water) + (total water withdrawal + total water recycled and reused - circulating water) × 100%

The quantity of recycled water in 2021 remains consistent with that from the previous year. The average water recycling rate across FENC maintains at 98%, and the water recycling rate excluding recirculating water is 32%, which is identical to that from the previous year.

#### Effluents Management

Unit: 1,000 kL

The management of wastewater discharge at FENC encompasses 3 aspects:

- 1. Source management: Modify and optimize the production process to reduce oil and surfactant discharge.
- 2. Treatment efficiency management: Replace dated equipment and install smart control system.
- Environmental impact management: Continue to build wastewater treatment facilities that reduce noise, odor and pollution to improve the quantity of recycled water and to actualize the recycling and reuse of natural resources.

4. The "Other" category includes produced water which enters the company premise as a result of the production process.

2. Recycled water refers to water units recycled after being used, discharged and recycled.

condensate are the sources of recirculating water.

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- Navigating a Green Future Petrochemical Polyester 2019 2020 2021 2019 2020 2021 2019 2020 2021 2021 Highlight **Targets and Progress 0** 1.416 1.386 **1.433** 931 727 0 0 Material Topics Overview of Environmental (>1,000 mg/L Total 6,348 6,045 6,211 1,219 1,490 1,607 2,347 2,336 2,323 9,914 9,871 Performance 3.1 Elevating Energy and Resource Total discharge 6,348 6,045 6,211 2,635 2,876 3,040 3,278 3,063 3,170 12,261 11,984 12,421 water Efficiency 3.2 Responding to Climate Change Wastewater Volume per Unit Production Unit: kL/metric ton of product 3.3 Preventing and Controlling **Environmental Pollution Creating Inclusive Society** 0.64 0.65 1.63 1.73 1.68 2.48 2.56 2.62 **Cultivating Compassionate Bonds** Advocating Balanced Coexistence

The Company has a comprehensive wastewater treatment standards and SOP in place to treat the wastewater discharge. With established treatment procedure, wastewater quality is regularly tested for pollutants to ensure compliance with governmental standards. The Company also obtains industrial wastewater discharge permit prior to discharging into water bodies where permitted. Wastewater from FENC is not utilized by any other organizations.

#### Management Guidelines and Measures of Effluents



Total effluent in 2021 rose by 4% compared to 2020 while effluent per unit production reduced by 5% during the same period. FENC production sites have been aggressively increasing water recycling and efficiency. Recycled water is fully utilized to reduce effluent discharge.

# System Establishment and Management

OPSC installed online water quality analyzer at the effluent outlet. The system is connected to the local environmental protection agency, which monitors water quality in real time. The plant collects water samples daily at the sampling points within the wastewater treatment facility and analyze water quality, which allows Irregularities in the system to be spotted and resolved with speed. External outlets are closed immediately when the effluent quality exceeds safety limits, and the water is pumped back to wastewater treatment facilities to be treated again. The plant then conducts reviews to examine the cause and follow up with improvements.

Additionally, stormwater inlets are controlled based on weather conditions. They are open during storm events only. When the water level rises, discharge is allowed only when the safety limit is reached, or the water is pumped back to the wastewater treatment facility. When the stormwater retention pond is contaminated by wastewater during emergency or firefighting, the water is also pumped back to the wastewater treatment facility to prevent contamination of external water bodies.

# The Incorporation of Innovation Technology and Facility

2,280

10,141

2019 2020 2021

Textile

FENC reduces effluent discharge by consistently incorporating innovative effluent treatment approaches, such as the use of up-flow anaerobic sludge blanket. The anaerobic system increases the treatment capacity of effluent with higher chemical oxygen demand (COD), which lessens the load for the aerobic system later on to stabilize effluent quality and increase water recycling. In 2021, OGM replaced the membrane bioreactor (MBR) to improve effluent treatment, reduce turbidity in the gray water and increase wastewater recycling. The improvement helps bring OGM closer to its goal in water recycling and reuse.

The polyester plant of FEPV has installed the online effluent COD sensors (optical sensor and reflux method). When exceeding the safety limit, the effluent is automatically pumped back to the temporary storage pond. Once the cause is identified and resolved, the system functions normally and the effluent meets the local standards in Vietnam, the water is discharged.

Note: The Textile Business does not include FEAZ, FEAV and FENV.

2019 2020 2021

Petrochemical

2019 2020 2021

Polyester

2019 2020 2021

The Company

# • Effluents Treatment and Discharge Site

	Content	Effluents Treatment ar	ıd Discharge Site
		Production Si	tes Effluents Treatment and Discharge Site
	Message from the Chairman	Petro OPTC	Wastewater from Plant 1 goes through biotreatment internally (anaerobic and deep shaft aeration). Once reaching effluent standards, it is discharged into Shulin River. Wastewater from Plant 2 goes through biotreatment internally (anaerobic and high efficiency aeration). Once reaching effluent standards, it is discharged into the wastewater treatment facility within the industrial park, and then
	Sustainability Strategy Blueprint		into Shulin River.
	FENC's Contribution to UN SDGs	OPSC	Wastewater is treated internally until reaching the required standards, and then discharged through the municipal pipelines to Fengxian District East Wastewater Treatment Plant. Once fully treated, the wastewater is discharged into Hangzhou Bay.
	Identification of Stakeholders	Hsinpu Chemical F	iber Plant Wastewater goes through biotreatment internally. Once reaching effluent standards, it is discharged into Fengshan River.
	and Material Topics	Kuanyin Chemical F	iber Plant Wastewater goes through biotreatment internally. Once reaching effluent standards, it is discharged into Shulin River.
	Boosting Stakeholder Dialogue	FEFC	Industrial and domestic wastewater goes through biotreatment (contact oxidation) and sedimentation internally. Once the water reaches the effluent standards, it is discharged into Shulin River.
	Sustainable Recognitions	OGM	Wastewater is first treated in house. Once reaching the effluent standards, it is discharged to the wastewater treatment plant in the industrial park for further treatment, and then discharged into Shulin and Dajue Rivers.
	Special Report	Olyeste	Wastewater is treated internally until reaching the required standards, and then discharged through the municipal pipelines to Fengxian District East Wastewater Treatment Plant. Once fully treated, the wastewater is discharged into Hangzhou Bay.
U	Fostering Robust Governance	WHFE	Treated in the internal wastewater treatment facility first, the wastewater then goes through the municipal wastewater treatment facility. Once fully treated, it is discharged into the Yangtze River.
2	Enabling Unlimited Innovation	FEPV	Wastewater is treated internally until reaching the required standards (through online testing), and then discharged into ecological pond no. 1 in Bau Bang Industrial Park. Once fully treated, the water is discharged to Thị Tính River.
$\bigcirc$	Nevigeting a Green Future	FIGP	Wastewater is treated internally until reaching the required standards and then discharged to Tone River.
9	Navigating a Green Future	APG Polyte	wastewater is treated internally until reaching the required standards and then discharged to Ohio River.
	2021 Highlight	Kuanyin Dyeing and Fi	nishing Plant Wastewater is treated in house, discharged to the wastewater treatment plant in the industrial park for further treatment, and then discharged into Shulin River.
	Targets and Progress	Hukou Mil	Wastewater goes through biotreatment (oxidation and aeration) internally and then discharged into Desheng River.
	Material Topics Overview of Environmental	OTIZ	Wastewater is treated internally until reaching the required standards, and then discharged through municipal pipelines to Hedong Wastewater Treatment Plant. Once fully treated, the water is discharged to the Jing-Hang Grand Canal. Starting in 2019, data collected are actual measurements instead of estimates.
	Performance	FEIW	Wastewater goes through Wuxi municipal sewage pipelines to the wastewater treatment facility. Once treated, the water is discharged into the Jing-Hang Grand Canal.
	3.1 Elevating Energy and Resource Efficiency	Te FEDZ	Wastewater is treated internally until reaching the required standards, and then discharged through municipal pipelines to Hedong Wastewater Treatment Plant. Once fully treated, the water is discharged to the Jing-Hang Grand Canal.
	3.2 Responding to Climate Change 3.3 Preventing and Controlling	FEAZ	Wastewater is treated internally until reaching the required standards, and then discharged through municipal pipelines to Chengnan Wastewater Treatment Plant. Once fully treated, the water is discharged to the Jing-Hang Grand Canal.
	Environmental Pollution	FEAV	Wastewater is treated at the treatment center within the industrial park and then discharged to Saigon River.
	Creating Inclusive Society	FENV	Wastewater is treated at the treatment center within the industrial park and then discharged to Song Be River.
6	Cultivating Compassionate Bonds	FEPV	Wastewater is treated internally until reaching the required standards (online monitoring), discharged to the wastewater treatment plant in the the No. 1 ecological pond of Baopeng Industrial Zone, and finally discharged to the Thi Tính River.
6	Advocating Balanced Coexistence	1. There is no significant impact 2. Wastewater at OPSC includes	from wastewater discharge on the water bodies and related habitat. 3 wastewater from the manufacturing process, domestic wastewater, lab wastewater and wastewater from the cooling tower. Wastewater at Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, FEFC and FEIS is from the manufacturing
7	Appendix	process, cooling tower, dome Plant, OTIZ and FENV is from of FEPV and FIGP is from man	stic wastewater and cleaning water. Wastewater at OGM, WHFE, FEDZ the polyester plant of FEPV and APG Polytech is from the manufacturing process, domestic wastewater and lab wastewater. Wastewater at Kuanyin Dyeing and Finishing the manufacturing process and domestic wastewater. Wastewater at OPTC is from the manufacturing process and the cooling tower. Wastewater at Hukou Mill, FEIW, FEAZ and FEAV is from domestic wastewater. Wastewater at the textile plant of for the manufacturing process.
		3. Total wastewater volume inclu 4. Calculation of wastewater at H 5. There is no significant impact 6. Minimum wastewater discharg	unacturing process. des domestic wastewater. The domestic wastewater was 649,000 kL in 2019, 636,000 kL in 2020 and 739,000 kl in 2021. Iukou Mill also includes the Biomedical Business Unit of Oriental Resources Development Limited. caused by the effluent on water bodies and adjacent habitats. ge standards have been established at all production sites in accordance with local regulations and industry characteristics.

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At Hsinpu Chemical Fiber Plant, the existing wastewater treatment model relies heavily on manual operation for water level control, equipment operation and meter check. In addition, there are no reference parameters such as the electrical current and voltage for over 90% of the operating equipment. The reference has mainly been from sampling, which lacks the precision needed for system calibration. Hence, the plant modified the meters and pipelines. By adding AI algorithms developed by Industrial Technology Research Institute (ITRI), the plant is able to utilize the data to forecast the efficiency of aeration ponds and treatment performance, which optimizes operational performance and ensures the effluent quality.

Project implementation is conducted in 4 phases:

- 1. Digitizing Install electric meters and construct a databank for operational equipment. The phase is projected to conclude in the 4th quarter of 2021.
- 2. Monitoring Establish a regional surveillance system and system control platform. The phase is projected to conclude in the 1st quarter of 2022.
- 3. Automating Add production monitoring equipment and automatic control logic. The phase is projected to conclude in the 3rd quarter of 2022.
- 4. Intellectualizing Build an AI algorithm and effluent COD prediction model. The phase is projected to conclude in the 4th guarter of 2022.







14 BELOW WATER

# Wastewater Treatment Improvement



At OGM, the efficiency of the PTEF module at MBR tank A has been declining, hence reducing the daily wastewater treatment efficiency by 50%. To address this issue, the plant replaced the MBR in June 2021 to improve efficiency and reduce COD and suspended solids (SS).

The plant is assessing the improvement of treatment technology at tank B and the feasibility of adding a third tank to improve wastewater treatment efficiency.

# Comparison of Water Quality and Quantity Before and After MBR Improvement

	Monthly Treatment (kL)	COD (mg/L)	SS (mg/L)
Before	9,766	127	16
After	10,628	118	8



Completion

During construction

Current operation



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#### Water Risk Management

Climate change has altered the distribution of water resources, and securing the quantity and quality of usable water requires urgent attention from the global community. FENC has taken stock of Company sites exposed to water risks using World Resource Institute's (WRI) Aqueduct Water Risk Atlas, a reliable and publicly available tool which identifies water-stressed and water-scarce regions. The Company also regularly monitors water stress at all production sites. The result shows that 7 of FENC production sites are within water-stressed regions. The Company has enhanced the management at these areas with water management goals, trying to understand and respond to the social and environmental impacts and to protect water resources.

#### Water Risk Regions

Region	Production Sites within Water Stress Zone		
	OTIZ		
Suzhou, Jiangsu Province, Mainland China	FEDZ		
	FEAZ		
Bình Phước Province, Vietnam	FENV		
	FEAV		
Bình Dương Province, Vietnam	FEPV-Polyester Plant		
	EEPV-Textile Plant		

Note: Based on WRI's Aqueduct Water Risk Atlas, the 7 FENC production sites are located in areas where the total water withdrawal and supply of usable reclaimed water (baseline for water stress) are both high (high3-4).

#### Water-risk Area Water Withdrawal and Water Consumption

	2019	2020	2021
Surface Water	3,381	2,873	2,010
Third-party Water	629	699	1,543
Groundwater	0	0	0.1
Rainwater	68	28	49
Total Water Withdrawal	4,078	3,600	3,602
Total Water Consumption	1,252	774	623

Note: The scope of data collection includes 7 production sites within water stress zones. Data on total dissolved solids (TDS) across the water withdrawal categories are under 1,000 mg/L.

#### Water-Risk Area Wastewater Discharge Volume

	2019	2020	2021
Freshwater ( $\leq$ 1,000 mg/L Total Dissolved Solids)	330	211	301
Other water (>1,000 mg/L Total Dissolved Solids)	2,496	2,615	2,678
Total Discharge Water	2,826	2,826	2,979

Note: The scope of data collection include 7 production sites within water stress zones. Wastewater from these production sites is treated through internal wastewater treatment and discharged into municipal sewage systems after meeting discharge standards. The wastewater is then discharged to water bodies after public sewage treatment.

Water withdrawal in areas within water stress zones in 2021 is similar to that in 2020. However, water consumption reduced by 3%. FENC aims to maintain high water efficiency and enhance sustainability by using and allocating water resources more efficiently and reasonably.

#### FEAV

Water resources management at FEAV targets further division of water supply zones with additional water meters, which monitor and control water use. The plant also installed the water conservation equipment and rainwater recycling system. The recycled water is used towards irrigation and cleaning, which minimizes water use. Regarding the water supply, public utility units conduct regular inspection and maintenance. The underground conduits are replaced with transparent pipes to allow easy access during inspection, maintenance and repair, which helps avoid wastefulness.



Unit: 1.000 kL

#### • FEAZ

Unit: 1,000 kL

Water consumption at FEAZ is mainly for employees' domestic use. Therefore, the plant called for all employees to participate in the water conservation campaign. Plant Affairs and Equipment Energy Department enhanced the inspection to reduce water leakage. Each month, FEAZ meets with FEAV and FENV to discuss and share experiences in improvements and water conservation measures.

#### • FEPV

The polyester plant of FEPV recycled the condensate from air compressors and air conditioning units for the water cooling tower in 2021. The plant also increased the concentration of plant-wide recirculating cooling water by 10 times, and the concentration of production recirculating cooling water by 6 times. The plant has effectively reduced water consumption by recycling and reusing the water discharged from the cooling tower.

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#### • OTIZ

OTIZ combines water conservation with pollution prevention and control. While both focus on the protection of water resources, water conservation emphasizes the quantity while pollution prevention and control emphasizes the quality, which are complementary. The plant is managing the effluent through science and governance.

Water conservation efforts place an emphasis on avoidance, recycling and treatment. Avoidance strategies include increasing condensate concentration, reduce the frequency of water softening and reclamation and adjusting the time setting for sand filtration and softening. Recycling and treatment entails recycling and reuse of RO concentrate, enlarging rainwater recycling pipes, increase rainwater recycling during flood seasons and achieve zero discharge for production wastewater.

OTIZ received the titles, Provincial Level Water-saving Enterprise in 2019 and Suzhou City Water Efficiency Leader in 2020, with a total of NT\$210,000 in prize. With these encouragements, the plant is even more energized to improve water conservation technology for the future.

# Zero Production Wastewater

OTIZ installed a new wastewater system to eliminate wastewater discharge from the production process. The system directs wastewater to the biotreatment and the water reclamation system. After satisfying required standards as usable water, it is recycled for the machine shop to replace tap water used for scrubbers. After communicating with governmental agencies, including the environmental

protection department, OTIZ received approval to collect and send production wastewater from South Plant to be treated at North Plant. The design optimized system efficiency and made zero wastewater discharge a reality. The new system reduced water withdrawal by 26,712 kL, which saves approximately NT\$476,000 in water withdrawal fees and approximately NT\$1 million in wastewater discharge fees paid to suppliers. Most importantly, the system achieves the ultimate goal of protecting the environment.

# **3.2 Responding to Climate Change**

The impacts of climate change and global warming have grown severe. To mitigate and adapt to the climate crisis, FENC implemented the project on TCFD Climate-related Financial Disclosure in 2019, using the TCFD framework to evaluate financial impacts on FENC sites due to climate change. For details on this assessment, please refer to <u>1.3.4 Climate Risk Management</u>.

FENC has dedicated long-term efforts in corporate sustainability, advocating and implementing GHG inventory control with site-specific reduction targets. In 2021, company-wide short, mid and long-term GHG reduction targets have been established while the use of renewable energy is increased step by step to mitigate global warming caused by GHG emissions and ensure the sustainability of natural habitats on earth. For details, please refer to <u>Special Report 3. The Path to Net Zero Through Low-Carbon Transformation</u>.

#### • GHG Reduction Targets at FENC



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



# 3.2.1 GHG Inventory

# • GHG Management Guidelines and Measures



Note: Environmental Protection Administration of Executive Yuan issued a notice on October 21, 2021 on the upcoming amendment to Greenhouse Gas Reduction and Management Act and the renaming of the act to Climate Change Response Act.

# GHG Emissions in 2021



Note: Data collection on categories 1 and 2 (scopes 1 and 2) accounts for 100% of the scope of this report.

In 2021, direct and indirect (categories 1 and 2) GHG emissions increased by 2%. The increase is mainly attributed to the increase in production. However, GHG emission per unit production dropped by 14% compared to the previous year, which is a testimony to the Company's dedication in GHG reduction implementations.



the boiler exhaust using carbon capture, usage and storage (UCSS) to reach carbon reduction.

GHG Reduction Strategies

Improving Energy Efficiency

An energy conservation budget of NT\$4.18 billion was approved in 2022. Projects funded by this budget are anticipated to reduce GHG emissions by 318,000 tCO2e.

replacing coal or crude oil, which are high-carbon fuels, with natural gas, which is relatively low in carbon emissions. The mid and long-term plans focus on replacing natural gas with hydrogen fuel and achieving energy transformation.

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Direct and Energy indirect GHG Emissions								Unit: ktCO2e					
		Petr	Petrochemical		F	Polyester		Textile		Total			
		2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Direct Emissions	Category 1	391	364	389	470	771	785	45	137	167	906	1,272	1,341
Energy Indirect Emissions	Category 2	203	195	151	570	655	620	288	310	374	1,061	1,160	1,145
Total		594	559	540	1,040	1,426	1,405	333	447	541	1,967	2,432	2,486
Note:													

- GHGs include CO2, CH4, N2O, HFCs, PFCs, SF6 and NF3. ISO 14064-1:2018 categorizes emission sources into direct (category 1, emission source from directly owned or controlled by the organization) and indirect (category 2, indirect GHG emissions from imported energy such as electricity, heat and steam).
- 2. The scope of data collection for 2019 includes 15 production sites in Taiwan, Mainland China and Vietnam. Starting in 2020, 6 additional production sites are incorporated into the scope of data collection. Totaling 21 production sites, the data collection accounts for 100% of the scope of this report.
- 3. In 2019 and 2020, OPTC, Hsinpu Chemical Fiber Plant, Kuanyin Chemical Fiber Plant, OPSC and FEIS completed GHG inventory in accordance with ISO 14064-1. GHG inventory from other production sites have passed internal audits.
- 4. In 2021, 100% of the GHG emission data passed the internal audit. Once the Company obtains third-party verification, which is scheduled to be completed by the 3rd quarter of 2022, the data will be disclosed in 2022 Sustainability Report.
- 5. In 2021, direct and indirect (Category 1 and 2) GHG emissions from the 4 FENC production sites in Taiwan amount to 793 ktCO<sub>2</sub>e.

Oirect and Energy Indirect GHG Emissions per Unit of Production

2019

Note: The Textile Business does not include FEAZ, FEAV and FENV.

2020

Petrochemical

2021

0.32

2019

0.34

2020

The Company

2021

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2020

2021

2019

2020

Textile

2021

2019

All FENC production sites must comply with ISO 14064-1 standards as well as local regulations on GHG inventory and quantification. In addition, third-party verifications must be conducted once every 3 years. In 2020,

FENC launched comprehensive GHG inventory initiatives covering 20 production sites in Taiwan, Mainland China,

Vietnam, Japan and the U.S. The inventory is conducted following the 6 categories of emission sources from the

latest ISO 14064-1:2018 and categories 3 to 6 (scope 3) in GHG Protocol issued by World Council for Sustainable

Development (WBCSD). The scope of the inventory covers the entire organization, including all departments and

supply chain, taking into account direct emission sources as well as 15 indirect GHG emission sources such as

imported energy, transportation and products used. In 2022, the 20 production sites are scheduled to complete external verification in accordance with ISO 14064-1:2018.

To implement company-wide GHG inventory, FENC held the kickoff meeting at the end of 2020. In 2021, 3 stages of trainings were conducted, including 24 sessions with 672 employees in attendance. Among them, 332 have been qualified as ISO 14064-1:2018 internal auditors.

The inventory helps the Company identify carbon emission hotspots. The information serves to support FENC's 5 major carbon reduction strategies. With regular monitoring and testing as well as timely adjustments, FENC is on track to achieve its GHG emission reduction targets.

Unit: ktCO2e

# • Other Indirect GHG Emissions in 2021 (Category 3 to 6)

	Petrochemical	Polyester	Textile	Total
Purchased Goods and Services (Category 4)	2,206	4,137	804	7,147
Capital Goods (Category 4)	4	41	10	55
Fuel- and Energy-related Activities (Category 4)	131	411	204	746
Upstream Transportation and Distribution (Category 3	) 17	53	10	80
Waste Generated in Operations (Category 4)	6	13	17	36
Business Travel (Category 3)	0.03	0.45	0.36	0.84
Employee Commuting (Category 3)	0.22	3	3	6.22
Upstream Leased Assets (Category 4)	2	0.48	2	4.48
Downstream Transportation and Distribution (Category 3)	20	65	50	135
Downstream Leased Assets (Category 5)	0.10	0.10	0.10	0.30
Franchises (Category 5)	0	0	0	0
Investments (Category 5)	0	0	0	0
Total	2,386	4,724	1,101	8,211

Note:

Unit: tCO<sub>2</sub>e / metric ton of product

1. The classification is based on GHG protocol.

2. FENC focuses on the production of polyester and raw materials with an array of terminal applications. The GHG emission generated from the processing, use and end-of-life treatment of sold products must be calculated based on specific scenarios. Due to the lack of objectivity and reference value, the data is excluded.

3. Category 3 to 6 account for 95% of the production sites within the scope of this report. FEAZ, which is in the process of relocating and excluded from the scope of disclosure, did not conduct the GHG inventory.

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# Avid Support for Governmental Policies

The enactment of Trial Procedures of Shanghai Municipality on Carbon Emission Administration in 2013 puts a cap on carbon emission for OPSC and FEIS. The two subsidiaries ensure regulatory compliance by formulating various carbon reduction and monitoring measures, and establishing energy conservation and carbon reduction goals at each year end for the coming year. The progress is reviewed monthly during energy conservation meetings, where improvement measures are also proposed with designated lead agency for action. Each day, staff track the fluctuation of carbon pricing and report the observation during monthly meetings.

The Chinese government mandates corporate efforts in carbon reduction through Carbon Emission Trading System. The carbon quota allocated in the system has been decreasing by the year. With increasing production scheduling at FEIS in 2021, its carbon emission exceeded the cap by a slight margin. Therefore, FEIS must replenish the quota with unused carbon emission balance. FEIS also installed the solar power generator and hybrid power station using cogeneration technology to reduce carbon emission. OPSC installed the rooftop solar power station and will optimize boiler operation with AI to reduce the use of natural gas as boiler fuel. The measures will cap the carbon emission under the decreasing carbon quota.

Carbon Quota	s and Emissions of OPSC	and FEIS		Unit: ktC0
		2019	2020	2021
ODSC	Quota	166	161	139
OPSC	Actual Emissions	161	150	145
FEIC	Quota	324	328	319
FEIS	Actual Emissions	325	309	334

Note: The Quota in 2021 were estimated emissions; the actual quota is yet to be verified by the government. The Quota in 2020 were revised to actual number, which approved by government.

# 3.2.2 Renewable Energy Use

FENC supports the use of renewable energy with actions. The Company reduces GHG emissions and minimizes environmental impact induced by production activities. Since 2016, the Company has been building solar power stations at production sites in Mainland China, accumulating 54.65 million kWh of solar power generated in-house. In 2021, solar power generated by FENC sites in Taiwan, Mainland China and Vietnam reached 13.39 million kWh, among which, 83% is for internal use. Hsinpu Chemical Fiber Plant, Hukou Mill, Kuanyin Dyeing and Finishing Plant as well as FENV are also starting to build their first solar power stations. Production sites with existing solar power stations are planning for future expansions. It is projected that by 2025, the total installed capacity will reach 46,000 kW, which triples the capacity from 2021. Starting from 2026, the installed capacity will increase by 1,000 kW each year.

According to Renewable Energy Development Act, major energy users must incorporate 10% of green power in the energy mix. In addition to continuing adding solar power generators, the Company also evaluates the purchase of renewable energy. OPTC Plant 2 will also generate biogas using wastewater in its effort to increase the use of green power.

FENC has been purchasing green power since 2015. When the trading of Taiwan Renewable Energy Certificate (T-REC) started in 2018, FENC purchased T-REC from the Southern Region Campus of ITRI in 2019. In 2020, FENC accumulated 1.19 million kWh of T-REC with additional purchase from National Penghu University of Science and Technology. In 2022, OTIZ purchased 20 million kWh of wind power from China Resources Power Holdings Company Limited. The addition brings the total purchased green power to 21.19 million kWh, showing FENC's swift actions towards energy transition.

#### Scheduling and Planning for Construction of Solar Power Station

Total <b>12,417</b> kW	<b>FEDZ</b> 1,538 kW	<b>FEIW</b> 3,428 kW	3,4	otiz 106 kw
	OPSC 300 kW	<b>FEIS</b> 1,473 kW	OPT 49	C Plant 2 79 kW
	Kua FEFC 434 kW	anyin Chemical Fiber Plant 488 kW	OGM 491 kW	FEAV 360 kW

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Major energy users must incorporate 10% of green power in the energy mix in accordance with Renewable Energy Development Act, and OPTC Plant 2 is planning to build a solar power system and biogas power generator. The plant exercised strategic foresight and planned to complete the installation before the end of 2023. The two options provide 4,300kW of renewable power, of which 2,400 kW are installed capacity from biogas generator and 1,900 kW total capacity from solar power.

The biogas power generation system utilizes biogas generated from the anaerobic wastewater treatment within the plant. In 2021, the plant commissioned ITRI to measure the biogas from OPTC and ITRI estimated the power generation capacity at 2,200 kWh. Since the approval of an environmental impact assessment (EIA) was required during the initial plant construction, modifications made to the production process also require the approval of EIA. After undergoing design, application and review, the plant finally passed the committee review on August 31st, 2021, and received the approval in December 2021. The project is scheduled to be completed and start generating power during the 3rd guarter of 2023.

# 3.3 Preventing and Controlling Environmental Pollution

# 3.3.1 Air Pollution Management

# Air Pollution Management Guidelines and Measures



Total emission of air pollutants increased by 4% in 2021. Production increase is the main contributing factor for the slight increase. Among the Businesses, emission of VOCs from Petrochemical Business rose by 25%. OPSC has been examining and monitoring changes in the catalyst activity and operational conditions. Improvements have delivered results in the 4th quarter, which will likely lower pollutant emissions. Company-wide air pollutant emission per unit production declined by 3%. Air pollutant emission per unit production under Petrochemical Business went up by 6% compared to the previous year. The main cause is an additional 49 days of downtime at OPSC Plant 1 in 2020. Though without productivity during this period, the operation of natural gas boilers is needed to supply steam for the wastewater treatment plant. For Polyester Business, the air pollutant emission per unit production declined by 27%. Hukou Mill has ceased using boilers and OTIZ switched to a more precise form of measurement, from permitted emission to annualized sampling value, which contributed to the decrease.

#### Air Pollution Emissions

#### Unit: metric tons

	Pet	Petrochemical		F	Polyester		Textile			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
NOx	143	155	150	629	454	473	121	126	119	893	735	742
SOx	74	70	64	285	182	216	76	83	69	435	335	349
VOC	96	141	176	321	246	317	7	11	9	424	398	502
НАР	0	0	0	0.5	0.5	1	0	0	0	0.5	0.5	1
Particulate Pollutant	7	12	10	50	97	46	80	27	19	137	136	75
Total	320	378	400	1,286	980	1,053	284	247	216	1,890	1,605	1,669

#### Note:

#### 1. Only emitted gases are listed.

2. Particle pollutants include suspended particle matters (PM), dust and smoke.

- 3. The collected data covers 3 categories, actual measured value, annualized sampling value and estimates. In 2021, actual measured values are collected at Hsinpu Chemical Fiber Plant (NOx, SOx, particle pollutants), Kuanyin Chemical Fiber Plant (NOx, SOx, particle pollutants), FEFC (NOx and SOx), polyester plant of FEPV, OPTC Plant 2, OPSC (NOx and SOx), WHFE, Kuanyin Dyeing and Finishing Plant, FEIW, FEDZ, FEAZ, FEAV and FENV. Annualized sampling values are collected from OPSC (VOCs), FEIS, OTIZ and the textile plant of FEPV. Estimates are collected from OPSC Plant 1, Hsinpu Chemical Fiber Plant (VOCs), Kuanyin Chemical Fiber Plant (VOCs), OGM, FEFC (particle pollutants), Hukou Mill, APG Polytech and FIGP.
- 4. Data on hazardous air pollutants (HAP) are collected at APG Polytech in the U.S. and FIGP in Japan. The 3 HAPs identified at APG Polytech are ethylene glycol, acetaldehyde and 1,4-Dioxane, which are regulated by U.S. Environmental Protection Agency. Acetaldehyde, which is on the list of HAPs regulated in Japan, is identified at FIGP.
- 5. Data collection on air pollutant management accounts for 100% of FENC production sites in the scope of this report.



0.10

0.05

0.06

0.01

0.01

0.23

0.20

0.12

0.02

0.00

0.03

0.37

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Note: The Textile Business does not include FEAZ, FEAV and FENV.

0.06

0.03

0.07

0.00

0.01

0.17

NOx

SOx

VOC

Total

FENC consistently introduces technology that enhances air pollution prevention and control, and examines existing facilities and production process regularly. The boilers and exhaust pipes are also inspected on a regular basis to ensure regulatory compliance and reach reduction targets.

# System Establishment and Management

## Management of Gas Pollutants

To stabilize the production process, OPTC Plant 2 sends the parameters required on the operating permit for stationary pollution source to the central control for real time management. When changes occur during production, operational parameters for the prevention and control facilities can be adjusted immediately. The environmental protection units examine the parameters daily to ensure normal operation of all functions as well as effective and consistent removal of air pollutants.

OGM adjusted the air-fuel ratio inside the boilers, which refers to the ratio between the gasoline and combustion supporting gas inside the burner to ensure complete combustion. The plant is able to increase combustion rate without adding new facilities, which prevents furnace damage, extends the life cycle of the boilers and reduces NOx and SOx.

# Management of Particulate Pollutants

Taking Petrochemical Business as an example, the delivery of PTA starts with the storage tank, and the finished product is unloaded through back flow or filling equipment. The process constitutes the main source of particle pollutants. By improving unloading equipment and delivery conduits, production units may shorten the unloading period while effectively collecting dusts scattered during the process to reduce Particulate Pollutants.

# Management of VOCs

The Company

0.10

0.05

0.05

0.01

0.01

0.22

- 1. Equipment involving VOCs are visually inspected and documented weekly.
- 2. Production sites commission qualified testing agencies to conduct regular inspections quarterly and special inspections bi-annually on equipment components as stipulated in Regulations Governing Emission of Volatile Organic Compounds. Immediate measures are taken to address any insufficiencies, and VOC reports are filed with the authority on a regular basis.
- 3. Production sites conduct training for production staff on equipment operation and install VOC detectors to enable staff to check equipment with possible leakage to make more accurate determinations and repair in time.

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- Management of Other Air Pollutants
- 1. Production sites install continuous emission monitoring systems (CEMS) to conduct relative accuracy test audit (RATA). Data collected is in compliance with regulatory requirement.
- 2. Production sites establish irregularity reporting mechanism to facilitate immediate reporting when irregularities occur with gas emission at the plant.
- 3. Production sites complete irregularity reporting procedure and training for staff.
- Production sites provide air pollution related training for or dialogues with the supply chain, including customers and suppliers. For instance, WHFE has adopted the following measures in 2021:
  - Approve critical procurement details and communicate with suppliers on FENC's philosophy on environmental protection. The focus in 2021 was on air pollutant control and prevention.
  - Each year, the Company conducts 2 on-site evaluations. The evaluation panel includes auditors, site engineers and quality control supervisors. Environmental management and control is among the evaluation categories.
- In 2021, 5 suppliers signed the statement of environmental management and control on air pollution.

# Incorporation of Innovation Technology and Facility

- To reduce air pollutants, Hsinpu Chemical Fiber Plant and Kuanyin Chemical Fiber Plant installed the selective catalytic reduction (SCR) equipment, which utilizes catalysts to reduce the NOx and ammonia mixture to nitrogen and water, 2 harmless substances. The equipment removes 80% of the NOx in the water slurry boiler. Kuanyin Chemical Fiber Plant has finished installing 4 sets of SCRs and commissioned SGS Taiwan to test the NOx concentration on September 1st, 2021. The concentration level dropped below 100 ppm. The 6 SCRs at Hsinpu Chemical Fiber Plant will be installed by June 2022.
- 2. OTIZ installed 5 regenerative thermal oxidizers (RTO) to treat waste gas. The oxidizer turns the combustible waste gas into corresponding oxides and water. While the waste gas is purified, thermal energy released during oxidization is captured. The equipment breaks down over 99% of the VOCs with over 95% heat capturing efficiency.

- 3. FEIS retrofitted the dryer for staple fiber. The plant reduced VOCs with a significant 16% drop by increasing the exhaust volume at the cooling area. The plant also modified the low nitrogen burner at the boiler, which reduces the NOx concentration from 110 mg/m<sup>3</sup> to 40 mg/m<sup>3</sup>. The impressive 64% reduction is helping the plant reach its long-term target for 2030 in advance.
- 4. FEDZ installed 2 new smoke and exhaust purification devices for the stenter, which is projected to reduce air pollutants by 50%. The total investment amounts to approximately NT\$28 million.



# 9 RAISTRY INFORMED 13 GLAVATE ADDREASTRICTURE 13 ACTON

OPSC added VOC prevention and control facilities in 2021. With the use of catalytic oxidation, the waste gas is pumped into the new system through suction ventilator. With added pressure and oxygen, the waste gas goes through the steam heater, plate heat exchanger and electric heater to reach the desired temperature. The catalyst transforms the VOCs into  $CO_2$  and water. The purified waste gas is sent to the alkali washing tower to be scrubbed and emitted after secondary purification. After the oepration began in 2021, the concentration of VOCs has dropped considerably. In 2021, the air pollutants emitted reduced by 13% compared to 2020, keeping the emission far below regulatory limits. Total investment for this project amounts to NT\$73 million.



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#### Incorporation of Innovative Technology and Facility

Seasonal weather tends to take the air quality at FENC production sites for a downward spin in autumn and winter. Thus we strictly comply with all government mandates on air pollution and control. When Hsinpu Chemical Fiber Plant receives notice from the Environmental Protection Administration about deteriorating air quality, the plant activates tiered response based on the severity, including checking boiler operation, activating prevention and control facilities and reducing material feed to keep air quality from deteriorating. OPSC and FEIS responded to the government mandate by scheduling the annual maintenance in November, and reducing operations and transport vehicles that are prone to generate dusts.

Environmental Protection Administration of Executive Yuan held the 3rd Environmental Impact Comparative Analysis Report for Change in Taoyuan Technological Industry Park Development Plan in 2020. The maximum limits for air pollutants, wastewater and regular industrial waste are reduced to comply with the requirements for Phase II of the development plan for Taoyuan Technological Park. On October 4th, 2021, the EPA issued a notice on the reduction of permitted pollutant emission. OGM responded by constructing incinerators, capturing the thermal (steam) energy and applying it towards the production process to reduce the use of natural gas boilers. The improvement enhanced the efficiency of air pollution prevention and control facilities, bringing the plant up to code.

#### 3.3.2 Waste Management

FENC continues to optimize waste management at all production sites. The Company increases the efficiency of production resources with avoidance and reuse while promoting waste classification and recycling to create circular utilization of resources. The Company chooses licensed waste management companies to ensure the recycling and reuse of valuable waste, and that valueless waste is properly disposed of to prevent pollution. About upstream waste management mechanism, suppliers are monitored through inspections and the signing of Supplier Corporate Social Responsibility Statement. In 2021, there were no leakages of raw material, oil, fuel, packaging material, chemical and waste at FENC.

#### Waste Classification and Impact Assessment

Waste materials generated from the business activities at FENC can be broken down into 92% regular industrial waste and 8% hazardous industrial waste. The hazardous industrial waste includes used chemical bottles for testing, lubricant/oil and light tube/electrical batteries, which are processed by qualified waste management companies. To reinforce the requirement on hazardous waste management, the Company tracks the type, quantity, destination, storage, usage and treatment of the waste processed through these companies to ensure regulatory compliance. In 2021, waste treatment at FENC did not pose any major substantial impacts to the environment.

#### Waste Management Guidelines and Measures



#### Waste Treatment Process



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Total waste materials generated in 2021 increased by 21% compared to the previous year. The main contributing cause is the higher overall production. However, the Company tackles waste management aggressively, turning waste into usable resources, which leads to a 27% increase in the total recycling and reuse materials compared to 2021. Non-reused and recycled waste reduced by 17%. Reused and recycled waste accounts for 91%, which increased by 4%. Compared to the previous year, there is a 13% increase in waste per unit production, which is attributed to modifications made to the production process. These waste materials are recycled and reused on-site.

#### Data of Waste

Note:

Data of W	/aste					Unit: metric tons
				2019	2020	2021
			On-Site Recycling and Reuse	64,170	73,860	103,991
	C 1	Manufacturing Process Wastes	Sold	24,799	25,394	25,709
	General		Off-Site Processing	27,396	36,420	42,943
Recyclable	Wastes	Domostio	On-Site Recycling and Reuse	2	3	2
and	Wastes	Wastes	Sold	199	167	155
Reusable		vvdstes	Off-Site Processing	1,706	1,390	1,242
Wastes	Hazardous	Rusiness Master	On-Site Recycling and Reuse	0	0	0
	Total		Sold	527	719	740
			Off-Site Processing	11,307	11,574	14,536
	Total Recyc	lable and Reusal	ole Wastes	130,106	149,527	189,318
	Manufacturing		Energy Uses	4,079	1,337	1,604
			Incineration	9,747	8,876	7,488
		Process Wastes	Landfilling	926	343	134
	General		Other Treatment Methods	1,036	2,265	2,553
Non	Wastes		Energy Uses	367	373	361
Recyclable		Domestic	Incineration	1,089	1,014	1,187
and Non-		Wastes	Landfilling	2740	2661	2249
Reusable			Other Treatment Methods	1178	1340	1491
vvastes			Energy Uses	132	0	53
	Hazardous	Business Wastes	Incineration	3692	4,939	2,085
	Total		Landfilling	2	2	0.3
			Other Treatment Methods	39	88	65
	Total Non-I	Recyclable and N	on-Reusable Wastes	25,027	23,238	19,270
Total Wastes				155,133	172,765	208,588

1. Waste materials are classified based on local governmental regulations. For instance, sludge generated from wastewater treatment is deemed hazardous industrial waste based on the definitions of Chinese and Vietnamese governments while it is deemed as general industrial waste in Taiwan.

2. Non-reused and recycled waste treatment are handled off-site by qualified waste management companies.

3. The data collection on waste management accounts for 100% of FENC production sites in the scope of this report.



Recyclable and Reusable Wastes
Non-Recyclable and Non-Reusable Wastes General Business Wastes Hazardous Business Wastes

Note: The Textile Business does not include FEAZ, FEAV and FENV.

Incorporation of Innovative Technology and Facility

# The First Waste to Energy PET Bottle Recycling Plant in Taiwan

To reduce air pollution and to seek alternative approaches amid the lack of incinerator capacity, OGM has constructed heat recovery boilers to fulfill its mission of sustainable development. It is also the first PET bottle recycling plant in Taiwan to construct a waste-to-energy (WtE) facility. The project commenced in June 2020 and is schedule to be completed in 2022 for production. The thermal energy produced may replace the use of natural gas boilers.



Once completed, the boilers could incinerate 7,280 metric tons of waste materials, including plastics and organic sludge. The thermal energy generated during incineration could replace the use of natural gas as the fuel source, which is projected to help avoid 1,547 tCO<sub>2</sub>e of carbon emission from natural gas per year.

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3.2 Responding to Climate Change 3.3 Preventing and Controlling

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After working for nearly a year, OPSC finally concluded the used palladium on carbon (Pd/ C) catalyst recycling project. The project reduced nearly NT\$4.3 million worth of inventory, turned waste into treasure and brought in NT\$260 million in revenue. OPSC staff have worked tirelessly with dedication and focus during the process. Kueiyen Enterprise Co., Ltd. from Yunnan Province, OPSC's partner in this endeavor, even joked that the company no longer wishes for future collaborations.

The recycling of Pd/C involves unique and complex procedures. In the past, finding a supplier capable of recycling and processing Pd/C had been challenging. The recycling and processing were therefore handled separately by Sabin Metal Corporation in the U.S. and Chimet, respectively. OPSC worked to locate a domestic company capable of handling Pd/C and palladium trading to sell the metal after recycling. After rounds of discussions and reviews, Kueiyen Enterprise Co., Ltd. was chosen to take on the task.

Due to the scale of the procurement, Plant Affairs Section led a team of staff to supervise the entire process, including transport, pre-processing, bowl milling, soluble acid treatment, weighing and sampling, which are all critical links during the palladium recovery process. OPSC staff learned from Kueiyen Enterprise Co., Ltd. while applying their strengths at opportune moments. They demonstrated strong team spirits. After two batches of recycling, a total of 11,562g of palladium was recovered, exceeding the expectation by 15%.

While onsite supervision over the entire operation has helped ensure a high recycling rate, trading palladium at good selling points was the final touch. As advised by Finance Department from the headquarters in Taipei, the palladium was to be sold in separate trading at ideal price ranges. Kueiyen Enterprise Co., Ltd. agreed to set the price for 70% of the palladium. Vice plant manager Chun-Hui Liu and senior vice president Chuan-Gui Sun monitored the palladium trading and market news daily. When the price hit or exceeded the selling price range, a sell order was issued to Kueiyen Enterprise Co., Ltd. on the next business day. On the second business day upon receiving the sell order, the palladium is to be sold on the London Metal Exchange (LME) at the closing price. Though metal trading is completely foreign to Mr. Liu and Mr. Sun, they dealt masterfully, trading the palladium at ideal price ranges and bringing in high returns for the plant.

Turning Waste to Treasure at OPSC

Slue

# **Sludge Reduction Project**



The wastewater generated at FEIS still retains 70% of moisture content after going through the frame filter, and produces approximately 200 metric tons of sludge per year that require NT\$14.85 million in processing fees. Therefore, the plant installed the sludge drying system, which utilizes low-temperature heat pump dryer to avoid waste gas. The outlet is connected to the sludge bag, which captures the small amount of waste gas generated for central processing and emission. This design helps reduce the moisture content in the sludge to less than 30% while conserving energy and protecting the environment. Meanwhile, the sludge drying system further reduces the moisture content to approximately 20%. In 2021, FEIS has reduced waste materials by 10%.

# Calue Chain Collaboration

At Hukou Mill, cotton scraps are a byproduct of the production process. In the past, recycling and reuse were not an option. In 2021, however, the plant located qualified suppliers to process the scraps with composting, turning waste into resources.

FEAZ inspects waste management suppliers on-site twice every year. FEIS conducts training for waste management companies and downstream suppliers once each year to explain management policies and guidelines for optimization. In 2021, 8 suppliers took part in the training.

The polyester plant of FEPV enacted Waste Treatment Manufacturers Sustainability Leap Project to monitor off-site locations of waste materials with more precision, enhance the efficiency of inspections on waste management companies and ensure that waste materials are properly cleared and transported. The plant established comprehensive supplier selection procedures starting with the introduction of new suppliers. An interdisciplinary team consisted of procurement, waste management, environmental protection and safety as well as legal units conducts document review on the scale of waste management companies, risk assessment as well as permits and certifications. The team also conducts on-site inspections to select qualified suppliers. Companies that pass the selection process shall go through weekly and monthly document review as well as quarterly and yearly on-site inspection based on Waste Treatment Manufacturers Review Criteria. The review covers 166 criteria under 8 categories. The criteria and scoring are modified yearly based on regulatory changes with coaching programs that are also changed accordingly. Each year, the team replaces the suppliers based on 3 major evaluation categories set forth in Waste Treatment Corporation Annual Evaluation.

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FEAV is a supplier for Nike, a brand known internationally for sportswear products. To address Nike's requirement on waste management, FEAV had been targeting production waste under the general waste category with avoidance as well as increasing recycling and remanufacturing rate as the goal. The principles governing waste management is "classification to reduction; waste to earnings; earnings to valuables." Production units must strictly adhere to the implementation of waste classification. Waste materials with value shall be sold through procurement units as well as recycled and reused through external organizations or suppliers. Waste without values will be processed through qualified waste management companies.



17 PARTNERSHIPS FOR THE GOALS

8

In September 2020, Nike requested that all waste materials must be processed through means other than incineration and landfill. FEAV held training and presentation for waste management suppliers and formed collaborations in the quest for alternatives. The proposal was completed in February 2021 and confirmed by Nike. In March 2021, waste materials are processed by qualified waste management companies, hence reaching 100% recycling and reuse of waste materials.

In the past, Nike required that suppliers classify waste into 21 categories. Since August 2021, 17 additional classifications have been added, bringing the total to 38 categories. To meet this requirement, FEAV dedicated tremendous time and efforts, and was able to satisfy Nike within a short period of time.

FEAV conducts self-evaluation on the waste management system. Nike's Vietnamese team made a site visit to inspect plant conditions in 2021 and acknowledged FEAV for its hard work with approval.

# 3.3.3 Ecological Protection

It is our pledge to devote every effort possible to keep production activities from impacting local biodiversity. All FENC production sites underwent multiple assessments in accordance with environmental regulations during the planning stage. Sites chosen are located within industrial zones permitted by the local governments. None of the properties are located within wildlife preservation areas or reserves, and no animals on site are listed on the IUCN Red List of Threatened Species or national conservation lists.

#### Biodiversity Management and Measures



# System Establishment of Management

The construction of OPTC Plant 2 required the EIA approval. Therefore, any modifications made to the production process would require further rounds of environmental impact review and approval. The construction of biogas power generator went through the design, application and review processes. On August 31st, 2021, the EIA was approved by the review committee, and permit for modifying the EIA was granted in December 2021.

FIGP is planning to expand the rPET plant in Himeji, which is located in Hyōgo Prefecture in Japan. Commercial operation is set for 2023. To comply with local regulations and protect the local residents and environment, an EIA was conducted in accordance with the regulatory requirements. During the first stage of the assessment, current on-site conditions were surveyed to determine levels of air pollution, noise, vibration, odor and water quality, including BOD, COD and SS. For the second stage, the EIA on air pollution, noise, vibration, odor and water quality including BOD, COD and SS targeting design capacity and equipment are to be conducted. The EIS report is scheduled to be completed at the end of June 2022.

99

110

122

4.1 Constructing Happy

4.2 Fostering Employee

**Career Planning** 

Safety and Health

4.4 Coordinating Sustainable

Business Partner (Supplier/Contractor)

□ Shareholder/Investor/Financial Institution

**3** GOOD HEALTH AND WELL-BEING

\_/w/`•

8 DECENT WORK AND ECONOMIC GROWTH

4 QUALITY

**16** PEACE, JUSTIC AND STRONG

External Audit Agency/Media

Local Resident and Organization

**Supply Chain Development** 

Management

Employee/Labor Union

Target Readers

Government

**Ň**ŧŧŧ

**5** GENDER EQUALITY

Q

Direct Customer

Industry Association

4.3 Reinforcing Environmental 113

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The Number of Female Supervisors

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

Hsinpu Chemical Fiber Plant Was Accredited with the Taiwan iSport Corporation

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

Underscoring Talent Development with Additional (5) NT\$ 14.67 Millio Special Training Budget Employee Satisfaction 86.8% 12.4%

**Online Courses** 

Established Speak Up Policy Fine-Tuned Grievance Mechanism

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

In 2021 Average Annual Regular Salary of the Company FENC Is

**29% Higher** than the Local Average

# Safety Assurance Certificate



for FEAV from Bình Dương Provincial People's Committee and Police Department in Vietnam

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

Consecutive Years Environmental Protection Administration of Executive Yuan Awarding Green Procurement Certificate Zero Disabling Occupational Injuries 9.5 Million Hours in FEFC's 23-Year History 9 Million Hours for OPSC as of 2021



6,001 Suppliers Signing Supplier Corporate Social Responsibility Commitment Statement Union Participation of All Employees Has Reached oo



2030

Target

2025

Target

2022

Target

2021

Target

2021

Progress

Action

Plan

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management through the MIT Sloan School of Completed

- FENC purchased online training courses and platform.



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# Significance and Purpose of Management for FENC

**Material Topics** 

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

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# 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

Board of Directors	Human Resources Department under Headquarters	Human Resources Units under Businesses	Labor
The Chairman signs FENC Human Rights Policy, leads human rights protection efforts, provides resources and supports the management on the implementation of human rights protection.	The department is in charge of human resources management, setting human rights policy with annual goals, promoting gender equality and anti-discrimination, conducting collective bargaining with labor unions and establishing standards on global human rights due diligence.	The units collaborate with the procurement and production units under all Businesses to establish human rights implementa- tions. Each Business conducts monthly meetings to review the implementa- tions, propose rectifications as well as investigate and improve upon grievance claims.	The union ra discusses hu issues durin relations me the employe perspective
Annual report to the Board presented by corporate governance manager	Monthly report	Monthly report	Quarter

# aises and uman rights ng labor eetings from ree

Unions

y report

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.

#### 1.2018

The Company established FENC Human Rights Policy, which is founded on the respect for local culture and customs at each FENC sites.

#### 2.2019

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

#### 3.2020

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.

## 4.2021

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.



S	Policy and Implementation in 2021	• [
	Implementation in 2021	٦
	★	
	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	ł
	ensured. Once onboard, employees undergo human rights training to enhance their labor rights awareness. There were no incidences of forced labor in 2021.	• [
		l
	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.	ł
		•
	FENC aims to provide sensible salaries to employees, keeping it above the local minimum wage with benefits. The Company also tracks changes	F
	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	٦
	sites are reviewed annually against the local average. In 2021, average regular salaries from FENC production sites are 29% higher than the market average	C
		4
		τ
	FENC complies with all local regulations, keeping daily working hours under the maximum and providing vacation and sick leaves accordingly.	I
	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.	5.2
	The assessment report is provided to the management as a reference for shift assignments. FENC also established an alert system to warn	٦
	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.	ł
		F
ľ		(
L	FENC respects and acknowledges employees' rights to choose, organize, join or refuse to join labor unions or other forms of labor organiza-	
l	U.S. finished signing the collective bargaining agreement.	i
		F
	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	F
	harassment.	Ŗ
		t
1	FENC is devoted to maternity protection, establishing measures to safeguard maternity health for female employees against potentially	C
	harmful duties or work environment. Such measures include ensuring occupational safety for pregnant and nursing women, adequacy of work	â
	2021, there were no disputes or grievance claims filed for maternity protection issues.	f

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.

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nhancing FE	NC Human H	Rights Policy	and Human	Rights Due L	biligence
Defining the Scop	e of Human				

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.

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

 Universal Declaration of Human Rights (UDHR)
 United Nations Global Compact (UNGC)
 United Nations Guiding Principles on Business and Human Rights (UNGPs)
 International Labor Organization Conventions (ILO Conventions)
 International Conventions

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.

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**

**Rights and the Highest** 

Commitment

Corporate Management, procurement

units and production sites

**Identifying Human Rights Risks** 

Human Resources Department

Analyzing Human Rights

Risks and Collecting Data

All units

Conducting Due Diligence

with Mitigation and Rectification

All units

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.



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.

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

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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



# Human Resource Statistics

2. The age cohort does not include non-permanent employees.

Number Ratio

61 12%

13%

10%

4%

3%

4%

1%

1%

1%

4%

47

14

72

16

88

2

3

5

154

Male

Subtotal

Subtotal

Subtotal

Male

Over 51 Female

Total

Male

Between

31 and 50

Note:

3. No part-time workers are employed at any production and business sites.

• Number and Percentage of New Employees in 2021

Mainland

China

Number Ratio

347

715

465

10

0

10

2,436

1,180

899 160%

1,246 133%

92%

38%

26%

32%

4%

0%

4%

45%

Note:

About This Report		_		Taiwan		Ma	ainland Chir	na		Vietnam			Japan			U.S.			Total	
Message from the Chairman			2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
		Male	73%	73%	73%	51%	54%	55%	34%	33%	33%	80%	84%	84%	86%	82%	82%	47%	48%	48%
Sustainability Strategy Blueprint	Permanent	Female	27%	27%	27%	49%	46%	45%	66%	67%	67%	20%	16%	16%	14%	18%	18%	53%	52%	52%
FENC's Contribution to UN SDGs	C's Contribution to UN SDGs	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
Identification of Stakeholders		Male	88%	88%	90%	57%	59%	62%	36%	28%	36%	80%	87%	76%	50%	100%	100%	75%	72%	67%
and Material Topics	Temporary Employees	Female	12%	12%	10%	43%	41%	38%	64%	72%	64%	20%	13%	24%	50%	0%	0%	25%	28%	33%
Boosting Stakeholder Dialogue	Linpioyees	Number	1,108	950	888	543	600	593	136	162	566	5	15	17	4	2	4	1,796	1,729	2,068
Sustainable Recognitions		Male	76%	76%	76%	52%	54%	56%	34%	33%	33%	80%	84%	83%	85%	82%	83%	49%	50%	50%
Special Report	Total	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

Total

Number Ratio

2,134 70%

67%

30%

1%

4%

2%

50% 2,856 65%

4,990

17% 1,147 23%

18% 2,726 26%

19

16

35

16% 7,751 40%

22% 1,579

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.

Number Ratio

48%

48%

2%

5%

2%

14

1

15

10

2

12

1

1

2

29

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7 Appendix 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.

Vietnam

1,167 57%

2,491 65%

3,658 62%

1,094 38%

1,431 35%

6 9%

12 33%

18 18%

5,107 50%

27%

337

Japan

3

10

13

2

15

0

0

0

25

19%

38%

23%

15%

14%

15%

0%

0%

0%

16%

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
	Male	68	19%	919	164%	897	44%	2	6%	0	0%	1,886	62%
Under 30	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%
	Male	127	7%	726	39%	391	32%	5	6%	5	9%	1,254	25%
Between	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%
	Male	101	11%	21	9%	3	5%	0	0%	7	11%	132	10%
Over 51	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.



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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
lainland 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



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.

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# 4.1.3 Employee Care

Compensation

From employees' perspective, safety, friendly environment and high quality facilities are critical

FENC established a variable payroll system that

Mid-level managers and above may participate in the employee stock ownership plan (ESOP), which

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

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

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

Compensation for executive levels above executive vice president is based on corporate

support for their undivided devotion to work, but

more importantly, the Company must provide

comprehensive payroll and benefit policy.

Performance Review 🍾 for details.

and investment returns.

# • Salary Comparison by Gender

		Taiwan			Mainland China			Vietnam				Japan				
		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 S	alary and M	Average and Median Annual Salary for Non-Manageria						
	Taiwan	Mainland China	Vietnam	Japan	U.S.	Positions	2019	2020	Unit: NT\$ <b>2021</b>
The Highest Individual Salary: Median Salary of Other Employees	7.48 : 1	5.15 : 1	8.35 : 1	2.38 : 1	2.16 : 1	Average Annual Salary for Non-Managerial Positions	<u>А</u> 921,334 в 1,062,430	919,034 1,046,562	976,169 1,096,586
Ratio of Salary Increase Betw	veen the I	Highest Sal	ary and M	edian Sala	ry in 2021	Median Annual Salary for Non-Managerial Positions	A 817,361 B 912,955	807,948 907,452	849,334 938,615
	Taiwan	Mainland China	Vietnam	Japan	U.S.	Number of Employees in	A 4,788	4,423	4,176
The Highest Individual Salary: Median Salary of Other Employees	0.41 : 1	1.83 : 1	1.71 : 1	1.05 : 1	1.00 : 1	Non-Managerial Positions	в 3,732	3,503	3,361

1. 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 present, positions that are higher, and positions held by foreign employees.

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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 <u>1.2.2 Board Structure and Remuneration</u>  $\checkmark$  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) codeveloped 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.

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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.
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# **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
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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.

> FENC Speak-up: speak-up@fenc.com ( Speak Up Policy

# Regulation Governing Layoff Notice Period

Mainland

Vietna

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.
nland 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 eithe 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

All employees undergo KPI review. In the beginning of

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

to supervisors during the monthly appraisal interview.

as well as a formal mechanism to promote an open

performance. Employees may also express observations

The annual review will be based on achievement of goals.

serving as a reference for salary and bonus adjustments

each year, employees set personal goals based on



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.

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#### 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



- Continue and expand new product development and investments in new fields; develop green production and products; minimize the impact of value chain on the natural habitat. expansion and growth momentum;
  - Provide high quality products and comprehensive services.
  - Confront challenges posed by globalization, focus on development of global talents and provide comprehensive employee care.
  - Continuously engage in stakeholder dialogues; devote efforts in social and philanthropic causes.

#### Performance Review for Migrant Workers

strategies; balance corporate

pursue corporate growth and

financial performance amid the

capricious business environment.

Control business costs as well as

manage internal and risk control.

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.
Iainland 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.

# 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.

# Kirkpatrick Model • 25% of employees partaking in the international talent development program are promoted

Level 04 Results	<ul> <li>Far Eastern Corporate University proposed 117 feasible</li></ul>
2021 Evaluation	projects to help improve organizational performance
Level 03 Behavior	<ul> <li>Employees formed 47 share groups within</li></ul>
2021 Evaluation	internal units <li>Employees conducted 58 sessions of study group</li>
Level 02 Learning 2021 Evaluation	<ul> <li>Learning assessment: Average score of 91 at Far Eastern Corporate University and 95.3 for online courses from International Universities</li> <li>New recruits shared their reflections</li> <li>Employees obtained 394 course certificates</li> </ul>

Reaction

2021 Evaluation

Level

74% of the planned training sessions were held successfully
After-class satisfaction survey reached the scale of 4.65 out of 5

# Course Category and Detail



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# Average Number of Training Hours and Training Days of Regions

		2019	2020	2021
Taiwan	hour / person	28.56	26.82	29.50
laiwan	day / person	3.57	3.35	3.69
Mainland	hour / person	32.25	30.70	19.87
China	day / person	4.03	3.84	2.48
Vietnem	hour / person	19.65	16.29	14.48
vietnam	day / person	2.46	2.04	1.81
lanan	hour / person	47.28	14.44	14.70
Japan	day / person	5.91	1.81	1.84
ПС	hour / person	56.05	43.51	52.17
0.5.	day / person	7.01	5.44	6.52
Tetal	hour / person	25.07	21.80	19.37
Iotal	day / person	3.13	2.73	2.42

# Average Number of Training Hours of Ranking and Gender

				Unit: hour / persor
		2019	2020	2021
Section	Male	34.57	36.86	28.24
Chief and	Female	31.16	28.74	20.50
above	Subtotal	33.54	34.54	26.07
046:	Male	29.55	23.76	26.25
Clork	Female	21.27	15.06	14.86
Clerk	Subtotal	26.34	20.41	22.30
Es et e e i	Male	30.33	23.53	19.69
Workers	Female	19.45	19.83	15.09
VVOIKEIS	Subtotal	23.42	21.33	16.80
<b>T</b> . 1	Male	30.43	24.84	23.74
Iotal	Female	20.34	18.62	15.27
Employees	Subtotal	25.07	21.80	19.37

# Average Number of Training Days of Ranking and Gender

				Unit: day / person
		2019	2020	2021
Section	Male	4.32	4.61	3.53
Chief and	Female	3.90	3.59	2.56
above	Subtotal	4.19	4.32	3.26
	Male	3.69	2.97	3.28
Office Clerk	Female	2.66	1.88	1.86
	Subtotal	3.29	2.55	2.79
Feeten	Male	3.79	2.94	2.46
Workers	Female	2.43	2.48	1.89
VIOIKEIS	Subtotal	2.93	2.67	2.10
<b>T</b> . 1	Male	3.80	3.11	2.97
Iotal	Female	2.54	2.33	1.91
Employees	Subtotal	3.13	2.73	2.42

# **•** Training Framework for Digital Transformation and Internationalization Talents

	ඕ Digital Transfo		ationalization
	Far Eastern Corporate UniversityDigital Innovation ManagementEngineering Management	Global Executive Program	Key Capacity Building for Internationalization
Target	<ul> <li>Supervisor recommendation</li> <li>Voluntary participant</li> </ul>	<ul> <li>Mid to senior level managers under the age of 50</li> <li>TOEIC score above 700 with minimum 130 in speaking test score</li> <li>Current internationalization projects</li> </ul>	<ul> <li>Taiwan and overseas FENC employees</li> <li>Supervisor recommendation</li> <li>Training for internationalization project implementation</li> </ul>
Attendance Count	<ul> <li>Digital Innovation EMBA: 122</li> <li>Industrial Engineering and Management: 128</li> </ul>	• 56	• 250
Program Provider	• Yuan Ze University	<ul> <li>MIT Sloan School of Management</li> <li>Wharton School of Business of the University of Pennsylvania</li> </ul>	LinkedIn Learning
Content	<ul> <li>Digital Innovation EMBA: 8 modules</li> <li>Industrial Engineering and Management: 10 modules</li> </ul>	• 6 modules	• 16,000 courses
Budget	NT\$8.95 million	NT\$16.46 million	NT\$1.44 million
Program Period	Digital Innovation EMBA: 2019 to 2022 Industrial Engineering and Management: 2019 to 2023	2020 to 2021	Phase I: From April 2021 to May 2022 Phase II: Under preparation

# Training Session and Attendance Count

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

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Note: Profession-specific Training includes competency course.

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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.





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Accelerating Training Diversification for Digital



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.

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- 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.
- 3. 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.
- 4. 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	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.

2. 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: 1. Provide personal protective equipment. 6. Guarantee workers the right to refuse upsafe work

- Implement labor relations management and establish the occupational safety and health committee with labor and employer representations.
- 3. Involve labor representatives in the health and safety inspection, review and investigation.
- 4. Provide job-related training for workers.
- 5. 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 I					Training Hour	S		
	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:

1. 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.

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#### 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:

- 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.

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#### 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. Al 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.

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

3 GOOD HEALTH AND WELL-BEING

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.

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# 4. Safety Assurance Certificate for FEAV

Binh 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



Others

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

		Petr	rochemi	ical	F	olyeste	r		Textile		Total		
		2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Number of	Male	6	4	0	22	35	44	87	37	29	115	76	73
Occupational Iniury Cases	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
	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
Injury Rate (IR)	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
(114)	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
	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
Absentee Rate % (AR%)	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
	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
Lost Day Rate (LDR)	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
	Male	0	0	0	0	1	0	0	0	0	0	1	C
Work-related	Female	0	0	0	0	0	0	0	0	0	0	0	C
Deaths	Total	0	0	0	0	1	0	0	0	0	0	1	C
	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
related	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
Deaths	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:

- 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. 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.
- 4. AR(%) = Days of Absence ÷ Total Work Days × 100%.
- 5. LDR = Lost Days ÷ Total Work Hours × 200,000. Lost days do not include the day of injury and the day of work resumption.
- 6. Rate of Work-related Deaths = Number of Work-related Deaths ÷ Total Work Hours × 200,000.
- 7. IR, LDR and Rate of Work-related Deaths indicate the percentage of every 100 workers with 40 work hours a week, 50 weeks a vear.
- 8. 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.

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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		Polyeste	r 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

		Petr	rochemi	cal	Polyester		Textile			The Company		any	
		2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Number of	Male	0	0	2	1	3	3	0	0	0	1	3	5
Occupational	Female	0	0	0	0	0	0	0	0	0	0	0	0
Injury Cases	Total	0	0	2	1	3	3	0	0	0	1	3	5
Number of	Male	0	0	0	1	3	0	0	0	0	1	3	0
Work-related	Female	0	0	0	0	0	0	0	0	0	0	0	0
Deaths	Total	0	0	0	1	3	0	0	0	0	1	3	0
	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
Injury Rate (IR)	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
Data of	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
Work-related	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
Deaths	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.
- 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.

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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.

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2. Health Management for Special Hazardous Oper	ation
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To control occupational diseases. FENC production sites established the following control measures targeting hazardous operations:

Types of Operation	Control Measures
Noise Operation	<ol> <li>Improve operational procedure to avoid staff exposure.</li> <li>Reduce the exposure period for operators, who must wear radiation</li> </ol>
High Temperature Operation	dosimeters during radiation operation and monitor the dose. 3. Label restricted zones at operational areas, and only operators are allowed
Dust Operation	4. Formulate and implement health protection plans.
Ionizing Radiation Operation	<ol> <li>Conduct operational risk assessment and make improvements based on the results.</li> <li>Conduct special health check regularly with tiered management.</li> </ol>
Organic Solvent and Special Chemical Operation	<ol> <li>7. Monitor exposure at the operating environment.</li> <li>8. Install local exhaust at the testing area.</li> <li>9. Provide adequate personal protective equipment and make sure they are properly worn by operators.</li> </ol>

#### 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





17 PARTNERSHIP

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.

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#### 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 precentage 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 rotation of the states:
   The number of suppliers signing "Supplier Corporate Social Responsibility Commitment Statement" of OPTC is 95%.
   Description of the states:
- (1) 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.
- (2) Stage 2: Launched in 2020, targets include Suppliers that work with the main raw material procurement units of FEDZ, FEAZ and FEIW as well as the procurement units of FEFC, OGM, FEAV, FENV and FEPV.
- (3) 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.

# • Supplier Assessment Aspects and Number of Suppliers in 2021

**Recognition for Green Procurement** 

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

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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.



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.

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#### Procurement of Main Raw Materials

	2019	2020	2021
PX	1,690	1,555	1,574
РТА	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 procuremnet 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.

Unit: 1 000 metric tons

# **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 antipandemic 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.

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#### 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> <li>All transport suppliers shall comply with local and international regulations.</li> <li>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.</li> <li>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).</li> </ol>
Management	<ol> <li>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.</li> <li>The Company makes quarterly reviews on the records of long-term contracts with transport suppliers. Immediate improvement measures are required for any miscon- ducts, and the outcome will be taken into consideration for future contracts.</li> <li>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.</li> </ol>
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> <li>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.</li> <li>Based on the goods transported, transport suppliers must obtain required permits and licenses in accordance with governmental regulations and the weight limit.</li> </ol>
Management	<ol> <li>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.</li> <li>The Company conducts at least one annual review meeting on transportation environmental safety and health with representatives from the plants and transport suppliers.</li> </ol>
2021 Performance	<ol> <li>In 2021, FENC production sites conducted 37 review meetings on transportation environmental safety and health. Key discussions are as follows:         <ul> <li>Selection criteria for A grade shipping containers were discussed.</li> <li>The requirements regarding vehicle placement on the container platform were restated to enhance occupational safety.</li> <li>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.</li> <li>To address increasing demand in shipping and manual labor for loading, the suppliers promised full cooperation and additional hourly-waged workers.</li> </ul> </li> <li>In 2021, all FENC's land transport suppliers and random inspections were in compliance with the above standards.</li> </ol>

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.

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	Risk Indicator	Control Mechanism
Qualification and Behavioral Review	<ol> <li>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.</li> <li>Vehicle operators work overtime and experi- ence driver fatigue.</li> <li>Professional vehicle operators must provide required license for vehicles operated, and permit for transporting hazardous materials to carry out such operations.</li> </ol>	<ol> <li>Pre-work training and trial runs are provided for suppliers.</li> <li>Working hours are subject to local labor regulations.</li> </ol>
Transport Equipment	<ol> <li>The selection of comprehensive transport equipment.</li> <li>The use of chemical tankers for chemical materials.</li> <li>The use of environmentally friendly vehicles to reduce CO<sub>2</sub> emissions.</li> <li>Regular maintenance and exhaust check at the inspection station.</li> </ol>	<ol> <li>Inspections are conducted before, during and after the transport.</li> <li>The GPS system is installed to monitor vehicle conditions.</li> <li>Heavy duty diesel vehicles in compliance with the governmental emission standards are used to minimize the emission of hazardous materials and microparticles (black smoke).</li> </ol>
External Environment	<ol> <li>Weight limit.</li> <li>Road maintenance.</li> <li>Poor weather conditions that affect visibility.</li> <li>Dusty conditions and environmental pollution.</li> </ol>	<ol> <li>Vehicle capacity shall comply with the weight limit set forth in traffic regulations.</li> <li>Safety is priority. Transport operation shall be postponed during poor weather or road conditions.</li> <li>When transporting breakbulk cargo, lead with sprinkler truck to reduce dust.</li> </ol>

• Risk Indicator and Control Mechanism for Land Transport Suppliers

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.

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



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Another Win at

Foundation for Its

Home and Abroad

**Arts and Business Awards** 

for Far Eastern Memorial

Long-Term Sponsorship

in Arts and Culture at

Far Eastern Memorial Hospital Awarded National Healthcare Quality Awards, **Including Badges for Environmental Management and Community Health** (Including Long-Term Care) **Under the Smart Healthcare Category** and Special Potential Award Under the Smart Solution Category

Y. Z. Hsu Science

Million

**Cultivating Athletes** 

**Sports Platform** 

and Promoting

Health with the

**Pioneering** 

Award Awarding

**Asia Eastern University** of Science and Technology **Celebrating University** Accreditation and the



**Family Caregiver** Competence **Enhancement** Program

Implementing



11% of Severe COVID-19 **Patients Accepted by Far Eastern Memorial Hospital** The Highest Nationwide Between May and June, 2021

**3,800** Intubation Boxes **U** Face Shields **Donated by FENC to Hospitals** in Taiwan

Far Eastern International Forum for Architecture -History · Culture · Place

Over 🔍 Online **Audience During Online Livestream** 

Approximately 5,00 for the Livestream Impressions of Online Coverages of

Y. Z. Hsu Innovation Forum

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#### Amount Invested in Social Engagement and Percentage to Profits After Tax



1. The total of social engagement and cash investment include the main subsidiaries on FENC's consolidated

statement. Among them, FarEasTone Telecommunications, Co., Ltd publishes its own Sustainability report. 2. The 2020 social engagement investment grew considerably by 71% compared to 2019 due to a donation

totalling NT\$118.751 million for the establishment of Y. Z. Hsu International Conference Hall. Without this donation in 2021, the total dropped by 53% compared to 2020.

FENC has dedicated itself to non-profit and charitable causes for half a century with the belief of "benefiting from the society, returning benefits to the society". By tapping into the Company's core strength and infusing capital, we promote public wellbeing, expand on international perspectives and improve competitiveness for the society as a whole, which will help us invent a new century.

# **5.1 Social Engagement at FENC Sites**

FENC has long maintained a good relationship with local communities at its business locations, engaging community organizations and providing resources, such as offering venues for community assembly or fire drill. We help the underprivileged members of the community. We also conduct beach cleanup campaigns and help schools and local neighborhoods clean their environment, fully utilizing our strength to raise public awareness on environmental protection and recycling. In 2021, the volunteered hours among the volunteers of all business sites amounted to 1,320 hours. The followings are the key events held in 2021.

In 2021, FENC assumed an active presence in social engagement with multiple sites participating in community events. To name a few, OPTC sponsored a charity event to send love and care to disadvantaged families in Guanyin District, Taoyuan City; 200 employees at FEIS volunteered during the vaccination campaign in the fight against the COVID-19 pandemic in Fengxian District, Shanghai; FEIW joined Taiwanese businesses in Wuxi, making donations to help flood victims in Henan Province; FEAV sponsored Vietnam Association for Victims of Agent Orange/dioxin (VAVA), supporting and caring for victims of agent orange with concrete actions.



# FENC Donating Intubation Boxes and Face Shields to Hospitals in Taiwan



The year 2020 began in Taiwan with a surge of COVID-19 cases. In the wake of the crisis, FENC swiftly adjusted production strategies and prioritized the production of medical-grade products. From then on, FENC has been supplying over 90% of the raw materials used to produce the inner layer of medical face masks in Taiwan, safeguarding the public against the pandemic.

In June 2021, FENC donated 200 intubation boxes and 1,600 face shields to Far Eastern Memorial Hospital. Both items are made of the medical-grade PET sheets produced with raw materials provided by FENC. The Company also donated 5 metric tons of medical-grade PET sheets. The donation is sufficient for the production of 3,600 intubation boxes, using the least amount of time to help patients in the 171 medical institutions in Taiwan.

FENC joined forces with Wan Jeou Pying Plastics Industry Co., Ltd., using FENC's medical-grade PET sheets to produce Taiwan Box, the intubation box developed by Dr. Zhi-Qing Chiu, Dr. Hsien-Yung Lai and Dr. Chih-Yuan Huang. FENC's medical-grade PET sheet is light, transparent and durable, suitable for producing anti-COVID-19 products. Amid the surging confirmed cases, it is the hope that this move may benefit healthcare providers, helping them complete medical duties with efficiency while preventing splatters as well as contamination. By producing protective equipment that address medical and safety needs, FENC is standing guard over the health of frontline healthcare providers.



#### Long-term Community Care at APG Polytech



At APG Polytech, the staff initiated a Thanksgiving food drive for 70 local families in need. They purchased, packaged and delivered the grocery products for the families, helping them enjoy their Thanksgiving feasts.

APG Polytech also sponsors local and school athletic teams, including softball, wrestling, soccer, basketball and baseball. The plant encourages the team members and helps provide ideal environments by donating uniforms, footwear and sports equipment as well as providing students opportunities to engage in sports. In 2021, APG Polytech donated a total of USD\$13,000, approximately NT\$360,000, to more than 20 schools and sports teams.

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Health with FENC Exercise Platform

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The marathon club at Hsinpu Chemical Fiber Plant was founded in 2012. Over the years, the club has been dedicating efforts to promoting exercise among the general public, encouraging perseverance and strong will. The club held middle to long-distance running and cross country running events, helping employees enhance running techniques and promoting health. In recent years, the club has been setting its sight on promoting exercise for all. An exercise platform was established with the aim to foster the exercise culture. The plant invites local communities and running clubs to train together with indoor and outdoor trainings held at 5:30 on Saturday mornings for 11 years in a row. Indoor trainings refer to over 10 exercise sharing sessions that had been held over the years while outdoor trainings refer to the group training.

Members of the marathon club have developed the habit to exercise over the years. They also take part in the preparation of running events in Hsinchu City and County and champion the exercise culture at the local communities. The local running clubs also provide support at events held by Hsinpu Chemical Fiber Plant. This collaborative model contributes to the common good, demonstrating the spirit of community care and inclusive development at FENC.

FENC has long been an advocate for employee and community health. Through the platform and the marathon club, many employees have gone on to become exceptional long-distance runners and frequent winners at national events. The achievements boosted their self-confidence and sense of accomplishment. In 2021, Hsinpu Chemical Fiber Plant was awarded 2020 Sports Enterprise Certification by Sports Administration of the Ministry of Education.







# **Cognitive Apprenticeship from OPSC and School of Resources and** Environmental Engineering, East China University of Science and Technology



In recent years, OPSC has been offering the cognitive apprenticeship program with School of Resources and Environmental Engineering, East China University of Science and Technology (ECUST). The aim is to enhance environmental awareness in higher education, making it a critical link in environmental education. Incepted in 2017, the program marked its 5th year in 2021. OPSC became the official base of the internship program for students in School of Resources and Environmental Engineering at ECUST in 2018, providing the annual cognitive apprenticeship for students in their junior year.

During the program, OPSC staff presented the corporate operation and plant facilities to the students and faculties. Safety and Environment Department explained the production operation of Far Eastern Group and OPSC. Technology Department presented the overview of the wastewater treatment and water reclamation facilities; wastewater treatment process; inflow water quality control; effluent standards; central control management. Utility Department led the faculty and student members on a tour through the wastewater treatment facilities, including the equalization tank, anaerobic tank, sedimentation tank, aerobic tank, sludge drying system, water reclamation system, including the ultrafiltration, reverse osmosis and flotation techniques. OPSC staff used laymen's terms to explain the technical aspects of wastewater treatment at the plant to 90 students, who witnessed how theories were put into practice and gained first-hand knowledge on wastewater treatment. The experience inspired them to contribute to environmental protection in the future!





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# **5.2 Social Engagement by Corporate Foundations**

FENC believes in "benefitting from the society, returning benefits to the society." The Company has been branching into charitable causes since the 1960s, devoting attentions to education, arts, culture, healthcare and technology while dedicating corporate resources into humanitarian care for local communities. It is the hope that by providing long-term support in social engagement, FENC will bring warmth to all who are in need.

Industry

Evolution

SDG 8.2

Achieve higher levels of

through diversification,

productivity of economies

#### • Vision and Direction for Social Engagement



risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

# 5.2.1 Quality Healthcare

SDG 4.3 By 2030, ensure equal access for all women and men to affordable

quality technical,

technological upgrading and innovation, including vocational and tertiary education, including through a focus on high university. value added and labor-intensive sectors.

Youth

Talent

Improve Quality of Medical Service with Medical Institutes - Far Eastern Memorial Hospital/Far Eastern Polyclinic

#### In the 1970s, Y. Z. Hsu, founder of Far Eastern Group, became aware of the lack of modern hospitals in New Taipei City. Back then, patients suffering major injuries or acute illnesses had to seek medical treatments in Taipei City. The distance often caused delayed treatment, and ultimately tragedies. To prevent such unfortunate occurrences, Far Eastern Group made donations to establish Far Eastern Medical Foundation, which was founded upon the missions to build hospitals; incentivize medical research; provide emergency and medical care as well as free clinics for underprivileged patients. The Group went further by building Far Eastern Memorial Hospital in Bangiao in 1981 and Far Eastern Polyclinic in Taipei City in 1988.



Social

**Development** 

SDG 11.3

By 2030, enhance

for participatory,

inclusive and sustainable

urbanization and capacity

integrated and sustain-

able human settlement

planning and manage-

ment in all countries.

Far Eastern Memorial Hospital fulfilling its responsibility with continuous improvement in healthcare quality and efficiency



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Today, Far Eastern Memorial Hospital has evolved into the only medical center in New Taipei City, and one that has been recognized with National Quality Award. Currently, the hospital houses 64 specializations, 2 centers and 1,174 beds, averaging 3,200 surgeries a month and over 5,000 daily out-patient visits. The hospital continues to develop patientcentric service. With the development of AI applications in medical research, Far Eastern Memorial Hospital is becoming a smart hospital that offers smart care and service to improve patient experience. In 2021, the hospital was awarded with the Badges of Environmental Management and Community Health (including Long-term Care) under the Smart Healthcare category of National Healthcare Quality Award. With Application of Borderless Smart Lens in Remote Teacher Training, the hospital received Special Potential Award under the Smart Solution category. Beginning in 2022, Far Eastern Polyclinic continues to provide healthcare services under the patient-centered seamless transitional and referral system at National Taiwan University Hospital as it continues to improve healthcare quality and fulfill its social and medical responsibilities.

# Cyber-Physical Integration with Smart Healthcare

The Taiwanese government raised the COVID-19 epidemic alert to level 3 in May 2021 and Far Eastern Memorial Hospital was confronted with the dilemma of reducing patients' hospital visits while retaining their trust. Back in 2020, the hospital already initiated the telemedicine service for remote villages and offshore islands with Far EasTone Telecommunications Co., Ltd. During the pandemic, the hospital supported Health Administration's policy to expand telehealth and introduced the telemedicine app, which integrates in-person visits and teleconsultations. The app offers ease and convenience with high-level security protection. The app



17 PARTNERSHIP

allows patients to book appointments and receive teleconsultations, helping them to receive the proper care needed amid the pandemic.

In mid-May, Far Eastern Memorial Hospital's telemedicine service included 20 departments and offered 86 appointments a week. Within a month, the service was expanded to 27 departments offering 250 appointments a week. Ten weeks after the service began, the hospital has provided this service to over 8,800 patients. During the peak of the pandemic, teleconsultations accounted for 10% of the total appointments at the hospital. In order to launch the service with speed, the hospital mobilized the healthcare, nurse and administrative teams to form on-site and off-site telemedicine teams to provide telecare daily.

In anticipation of changes to come in the post-pandemic era, Far Eastern Memorial Hospital is looking ahead with the plan to bridge the distance between the hospitals and communities and providing more timely and effective healthcare services with telecare for patients with chronic diseases. When the pandemic first erupted, the cohort of telemedicine users fell between the ages of 30 and 40 as well as over the age of 65. As the pandemic eases, seniors over 65 years of age remain active users, a sign that telemedicine has become a staple in an aging society.

# Battling CO Severe CO Eastern Me

# Battling COVID-19 by Accepting 11% of Severe COVID-19 Patients Nationwide at Far Eastern Memorial Hospital

In May 2021, the COVID-19 outbreak erupted in Taiwan. Far Eastern Memorial Hospital, being the only medical center in New Taipei City, the epicenter of the outbreak, immediately activated the protocol for accepting large number of patients with highly infectious diseases. The hospital prepared the circulation plan for the intensive care units, took inventory of available beds and manpower as well as deployed medical equipment. A total of 175 doctors, nurses and respiratory therapists are called upon to battle the pandemic.

The period between May 24 and 27 was the peak of the pandemic in New Taipei City. In addition to caring for the hospitalized COVID-19 patients, Far Eastern Memorial Hospital provided 299 isolation wards in the quarantine stations within 80 hours and treated 842 patients at 2 of the largest quarantine stations in Banqiao and Sanchong Districts. By mid-June, Far Eastern Memorial Hospital has treated 1,014 COVID patients at the hospital as well as the 2 quarantine stations. The number accounts for approximately 20% of the total COVID-19 patients in New Taipei City, 10%



17 PARTNERSHIP FOR THE GOAL



nationwide. As of June 8th, the hospital had accepted 11%, the highest percentage of severe COVID-19 patients in Taiwan. Total confirmed COVID-19 patients accepted by the hospital account for 7% of the national total. The care provided by the hospital has been highly recognized by the society and government. It has shown the pivotal role Far Eastern Memorial Hospital plays within the medical system in Taiwan.



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Family and Foreign Caregiver Competence 3 MONTELLER 4 MONTELLER 4 17 PARTNERSHIPS FOR THE GOALS R

In Taiwan, there are 900,000 family caregivers providing care for people with disabilities. However, most of them are without a caregiving or nursing background. To improve the caregiving quality. Far Eastern Memorial Foundation collaborated with Far Eastern Memorial Hospital Nursing Department and Department of Nursing, Asia Eastern University of Science and Technology on a training program to enhance the competence of family and foreign caregivers.

Student volunteers from Department of Nursing, Asia Eastern University of Science and Technology earned internship credits while serving in the program. Far Eastern Memorial Foundation sponsored the establishment of Long-Term Care Classroom within the department, which opened on October 16th, 2021. The classroom will hopefully serve as a useful learning facility for courses on elderly, long-term and Alzheimer's care. It will also serve as a venue for the industry-academia collaboration with healthcare facilities, promoting the development of an educational network for native and foreign caregivers, strengthening their professional knowledge, skills and techniques as well as helping them to provide assistance for families in need, giving them the best care and comfort.

Two caregiving courses were held in Long-Term Care Classroom on December 11 and 18. The courses were taught by professors from Department of Nursing, Asia Eastern University of Science and Technology, supervisors from Far Eastern Memorial Hospital Nursing Department and nurses from the hospital's Home Health Care Service. They demonstrated caregiving techniques and offered training videos with multilingual options, including Indonesian, Vietnamese, Thai and Pilipino. The 2 courses drew 40 participants, who expressed positive remarks about the program. It is the hope that the courses will be able to help more families in the future.





#### EYECARE App - Vision Care at Elementary 3 MONTELLERS 4 COLUMN 17 PARTNERSHIPS FOR THE GOALS R Schools - Working Together for Vision Health $-\sqrt{\bullet}$

The prevalence of consumer electronics is threatening vision health among children and worrying their parents. With guidance provided by New Taipei City Government and the Ophthalmological Society of Taiwan, Far Eastern Memorial Foundation, Far Eastern Memorial Hospital, National Yang Ming Chiao Tung University and Asia Eastern University of Science and Technology collaborated on the vision care program for students, developing the EYECARE app on the LINE platform. The app offers a user-friendly approach for healthcare facilities, schools and parents to document and track students' eye exam results.



Launched on October 26, 2021, the vision care program is the fruit of collaborative efforts from the government, industry and academia. Department of Information Management of Asia Eastern University of Science and Technology joined forces with Ophthalmology Department of Far Eastern Memorial Hospital. While parents and children waited for their appointments, student volunteers promoted the program and taught them to use the app. It is anticipated that the program will help over 100,000 students in New Taipei City to improve vision health.

# 5.2.2 Youth Talent

Establish Educational Institutes That Facilitate Diverse and Adaptive Learning - Asia Eastern University of Science and Technology/Yu Chang Technical and Commercial Vocational Senior High School/Yuan Ze University

FENC values diverse and adaptive learning, encouraging students to apply what they have learned to achieve self-fulfillment. Over the years, the Company has established Oriental Institute of Technology, Yu Chang Technical and Commercial Vocational Senior High School and Yuan Ze University, providing students with options in terms of the right educational environment based on career development to bridge the gap between what students learn at schools and the skills required at the workplace. Since 2012, the affiliates of Far Eastern Group expanded the practical training program for students. As of today, 805 students have participated in the industry-academia internship program, and entered the companies after graduation. Such programs have created win-win for students, corporations and the society. (Please refer to 4.1.2 Recruitment and Retention.  $\checkmark$ 

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On October 16, 2021, Asia Eastern University of Science and Technology, formerly Oriental Institute of Technology, held a ceremony to celebrate the renaming and its 53rd Anniversary. Chairman Douglas Tung Hsu of Far Eastern Group gave words of remembrance in honor of founder Y. Z. Hsu and his spirit. Chairman Hsu also gave words of encouragement, aspiring the university to differentiate itself by collaborating with Taipei Far Eastern Telecom Park, becoming the incubator of high-tech talents and flourishing in the information and communications technology, healthcare and textile industries.

Yu Chang Technical and Commercial Vocational Senior High School has been advancing the industry-academia partnership with the affiliates of Far Eastern Group under the principles of diverse learning, adaptive development, skill base and joyful environment, cultivating corporate talents and building a bright future for students. In 2021, Asia Eastern University of Science and Technology invited Yu Chang Technical and Commercial Vocational Senior High School and 12 junior high schools in New Taipei City to form a strategic alliance on technical and vocational education partnership, offering internship opportunities that help students acquire industry experience.

Online education and cross-disciplinary collaboration are becoming the new norms in the post-pandemic era. Yuan Ze University is helping students to cultivate the "5 forces" digitalization, cross-domain power, creativity, global mobility and public participation through practical capability, creative thinking, self-learning, public affairs and bilingual dual-degree programs. Students may join the internships offered by Far Eastern Group. Students who excel in the program may be offered positions within the Group upon graduation. The program matches the Group's need for talents with students' needs for employment, creating win-win for both entities.



技高一等・職場施遊一策略聯盟簽約儀式

Yu Chang Technical and Commercial Vocational Senior High School, incubator of versatile talents across disciplines



Yuan Ze University Outreach Center in Thailand

Colleges and universities are cradles of the pillars of society. They are also the driving force that propels societal growth. In February 2021, Yuan Ze University established Yuan Ze Outreach Center in Kasetsart University in Bangkok. The opening ceremony was held through an online-offline interactive format. The outreach center marks a new southbound milestone for Yuan Ze University. In June, the university established the MA in Semiconductor 1+1 Program with SASTRA University in India and Tata Electronics Private Limited. The opening ceremony was held online in August. Combining Taiwan's semiconductor industry with high-quality education, the collaboration established a new model of industry-academia collaboration in line with the government's New Southbound Policy.

# Shining International Spotlight Onto Taiwan With International Competitions - Taiwan Young Student Physicists' Tournament

To build a solid foundation in science education among young students, Y. Z. Hsu Science and Technology Memorial Foundation started the Y. Z. Hsu Competition-Taiwan Young Student Physicists' Tournament in 2020 with the Department of Physics, National Taiwan Normal University. The competition is open to high school student teams around the nation. Students who perform well during the competition will be recruited to the national team, which will train with professors from National Taiwan Normal University, and compete in International Young Physicists' Tournament (IYPT).

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# 13th Taiwan Young Student Physicists' Tournament - Thoughts from Students and Advisors

#### Zheng-Liang Lu Kaohsiung Municipal Kaohsiung Senior High School/Student Advisor

Be it the competition system, schedule, scale or quality, Taiwan Young Students Physicists' Tournament holds a prominent and influential stature in the field of physics for high school students in Taiwan. It allows students to hone skills in scientific knowledge, communication, English speaking, team work and problem solving in a comprehensive manner. I would like to express my gratitude for Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation for its support and devotion to science education in Taiwan over the years.



#### Zheng-Wei Wu Taipei Municipal Jianguo High School/13<sup>th</sup> National Team Member

Taiwan Young Student Physicists' Tournament is a rare gem that is inspirational. It allows students with interests in scientific research to gain exposure in high school and to conduct discussions freely with college professors. Comparing to the science fair, this tournament is more effective and in-depth. However, most schools do not have sufficient resources to organize a team and encourage participation. I hope for greater development in the future.



# Liang-Yu Chen Taipei Municipal Jianguo High School/13<sup>th</sup> National Team Member

I would like to express my appreciation to Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation for sponsoring the national team for so many years, helping the members to compete and interact with top physicists from around the world. It also helps promote Taiwan Young Student Physicists' Tournament, encouraging more students to delve into scientific research.



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The twelve questions for contestants of Taiwan Young Student Physicists' Tournament are selected from the 17 questions published by IYPT. The tournament attracts students from top high schools each year. They conduct experiment or simulation based on each question; report and debate over their findings with other contestants during the tournament. As of 2021, the 13th year of the tournament, the event has attracted 1,814 contestants and awarded NT\$12.82 million in prizes. Y. Z. Hsu Science and Technology Memorial Foundation has been sponsoring food, accommodation and transportation for the IYPT national team members. The students were exceptional, winning 1 gold, 5 silver and 5 bronze medals.

Note: Due to the COVID-19 pandemic, students did not attend the tournament, which was held abroad.

#### Inspire Next Generation Talents to Embrace Emerging Fields With Platform of Exchange - Y. Z. Hsu Innovation Forum

Y. Z. Hsu Science and Technology Memorial Foundation hosted the first Y. Z. Hsu Innovation Forum in 2013 to encourage youth to enter the field of science and technology and create a new future for the next generation. In 2020, Y. Z. Hsu Innovation Forum expands it outreach to the younger generation. For the first time in its history, FENC brought the forum to senior high schools, including Taipei First Girls High School and The Affiliated Senior High School of National Taiwan Normal University. This arrangement gives high school students exposure to diverse technological fields. Winners of Y. Z. Hsu Science Award are invited as speakers and panelists to share their experience and legacy, inspiring young students to embrace emerging technological industries. Based on the satisfaction survey, participants are highly satisfied with the forum.

# ② 2021 Results of Y. Z. Hsu Innovation Forum

	Taipei First Girls High School	The Affiliated Senior High School of National Taiwan Normal University
ate	September 15, 2021 (Wed)	September 17, 2021 (Fri)
ubject	A Letter to High School Students - From Exploring Thinking	the Future to Cultivating the Ability of Innovative
peaker	Li-Chyong Lin Distinguished research fellow of Center for Condensed Matter Sciences Winner of Y. Z. Hsu Science Chair Professor -Nano Category	Shie-Liang Hsieh Distinguished research fellow of Genomics Research Center Winner of Y. Z. Hsu Science Chair Professor – Biomedicine Category
fluence	A total of 685 participants from the two senior high views for the livestream and 580,000 impressions or	schools attended the lectures. Approximately 5,000 f online coverages of Y. Z. Hsu Innovation Forum.

Video footage of 2021 Y. Z. Hsu Innovation Forum (Chinese)

Coverage of 2021 Y. Z. Hsu Innovation Forum (Chinese)

# 5.2.3 Industry Evolution

#### Encourage Academia to Accelerate Technological Research, Development and Innovation - Y.Z. Hsu Science Award

Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation is founded on the mission to promote "technology and innovation." Since 2002, the foundation has been presenting Y. Z. Hsu Science Award to encourage the academia for dedication in innovative research and development in the technological fields. The foundation consistently exerts efforts and resources into the cause, making Y. Z. Hsu Science Award one of the most prominent awards in scientific research in Taiwan. As this award marches into its 19th year in 2021, it is now one of the most significant technology awards in Taiwan and the number of applications reached 204. Over 216 scholars and



Chairman Douglas Tong Hsu with winners of the 19th Y. Z. Hsu Science Award

experts participated in the peer review, and chose 24 winners for Science Chair Professor, Science Paper Award, Yuan Ze Chair Professor and Outstanding Professor Award. Among them, winners of Y. Z. Hsu Science Chair Professor received NT\$10.6 million. Over the 19 years of the award history, 412 awards have been presented with NT\$170 million in prize money, which is a remarkable record.

# • Y.Z. Hsu Science Award Categories

	Y. Z. Hsu Science Chair Professor Y. Z. Hsu Science Paper Award Y. Z. Hsu Technolog Invention Award	Nano Information and Communication Optoelectronics Biomedicine Green	Being the highest honor, this award commends extraordinary contributions in the field of emerging technologies. The award encourages academic research and publications to further elevate the technologi- cal standards in Taiwan. The award promotes industry-academia collaboration to expand technological applications.
	Y. Z. Hsu Outstanding Professor Award	Geience, Th Fechnology and ar Iumanity O Medical Hu Fechnology hu	ne award honors exceptional undertakings of professors and associate professors who teach at Yuan Ze University, riental Institute of Technology, Far Eastern Memorial ospital and National Taiwan University Hospital to ormote knowledge regarding science, technology and umanity as well as to promulgate medical technology.
	Y. Z. Hsu	The award recogr	nizes full-time professors of Yuan Ze University
	Yuan-Ze	with outstanding	achievements in teaching and research to
	Chair Professor	maintain and imp	rove academic and educational competitiveness.
CHAMPION .	Y. Z. Hsu	The award recogr	nizes outstanding contribution, influence or
	Scientific	achievement in te	echnological research and innovation; techno-
	Contribution	logical policy; pro	motion of technological applications and other
	Award	accomplishments	that promote social development and welfare.

Y.Z. Hsu Science Award

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#### **5.2.4 Social Development**

Interdisciplinary Dialogue to Create Livable, Inclusive and Sustainable Environment - Far Eastern International Forum for Architecture

Far Eastern International Forum for Architecture, which is held by Y. Z. Hsu Science and Technology Memorial Foundation, approaches architecture through diverse perspectives. The 2021 forum, History Culture Place, explored the profound and long-lasting imprints COVID-19 has left on this world as well as the reinterpretation of the relationship between oneself and the world during isolation. Working from home and studying from home have morphed beyond inevitable lifestyle changes. They also revolutionized the concept of place, boundary and center.

#### 2021 Far Eastern International Forum for Architecture - History/Culture/Place



Far Eastern International Forum for Architecture invited 9 prominent artists and architectural scholars from Japan and Taiwan to explore the impacts of architectural design, urban planning and art on human lives through the perspectives of history, culture and landscape. Renowned architectural scholar Kiyoshi Sey Takeyama and architect Norihiko Dan shared their pre-recorded lectures and participated in the forum discussions online. The fruitful exchange broadened the students' perspectives and elevated the cultural understanding and emphasis on architectural design among the public. The forum generated intellectual stimulations for Taiwan in the post-pandemic era. Chairman Douglas Tong Hsu, who has a strong penchant for art, praised the exceptional performance of the young artists at the event.

Official Website of Far Eastern International Forum of Architecture (Chinese) 🕋

# Another Win at Arts and Business Awards for Far Eastern Memorial Foundation

Far Eastern Memorial Foundation received Gold Award during the 15th Arts and Business Awards held by the Ministry of Cultural Affairs., the foundation also received Long-term Sponsorship Award, which is a special award, for sponsoring Ming Hwa Yuan Arts and Cultural Group. With the 2 latest wins, the foundation received a total to 9 Gold Awards, 1 Special Award and 2 Special Jury Awards from this event. The foundation provides long-term support to local art development. For 22 years, it has been supporting Ming Hwa Yuan Arts and Cultural Foundation and Ming Hwa Yuan Arts and Cultural Group, devoting efforts in the innovation, promotion, production and legacy of traditional theaters. The foundation expressed the aspiration for Ming Hwa Yuan Arts and Cultural Group to persist and expand its performance, breathing new life into traditional theaters.

The foundation's sponsorship for the two organizations began in 1999 through events such as Taipei Arts Festival and Far Eastern e-Art Festival, helping the theater group in its annual productions and tours around Taiwan. The foundation also introduced the campus arts program, making traditional Taiwanese performance art accessible for students with discounts. Among the performances sponsored by the foundation are Battle of Dragon City, the 90th anniversary performance, and The Song of Swords at Grand River.

In addition to Ming Hwa Yuan Arts and Cultural Group, the foundation also pays close attention to arts and cultural activities home and abroad and provides support over the years to local groups such as Wing Star Choir, Cloud Gate, the Ya-yin Ensemble and Taipei Philharmonic Orchestra. The foundation also sponsors Asian Cultural Council Taiwan Foundation Grant Program, which provides grants and fellowships to Taiwanese as well as U.S. artists, experts and scholars in programs that promote international visits, exchange and arts and cultural initiatives.





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January 27, 2021 Google's Opening at **TPKD R&D Building** 

Its **First** and **Largest** Hardware Development Base Outside of U.S. **10** 2nd Tpark Christmas Charity Market Non-profit Organizations Participating From New Taipei City Total Proceeds up by **48%** 

Assistance for E.sun Commercial Bank, Ltd., a Tenant at Tpark Charity Blood Drive 213 Bags of Blood Collected

Zero Waste Booths Tpark Christmas Charity Market Supporting Circular Economy With Actions Activating Water Conservation Measures Annual Water Consumption at TPKA Building

Another Technological Upgrade at Tpark

A Cashierless Store at TPKA Building



A 7-Year Zero-Occupational-Injury Streak

Report in 2015

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#### 6.1 Optimizing Land Resources

#### 6.1.1 Far Eastern Resources Development Co., Ltd.

Far Eastern Resources Development Co., Ltd. (FERD) is a FENC subsidiary founded in 2003. In order to consolidate efforts to manage nearly 66-hectare of land under FERD, the company established administrative, construction, maintenance, engineering, real estate development, sales and leasing as well as business management departments.

At FERD, practices in administrative management as well as internal and risk control are in compliance with the rules and measures set forth by its parent company. During the reporting period, there were no major changes to its organization, structure, ownership, supply chain and employee count. In 2021, FERD paid NT\$45.36 million in house tax and NT\$340 million in land value tax.

#### 2021 Human Resources Structure at FERD



#### 6.1.2 Progress of Major Development Projects

#### Taipei Far Eastern Telecom Park (Tpark)

Taipei Far Eastern Telecom Park (Tpark) occupies a 24-hectare site in Banqiao District of New Taipei City, where Far Eastern Textile Ltd. Co. was originally founded. Prompted by changes in the industry structure, Tpark has transitioned into the first privately developed telecom park in Taiwan. It houses 5 industry platforms, including information and communication; digital content; cloud;



green energy R&D; smart technology, providing tenants with competitive R&D capability from the industry clusters. In addition to the office buildings, the residential and parking development at Tpark satisfies essential needs for work and life.



Note: TPKC R&D Building is currently under the management of Far EasTone Telecommunications Co., Ltd. Since 2021, its sustainability performance has been disclosed in Far EasTone Corporate Responsibility Report.

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#### Other Development Projects

#### 1. Spa Resort

The 10-hectare project is located in Jiaoxi Township, Yilan County. Approval has been obtained for the zoning change, traffic impact study and urban design review. The building permit was obtained in May 2021.

#### 2. FE International Conference Hall

The groundbreaking ceremony was held on April 12, 2021 in Zhongli District, Taoyuan City. Designed by worldrenowned Spanish architect Santiago Calatrava, the conference hall will house a convention center, an art center and Yu-Ziang Memorial Hall. Combining academic, charity, philanthropic, arts and cultural as well as exhibition functions, FE International Conference Hall is poised to be the new cultural landmark in Taoyuan City.

#### 3. Wugu Logistics Center

The demolition permit was obtained on November 25, 2021. A logistics center will be developed on the site once existing structures are demolished.

#### 6.1.3 Contractor Management and Park Maintenance

#### Residential Building Zone B - The Embodiment of Green, Beauty and Seismic Safety

#### 1. World-Class Architecture

Residential Building Zone B is designed by Nikken Sekkei, the largest architectural design firm in Japan and one of the 3 largest in the world.

#### 2. Precast Concrete Lotus Root System

With declining birth rates and an aging population, Taiwan has officially become an aged society. Construction jobs have always been construed as demanding in terms of physical labor, making the industry less desirable for the younger generations as a career choice. To cope with the labor shortage, many countries started incorporating the precast construction method, where various construction components are pre-fabricated prior to being delivered to the construction site for assembly and installation. Such method reduces waste and dust pollution at the job site, improves the work environment while lowering the demand for labor. At Residential Building Zone B, Far Eastern General Construction Inc. collaborates with Chung-Lu Construction Co., Ltd. and introduced the state-of-the-art precast concrete "lotus root" system. The precast construction is executed with high precision. All components are fitted within the margin of 5 mm, the best in the industry.

#### 3. Enhanced Safety with High-Standard Seismic Isolation

Taiwan is prone to earthquakes. To absorb the shock impulses and safeguard building safety and comfort, Residential Building Zone B incorporates the latest seismic isolation technology and the shock absorbers from Oiles Corporation, the largest provider in Japan. The design greatly reduces seismic vibrations for the buildings during earthquakes.

Function	Vibration Control	Seismic Isolation		
Alternative Term	Damping	Seismic Proofing		
Method	Shock absorbers or dampers are installed in the building to help absorb shock impulses on the main structure.	Seismic isolators are installed between the columns on the main structure to isolate or absorb the shock impulses, which reduces the seismic vibration by 3 to 4 times.		

#### 4. Construction Technology and Automation

Building Information Modeling (BIM) is applied during construction. BIM converts the conventional two-dimensional drawings into three-dimensional models embedded with powerful data. The software minimizes waste and blind spots in the conventional construction projects. Automatic scaffolding is also used on the construction site to reduce overly concentrated manpower at specific spots, improve the construction unit rate and enhance occupational safety, embracing technology and automation.



#### **Occupational Health and Safety**

FERD aims for zero occupational disasters and accidents. In 2021, there were no occupational injuries, occupational illnesses and false alarms recorded. While being committed to fulfilling its corporate social responsibilities, FERD requires all suppliers to sign Supplier Corporate Social Responsibility Commitment Statement and abide by the stipulations regarding labor and human rights, health and safety, environment as well as ethical conducts set forth in the statement.

#### 2021 Information on Contractor Staff



Note: All staff are nationals of the Republic of China. The contractors are in charge of scheduling the shifts based on the types and progress of construction projects. Therefore, requests for leave and absence are determined by the contractors based on individual company requirements.

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#### Waste Management

Waste materials generated at Tpark include construction and general waste. Construction waste includes construction debris and concrete from the construction site, which are disposed in accordance with applicable regulations. General waste includes domestic waste from construction and office workers. Buildings at Tpark are offices devoted to R&D purposes. There are no hazardous waste generated on-site.

#### • 2021 Waste Type and Quantity by Construction Project

	Construction Waste (Unit: Cubic Meter)			General Waste (Unit: Metric Ton)	
	Construction Debris	Bricks or Concrete	Mixture of Soil and Gravel	Domestic Waste	
ТРКЕ	2,048	6,500	-	211	
Residential Building Zone B	1,603	_	-	259	
Residential Building Zone C	_	1,603	_	6	
TPKP Parking Garage	40	—	19,055	4	
Total		30,849		480	
Quantity of Constr	ruction Waste			Unit: Cubic Mete	
	20	19	2020	2021	

 In addition to the ongoing construction of TPKE Building and Residential Building Zone B, the construction of Residential Building Zone C and TPKP Parking Garage began in 2021, hence increasing the total construction waste.
 All construction waste is disposed from the construction site by qualified waste management companies.

#### • Quantity and Treatment of General Waste

	R&D Office					
	ТРКА			ТРКД		
	2019	2020	2021	2019	2020	2021
Incinerated	197.2	191.5	128.3	—	—	74.8
Recycled	25.1	27.3	22.8	_	—	14.3
Total	222.3	218.8	151.1	_	_	89.1

Note:

Note:

- 1. Compared to 2020, domestic waste reduced in 2021 due to the work-from-home measure implemted by several tenants at TPKA Building as a response to the COVID-19 pandemic.
- 2. Since 2021, waste and resource management at TPKD Building has been under the responsibility of the tenants' operational teams. The disclosure in this report regarding TPKD Building is also provided by the tenants.

3. Waste materials from the office buildings at Tpark are disposed by qualified waste management companies.

#### Waste Management Process for New Construction



# 6.2 Building Sustainable Community

#### 6.2.1 Foster Social Prosperity

#### 2021 Tpark Christmas Charity Market

Building upon the charity efforts from 2020, Tpark held the 2021 Tpark Christmas Charity Market on December 22 with the participation of 10 non-profit organizations and 5 food vendors.

#### 1. Sales Booths

Proceeds from the charity market increased by 48% from 2021, providing substantial contribution to charitable organizations.

#### 2. Gift Exchange

Unit: Metric Ton

47 Christmas gifts were collected for the gift exchange activity among the employees working at TPKA Building.

#### 3. Used Book Sale 📧

The proceeds from selling the 104 books collected were donated to charity.

#### 4. Zero Waste Booth NEW



Wooden booths, which are commonly seen in the marketplace, are susceptible to damages caused by moisture and weather conditions, and they tend to end up as waste materials. The event organizer collaborated with suppliers of vending booths that in support of circular economy. The PC/PS faux wood booths used this year are made of recycled materials. Even if damaged from repeated use, the faux wood is 100% recyclable and reusable as the material for new booths.

# 5. Tenant Participation NEW

Yamaha, a tenant at Tpark, gave a live musical performance to boost the Christmas spirit. Another tenant, TriHealth Enterprise, donated 10% of the proceeds from the booth it leased to charity.

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#### Xin-Fang Wu, Synology, TPKA Building This is the second time that I participated in the gift exchange activity at TPKA Building. I would like to thank the organizer for encouraging interactions in this otherwise quiet building. The event was

encouraging interactions in this otherwise quiet building. The event was fun and exciting so I encouraged my colleagues to join in this time for us to have more to talk about! The organizer created a sense of festivity with holiday decorations, and with the Tpark Christmas Charity Market, we could contribute to charitable causes and help others. I hope that events like this will continue in the coming years and I will be the first to sign up!



• Voluntary Contribution to Investment in Infrastructure • Cash and Non-Cash Donation

Note: 1. Voluntary contribution to investment in infrastructure in 2021 includes the maintenance of landscaping within Tpark, the roads (sidewalks and driveways) and traffic signals.

2. Cash and non-cash donations include social engagement (organizing and co-organizing charity events) and community care.

# Earth Day at FET

Tpark provided support during the Earth Day activity held by Far EasTone Telecommunications Co., Ltd. (FET). Assistance provided includes receiving stakeholders such as suppliers, FET employees and the general public. Presentations were given on landscape planning, tree protection, preservation of biodiversity. With Tpark being an experimental field of technology, its smart applications and management facilities were also highlighted.

#### Visit from New Taipei City Urban Vision Team

New Taipei City Urban Vision Team, an inter-departmental collaboration from National Taipei University, surveys the current conditions in New Taipei City and provides recommendations regarding municipal planning and strategies to the city government. The team visited Tpark to gain an understanding of its vision planning, business recruitment strategies, current business operation as well as smart applications and management, gaining fruitful insights to plan for the urban vision for New Taipei City.



# Visit from Cross-Strait Participants of 2021 Taiwan Multicultural Exploration Camp Held by Mainland Affairs Council

Mainland Affairs Council of Executive Yuan authorized Chinese Youth International to organize Taiwan Multicultural Exploration Camp. On November 26, 2021, 38 youth members from Taiwan and Mainland China visited Tpark to learn about the vision for park planning and knowledge concerning green buildings.



# Student from group 1

As we toured through Tpark, seeing the grass areas and green buildings, we could understand the design principle behind the master plan, which is to preserve ecological balance. Far Eastern Group is committed to protecting the environment, fulfilling its corporate social responsibility and benefiting local communities and residents. On the local level, Tpark is a model of smart parks in Taiwan. On the global level, it creates harmonious coexistence with sustainability of the human civilization and environment on earth as the ultimate goal.



# Assistance for the Charity Blood Drive by E.SUN Commercial Bank, Ltd.

E.SUN Commercial Bank, Ltd. (E.SUN Bank), a tenant at Tpark, held a charity blood drive at 12 locations in Taipei and New Taipei City from August 24 to 27, 2021. To contribute to charity and encourage participation, Tpark provided the venue for free and helped E.Sun Bank collect 213 bags of blood.

# Co-hosting Pop-up Shops with Far Eastern A-mart Co., Ltd.

Tpark and Far Eastern A-mart Co., Ltd. (a.mart), an affiliate, hosted pop-up shops on the ground level of TPKA Building at noon on Wednesdays. Tpark provided the venue and a.mart offered seasonal produce, holiday gift boxes and tasty boxed lunch to cater to the daily needs of office workers.



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#### LOHAS Exercise ClubHAS Exercise Club

To promote mental and physical health as well as exercise among Tpark employees, LOHAS Exercise Club resumed its fitness classes in October 2021, when the COVID-19 pandemic receded. Six classes were offered with 10 to 15 students in each class. The class size was limited to 15 due to pandemic control. Professional coaches were recruited to teach kickboxing, yoga, fitness training and ZUMBA, helping staff to release stress as well as enhance physical and muscle strength.

# Satisfying Office Workers' Dietary Health with a Cashierless Store

Tpark lived up to its reputation for being a smart technological park and installed smart vending machines in 2021. Aside from selling groceries and freshly prepared boxed meals, the machines also offered desserts and beverages from famous shops from time to time to give the office workers more options.

# 6.2.2 Environmental Protection and Ecological Conservation

#### Water Resources Management

#### 1. Low-impact Storm Management System

Environmental sustainability is the core in the design of Tpark. During the initial planning stage, the project enlisted the help of the renowned German landscape architecture and urban hydrology firm, Atelier Dreiseitl (later renamed as Ramboll Studio Dreiseitl), which incorporated cutting-edge water recycling technology in the comprehensive design.



#### 2. Enhancing Water Resources Management as Draught Response

Tpark is a R&D office park. The sources of water withdrawal are tap water and rainwater. However, extreme weather patterns in recent years led to a sharp drop in water contained in the reservoirs in 2021, and the worst draught in half a century. Many counties and cities activated water rationing measures. Tpark is located in New Taipei City, where water supply remains relatively stable. To ease the threat of water scarcity, TPKA Building voluntarily enacted water conservation measures. The water pressure for faucets at all restrooms was reduced and staff was notified to conserve water resources. With enhanced management and the work-from-home measure in place for parts of the building, water withdrawal at TPKA Building dropped by 6% in 2021 compared to the previous year.

#### 3. Protecting Water Bodies with Proper Effluent Discharge Management

The main source of effluent at Tpark is domestic wastewater from the office buildings. There is no production wastewater. A private sewer system was installed at Tpark during the initial development stage. A tentative effluent permit was obtained and water meters were installed in accordance with the regulations established by the Department of Environmental Protection, New Taipei City. Once purified, domestic wastewater from Tpark is discharged into Nanzi Creek and Dahan River, which ultimately flows to Tamsui River. Tpark makes annual reports to the authority per regulatory requirements. To support New Taipei City in its effort to extend the coverage of its municipal sewer system, Tpark has been connecting its sewer lines to the municipal system since June 2021. Its domestic wastewater is sent to Bali Sewage Treatment Plant through the public sewer system for purification and then discharged to the Taiwan Strait.
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Total of Toark		78 160	02/121	103 0/3
Rainwater, Recycled and Reused Water (Condensate Water from Air Conditioning)	TPKA Building	838	1,422	1,043
	Total	77,322	90,999	102,900
Tap Water (Total dissolved solids ≤1,000 mg/L)	Construction	9,516	30,945	12,336
	Outdoor Area	24,694	12,306	13,535
	TPKD Building	_	—	32,204
	TPKA Building	43,112	47,748	44,825
		2019	2020	2021
water withdrawal, Kecyclin	ig and Reuse	2010	2020	2024

1. The sources of water withdrawal are tap water and rainwater, which pose no impacts to water sources. 2. Rainwater and recycled water enter the same pipelines. Therefore, the calculation is combined.

3. It was not until January 27, 2021 that TPKD Building was inaugurated. Water withdrawal disclosed in 2020 reflects water consumed by the workers during construction.

4. Since 2021, waste and resource management at TPKD Building has been under the responsibility of the tenants' operational teams. The disclosure in this report regarding TPKD Building is also provided by the tenants.

5. In addition to the ongoing construction of TPKE Building and Residential Building Zone B, the construction of Residential Building Zone C and TPKP Parking Garage began in 2021, hence increasing the total water withdrawal.

6. The construction of TPKD Building was still ongoing in 2020. However, the contractors already started using the building facilities. Therefore, the water consumption data is reported and the overall water consumption is higher than that reported in 2019.

• Water Consumption Per Capita at R&D Office Unit: kL/person 24.8 22.3 21.6 19.8 **TPKA** TPKD 2019 2020 2021 2021

#### Note:

1. Water consumption declined at TPKA Building in 2021 partly due to water conservation measures implemented during the

- draught period as well as the work-from-home policy during the COVID-19 pandemic.
- 2. As of December 31, 2021, the occupancy of TPKA and TPKD Buildings reached 2,078 and 1,300, respectively.

3. TPKD Building was inaugurated on January 27, 2021.

### Management of Energy, Resource and GHG Emissions

Energy Consumption and GHG Emissions					
Energy Consumption	2019	2020	2021		
TPKA Building	32,303	37,984	36,587		
TPKD Building	_	_	28,019		
Outdoor Area	578	584	549		
Construction	2,351	9,446	2,206		
Total of Tpark	35,232	48,014	67,361		

Total of Tpark	5,148	6,747	9,393
Construction	499	1,369	307
Outdoor Area	82	81	77
TPKD Building	—	_	3,907
TPKA Building	4,567	5,297	5,102
GHG Emissions	2019	2020	2021
			01111 1002

Unit: tCO.e

#### Note:

1. TPKD Building was inaugurated on January 27, 2021.

2. Since 2021, waste and resource management at TPKD Building has been under the responsibility of the tenants' operational teams. The disclosure in this report regarding TPKD Building is also provided by the tenants.

3. Construction projects in 2019 and 2020 include TPKD and TPKE Buildings as well as Residential Building Zone B. In 2021, in addition to the continuation of TPKE Building and Residential Building Zone B, the construction of Residential Building Zone C and TPKP Parking Garage started.

- 4. The inauguration of TPKD Building in 2021 and the start of 2 new construction projects increased the overall energy consumption and GHG emissions.
- 5. The disclosure of GHG emissions is based on the standards for categories 1 and 2 in ISO 14064-1. In 2019, the percentages of categories 1 and 2 emissions were 3% and 97%, respectively; in 2020, the percentages were 1% and 99%; in 2021, category 2 emissions account for 100%.

#### Energy Consumption and GHG Emissions per Unit Floor Area of R&D Office



Note: The floor areas accounted for refer to the actual square meters occupied or leased

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# 6.2.3 Emergency Response

#### Prevention and Control of COVID-19 at FERD Office

1. The office areas were disinfected with ultraviolet devices.

- 2. Visitors were temporarily prevented from entering the office. Non-essential meetings and gatherings were canceled. Essential meetings were held at the B1 conference room at TPKA Building.
- 3. Internal meetings were held through video conferencing to reduce non-essential contacts among different units.
- 4. Employees were encouraged minimize dining out to reduce the risk of infection.
- 5. Employees must wear face masks during working hours and maintain 1.5-meter indoor and 1-meter outdoor social distance.
- 6. Employees must submit health conditions on Health Reporting System and update the vaccination status.
- 7. Split operation continued with staff working at the office at TPKA Building and the temporary locations at TPKD Building.

### Prevention and Control of COVID-19 at TPKA Building

- 1. The free shuttle service from Mega City to TPKA Building was temporarily suspended.
- 2. Infrared thermometers were installed at the lobby to take employees' body temperatures.
- 3. Hand sanitizers were provided at the east and west sides of the lobby. Office workers were reminded not to engage in conversations during elevator rides.
- 4. Ventilation was enhanced at the public areas, and exterior windows at the east and west sides of the lobby remained open.
- 5. Sanitization of public areas was enhanced, including the restrooms, break rooms and the reception desk at the lobby.
- 6. The a.mart pop-up shops and LOHAS Exercise Club, which were held at noon on Wednesdays, were temporarily discontinued during the peak of the pandemic.
- 7. Leasing of conference rooms and lecture halls were temporarily discontinued.
- 8. Information on available walk-in COVID-19 vaccinations at Far Eastern Memorial Hospital was sent to the tenants.

On January 17, 2022, the Central Epidemic Control Center issued a notification to TPKA Building regarding traces of individuals confirmed with COVID-19 infection. The operational team of FERD and the building service center activated the following emergency responses:





### Prior to 8:30 on January 17

Staff finished sanitizing all buttons and handrails in the elevator shafts; elevator buttons at the lobby; faucets at break rooms and restrooms. The schedule was modified from once every 2 hours to once every hour.



# At 14:00 on January 17

Announcements were made to all tenants to inform their employees to leave the building by 19:30.



# At 17:30 on January 17

Staff finished sanitizing the public areas, including restrooms, break rooms, elevator shafts, hallways and underground parking areas.



### At 20:30 on January 17

Announcements were made to tenants regarding implementing pandemic control measures and self-health management.

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About This Report		Interr	nal Bounc	daries				Stakeł	nolders					Management Approaches and Rele	evant Information
Message from the Chairman	Sustainability Issues	FENC	Far Eastern Resources	Foundation	Employee/	Direct	Governmen	, Business	External Audit	Shareholder Investor/	/ Industry	Local Resident and	Relevant GRI Standard	Chapter	Pages
Sustainability Strategy Blueprint		Business	Development Co., Ltd.		Labor Union	Customer	oovernmen	Partner	Agency/ Media	Financial Institution	Association	Organization			Tages
FENC's Contribution to UN SDGs	Respond to climate change	•	•			*	*		*	*	*	*	Environmental: Materials, Energy, Water and Effluents, Emissions	Special Report 2, Special Report 3, 3.1.1, 3.2, 6.2.2	21, 27, 69, 83, 143
Identification of Stakeholders and Material Topics	Prevent and control environmental pollution	•	•		*	*	*		*	*	*	*	Environmental: Emissions, Waste, Biodiversity, Supplier Environmental Assessment Social: Local Communities	Special Report 2, 2.1, 3.3, 4.4, 6.1.3, 6.2.2	21, 56, 87, 122, 140, 143
Boosting Stakeholder Dialogue	Implement sustainable		•				*	*	*	*	*		General Disclosures: Governance	Message from the Chairman, 1.4	4, 49
Sustainable Recognitions	Instigate production and	•	•			*			*		*		Environmental: Materials, Energy, Water and Effluents,	Special Report 2, 2.1	21, 56
Special Report	product innovation														
Fostering Robust Governance	Perfect risk management	•	•	•	•		*	*	*	*	*	٠	Economic: Economic Performance Environmental: Environmental Compliance Socioeconomic Compliance	1.3, 6.2.3	40, 145
Enabling Unlimited Innovation Navigating a Green Future	Reinforce environmental safety and health management	•	•		*		*		*		*		Social: Occupational Health and Safety, Local Communities	Special Report 1, 4.3, 6.1.3, 6.2.3	17, 113, 140, 145
Creating Inclusive Society	Refine operational performance and strategies	•	•	•	*			*		*			General Disclosures: Strategy Economic: Economic Performance, Tax	Message from the Chairman, 1.1, 6.1.2	4, 34, 139
Cultivating Compassionate Bonds	Elevate energy and resource efficiency				<b></b>		<b></b>	<b></b>	<b></b>			*	Environmental: Materials, Energy, Water and Effluents	2.1, 3.1, 6.2.2	56, 69, 143
Advocating Balanced Coexistence	Enhance corporate image	•	•	•	<b></b>									Special Report 1, Special Report 2, Special Report 3, 5, 6.2.1	17, 21, 27, 127, 141
	Build customer rapport				<b></b>	*	٠	*						2.2, 6.2.3	57, 145
Appendix 7.1 Sustainability Issues	Govern with steady pace	•	•	•	<b></b>					*	٠	٠	General Disclosures: Organizational Profile, Strategy, Ethics and Integrity, Governance Economic: Anti-corruption, Anti-competitive Behavior	1.2	38
Corresponding Table 7.2 GRI Standard Index	Boost Stakeholder Dialogue	•	•	•	<b></b>	*	*	*				*	General Disclosures: Stakeholder Engagement, Management Approach	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue	8, 10
7.3 Response to Sustainable	Constructing Happy Workplace				*	٠	۲	۲	<b></b>	۲	۲		Social: Employment, Labor / Management Relations	4.1	99
7.4 Assurance Statement	Coordinate sustainable supply chain development	•	•		٠					٠		٠	Economic: Procurement Practices Environmental: Supplier Environmental Assessment	4.4, 6.1	122, 139
7.5 List of Publishers and Committee Members	Promote product	•	•		•	*	•	•	•		•	•		2.3, 6.1.3	60, 140
	Cultivate		•		•	•		•	•	•		*		5, 6.2.1	127, 141
	Foster employee				*		•	•	•	•	•	•	Social: Training and Education	4.2	110
	<u>career planning</u> Optimize land	•				•	•	•	•		•			6.1	139
	<u>resources</u> Build sustainable community		•		•	•	• •	• •	•	•	• •		Environmental: Energy, Water and Effluents, Biodiversity Social: Customer Health and Safety	6.2	141

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# 7.2 GRI Standard Index

#### GRI 100 Universal Standards

	Disclosure Title	Chapter and Note	Pages					
GRI 102	General Disclosures							
1. Orgar	1. Organizational Profile							
102-1	Name of the organization	About This Report, 1.1, 6.1.1	2, 34, 139					
102-2	Activities, brands, products, and services	1.1, 6.1.1	34, 139					
102-3	Location of headquarters	About This Report, 1.1.2, 6.1.2	2, 36, 139					
102-4	Location of operations	1.1.2, 6.1.2	36, 139					
102-5	Ownership and legal form	1.1, 6.1.1	34, 139					
102-6	Markets served	1.1.2, 6.1.2	36, 139					
102-7	Scale of the organization	1.1, 6.1.1	34, 139					
102-8	Information on employees and other workers	4.1.2, 6.1.1	102, 139					
102-9	Supply chain	1.1.2, 4.4, 6.1.3	36, 122, 140					
102-10	Significant changes to the organization and its supply chain	1.1, 6.1.2	34, 139					
102-11	Precautionary Principle or approach	1.3, 6.2.3	40, 145					
102-12	External initiatives	2.2	57					
102-13	Membership of associations	There are 88 associations meeting the index.	the recommendations of					
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102-14	Statement from senior decision-maker	Message from the Chairman	4					
102-15	Key impacts, risks, and opportunities	Message from the Chairman, Special Report 1, Special Report 2, Special Report 3, 1.3	4, 17, 21, 27, 40					
3. Ethics	and integrity							
102-16	Values, principles, standards, and norms of behavior	1.1, 1.4	34, 49					
102-17	Mechanisms for advice and concerns about ethics	Boosting Stakeholder Dialogue, 1.2, 1.3, 1.4	10, 38, 40, 49					

	Disclosure Title	Chapter and Note	Pages
. Gover	nance		
02-18	Governance structure	1.2.2, 1.4	39, 49
02-19	Delegating authority	1.2.2, 1.4	39, 49
02-20	Executive-level responsibility for economic, environmental, and social topics	1.2.2, 1.4	39, 49
02-21	Consulting stakeholders on economic, environmental, and social topics	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue, 1.4	8, 10, 49
02-22	Composition of the highest governance body and its committees	Please refer to "III. Corporate Gove 2021 FENC Annual Report.	ernance Report" in the
02-23	Chair of the highest governance body	Please refer to "III. Corporate Gove 2021 FENC Annual Report.	ernance Report" in the
02-24	Nominating and selecting the highest governance body	1.2.2	39
02-25	Conflicts of interest	Please refer to "III. Corporate Gove 2021 FENC Annual Report.	ernance Report" in the
02-26	Role of highest governance body in setting purpose, values, and strategy	1.2.2, 1.4	39, 49
02-27	Collective knowledge of highest governance body	1.2.2	39
02-28	Evaluating the highest governance body's performance	1.2.2	39
02-29	Identifying and managing economic, environmental, and social impacts	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue, 1.3, 1.4	8, 10, 40, 49
02-30	Effectiveness of risk management processes	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue, 1.3, 1.4	8, 10, 40, 49
02-31	Review of economic, environmental, and social topics	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue, 1.3, 1.4	8, 10, 40, 49
02-32	Highest governance body's role in sustainability reporting	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue, 1.4	8, 10, 49
02-33	Communicating critical concerns	Boosting Stakeholder Dialogue, Special Report 1, Special Report 2, Special Report 3, 1.4	10, 17, 21, 27, 49

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	Disclosure Title	Chapter and Note	Pages
102-34	Nature and total number of critical concerns	Boosting Stakeholder Dialogue, 1.4	10, 49
102-35	Remuneration policies	1.2.2, 4.1.3	39, 105
102-36	Process for determining remuneration	1.2.2, 4.1.3	39, 105
102-37	Stakeholders' involvement in remuneration	1.2.2, 4.1.3	39, 105
102-38	Annual total compensation ratio	4.1.3	105
102-39	Percentage increase in annual total compensation ratio	4.1.3	105
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102-40	List of stakeholder groups	ldentification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue	8, 10
102-41	Collective bargaining agreements	4.1.4	106
102-42	Identifying and selecting stakeholders	Identification of Stakeholders and Material Topics	8
102-43	Approach to stakeholder engagement	Boosting Stakeholder Dialogue	10
102-44	Key topics and concerns raised	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue	8, 10
6. Repor	ting practice		
102-45	Entities included in the consolidated financial statements	About This Report, 1.1	2, 34
102-46	Defining report content and topic Boundaries	Identification of Stakeholders and Material Topics, 7.1	8, 146
102-47	List of material topics	Identification of Stakeholders and Material Topics, 7.1	8, 146
102-48	Restatements of information	About This Report	2
102-49	Changes in reporting	About This Report, Identification of Stakeholders and Material Topics	2,8
102-50	Reporting period	About This Report	2
102-51	Date of most recent report	About This Report	2
102-52	Reporting cycle	About This Report	2
102-53	Contact point for questions regarding the report	About This Report	2

	Disclosure Title	Chapter and Note	Pages		
102-54	Claims of reporting in accordance with the GRI Standards	About This Report	2		
102-55	GRI content index	7.2	147		
102-56	External assurance	About This Report, 7.4	2, 154		
GRI 103: Management Approach					
103-1	Explanation of the material topic and its Boundary	Identification of Stakeholders and Material Topics	8		

### GRI 200 Topic-specific Standards

	Disclosure Title	Chapter and Note			Pages		
GRI 201:	GRI 201: Economic Performance						
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Diald Special Report 2, 1.1.1, 4.1 6.1.1	10, 21, 34, 109, 139				
201-1	Direct economic value generated and distributed	1.1.1, 6.1.1		34, 139	7		
201-2	Financial implications and other risks and opportunities due to climate change	1.3		40			
201-3	Defined benefit plan obligations and other retirement plans	4.1.6		109			
	Financial assistance received from government	(NT\$1,000)	Taiw	/an	Mainland China		
		Subsidies for technical development		825	1,650		
		Subsidies for energy conservation		0	2,683		
201-4		Physical/mental handicapped living allowance		0	25		
		Other item	7,	478	25,633		
		Total	8,	303	29,991		
		Total subsidies are NT\$ 38,294 thousand. Production sites in Vietnam, Japan, and the United States are not subsidized by the government.			. Production tates are not		
GRI 204: Procurement Practices							
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	ts. Boosting Stakeholder Dialogue, 10, 38, 122			122		
204-1	Proportion of spending on local suppliers	4.4.1		122			

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	Disclosure Title	Chapter and Note	Pages					
GRI 205:	GRI 205: Anti-corruption							
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 1.2	10, 38					
205-1	Operations assessed for risks related to corruption	1.2	38					
205-2	Communication and training about anti- corruption policies and procedures	1.2	38					
205-3	Confirmed incidents of corruption and actions taken	No relevant issue (Boosting Stakeholder Dialogue, 1.2)	10, 38					
GRI 206:	: Anti-competitive Behavior							
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 1.2	10, 38					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No relevant issue						
GRI 207:	GRI 207: Tax							
1. Manag	gement approach disclosures							
207-1	Approach to tax	1.1.1, 6.1.1	34, 139					
207-2	Tax governance, control, and risk management	1.1.1	34					
207-3	Stakeholder engagement and management of concerns related to tax	1.1.1	34					
2. Topic-	specific disclosures							
207-4	Country-by-country reporting	1.1.1	34					

### GRI 300 Topic-specific Standards

	Disclosure Title	Chapter and Note	Pages
GRI 301: N	laterials		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 3.1.2	10, 74
301-1	Materials used by weight or volume	3.1.2	74
301-2	Recycled input materials used	Special Report 2, 3.1.2	21,74
301-3	Reclaimed products and their packaging materials	3.1.2	74

Disclosure Title		Chapter and Note	Pages
GRI 302: E	nergy		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 3.1.1, 6.2.2	10, 69, 143
302-1	Energy consumption within the organization	3.1.1, 6.2.2	69, 143
302-2	Energy consumption outside of the organization	3.1.1, 6.2.2	69, 143
302-3	Energy intensity	3.1.1, 6.2.2	69, 143
302-4	Reduction of energy consumption	Special Report 3, 3.1.1, 6.2.2	27, 69, 143
302-5	Reductions in energy requirements of products and services	3.1.1, 6.2.2	69, 143
GRI 303: V	Vater and Effluents (2018)		
1. Manage	ment approach disclosures		
303-1	Interactions with water as a shared resource	3.1.3, 6.2.2	76, 143
303-2	Management of water discharge-related impacts	3.1.3, 6.2.2	76, 143
2. Topic-specific disclosures			
303-3	Water withdrawal	3.1.3, 6.2.2	76, 143
303-4	Water discharge	3.1.3	76
303-5	Water consumption	3.1.3	76
GRI 304: B	iodiversity		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 3.3.3, 6.2.2	10, 93, 143
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	3.3.3, 6.2.2	93, 143
304-2	Significant impacts of activities, products, and services on biodiversity	3.3.3, 6.2.2	93, 143
304-3	Habitats protected or restored	3.3.3, 6.2.2	93, 143
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	This indicator is not applicable. (3.3.3)	93

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GRI 305: E	missions		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 3.2, 3.3.1, 6.2.2	10, 83, 87, 143
305-1	Direct (Scope 1) GHG emissions	3.2.1, 6.2.2	84, 143
305-2	Energy indirect (Scope 2) GHG emissions	3.2.1, 6.2.2	84, 143
305-3	Other indirect (Scope 3) GHG emissions	3.2.1	84
305-4	GHG emissions intensity	3.2.1, 6.2.2	84, 143
305-5	Reduction of GHG emissions	Special Report 3, 3.1.1, 3.2	27, 69, 83
305-6	Emissions of ozone-depleting substances (ODS)	Related substances are not use	d.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	3.3.1	87
GRI 306: V	Vaste (2020)		
1. Manage	ement approach disclosures		
306-1	Waste generation and significant waste- related impacts	Special Report 2, 3.3.2, 6.1.3	21, 90, 140
306-2	Management of significant waste-related impacts	3.3.2, 6.1.3	90, 140
2. Topic-sp	pecific disclosures		
306-3	Waste generated	3.3.2, 6.1.3	90, 140
306-4	Waste diverted from disposal	3.3.2, 6.1.3	90, 140
306-5	Waste directed to disposal	3.3.2, 6.1.3	90, 140
GRI 307: E	nvironmental Compliance		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 1.3, 3.3, 6.2.2	10, 40, 87, 143
307-1	Non-compliance with environmental laws and regulations	1.3	40
GRI 308: 5	upplier Environmental Assessment		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 4.4.1, 4.4.2, 6.1.3	10, 122, 124, 140
308-1	New suppliers that were screened using environmental criteria	4.4.1	122
308-2	Negative environmental impacts in the supply chain and actions taken	4.4.1	122

### GRI 400 Topic-specific Standards

	Disclosure Title	Chapter and Note	Pages
GRI 401: E	mployment		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 4.1	10, 99
401-1	New employee hires and employee turnover	4.1.2	102
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1.3	105
401-3	Parental leave	4.1.1	99
GRI 402: La	abor/Management Relations		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 4.1.4	10, 106
402-1	Minimum notice periods regarding operational changes	4.1.4	106
GRI 403: C	Occupational Health and Safety (2018)		
1. Manage	ment approach disclosures		
403-1	Occupational health and safety management system	4.3.1, 6.1.3	113, 140
403-2	Hazard identification, risk assessment, and incident investigation	4.3.1, 4.3.2, 6.1.3	113, 118, 140
403-3	Occupational health services	4.3.3, 6.1.3	120, 140
403-4	Worker participation, consultation, and communication on occupational health and safety	Boosting Stakeholder Dialogue, 4.3.1	10, 113
403-5	Worker training on occupational health and safety	4.3.1, 6.1.3	113, 140
403-6	Promotion of worker health	4.3.3, 6.1.3	120, 140
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.3.1, 4.3.3, 6.1.3	113, 120, 140
2. Topic-sp	ecific disclosures		
403-8	Workers covered by an occupational health and safety management system	4.3.1, 6.1.3	113, 140
403-9	Work-related injuries	4.3.2, 6.1.3	118, 140
403-10	Work-related ill health	4.3.2, 4.3.3, 6.1.3	118, 120, 140

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GRI 404:	Training and Education		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 4.2, 4.3.1	10, 110, 113
404-1	Average hours of training per year per employee	4.2, 4.3.1	110, 113
404-2	Programs for upgrading employee skills and transition assistance programs	4.2, 4.3.1	110, 113
404-3	Percentage of employees receiving regular performance and career development reviews	4.1.5	108
GRI 413:	Local Communities		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 6.2.1	10, 141
413-1	Operations with local community engagement, impact assessments, and development programs	Boosting Stakeholder Dialogue, 6.2.1	10, 141
413-2	Operations with significant actual and potential negative impacts on local communities	Boosting Stakeholder Dialogue, 6.2.1	10, 141
GRI 414: 5	Supplier Social Assessment		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 4.3.1, 4.4, 6.1.3	10, 113, 122, 140
414-1	New suppliers that were screened using social criteria	4.4.1	122
414-2	Negative social impacts in the supply chain and actions taken	4.4.1	122
GRI 416: 0	Customer Health and Safety		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 6.2.3	10, 145
416-1	Assessment of the health and safety impacts of product and service categories	6.2.3	145
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No relevant issue (1.3)	40
GRI 419: 5	Socioeconomic Compliance		
103-2, 103-3	The management approach and its components. Evaluation of the management approach.	Boosting Stakeholder Dialogue, 1.3	10, 40
419-1	Non-compliance with laws and regulations in the social and economic area	No relevant issue (1.3)	40

# 7.3 Response to Sustainable Guidance and Principles

#### Sustainability Accounting Standards Board (SASB) Chemical Industry

	Chapter		
Greenhouse Gas Emissions			
RT-CH-110a.1.	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	3.2.1	
RT-CH-110a.2.	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Special Report 3, 3.2	
Air Quality			
RT-CH-120a.1.	Air emissions of the following pollutants: (1) NOx (excluding N <sub>2</sub> O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants(HAPs)	3.3.1	
Energy Manager	nent		
RT-CH-130a.1.	<ol> <li>(1) Total energy consumed,</li> <li>(2) percentage grid electricity,</li> <li>(3) percentage renewable,</li> <li>(4) total self-generated energy</li> </ol>	3.1.1	
Water Managem	ent		
RT-CH-140a.1.	<ul><li>(1) Total water withdrawn,</li><li>(2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress</li></ul>	3.1.3	
RT-CH-140a.2.	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	1.3.3	
RT-CH-140a.3.	Description of water management risks and discussion of strategies and practices to mitigate those risks	3.1.3	

Content		Accounting Metric			
About This Report	Hazardous Waste	Hazardous Waste Management			
Message from the Chairman	RT-CH-150a.1.	RT-CH-150a.1. Amount of hazardous waste generated, percentage recycled			
Sustainability Strategy Blueprint	Community Rela	tions			
FENC's Contribution to UN SDGs	RT-CH-210a.1.	Discussion of engagement processes to manage risks and	Identification of Stakeholders and Material Topics, Boosting		
and Material Topics		opportunities associated with community interests	Stakeholder Dialogue, 5, 6,1,3, 6,2,1		
Boosting Stakeholder Dialogue	Workforce Healt	n & Safety	01110/01211		
Sustainable Recognitions	RT-CH-320a.1.	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	4.3.2		
Special Report	RT-CH-320a.2.	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	4.3.3		
i osterning Kobust Covernance	Product Design f	Product Design for Use-phase Efficiency			
Enabling Unlimited Innovation	RT-CH-410a.1.	Revenue from products designed for use-phase resource efficiency	2.1		
Navigating a Green Future	Safety & Environ	Safety & Environmental Stewardship of Chemicals			
Creating Inclusive Society Cultivating Compassionate Bonds	RT-CH-410b.1.	<ol> <li>(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances,</li> <li>(2) percentage of such products that have undergone a hazard assessment</li> </ol>	2.3		
Advocating Balanced Coexistence	RT-CH-410b.2.	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental	2.3		
Appendix	Consticulty Mod	impact			
7.1 Sustainability Issues Corresponding Table	RT-CH-410c.1.	Percentage of products by revenue that contain genetically modified	No relevant issue		
7.2 GRI Standard Index	Management of	organisms (GMOS)			
7.3 Response to Sustainable	Management of	the Legal & Regulatory Environment			
7.4 Assurance Statement	RT-CH-530a.1.	and/or policy proposals that address environmental and social factors affecting the industry	Special Report 3, 1.3		
7.5 List of Publishers and	Operational Safe	ty, Emergency Preparedness & Response			
Committee Wembers	RT-CH-540a.1.	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	4.3.2		

RT-CH-540a.2. Number of transport incidents

4.4.2

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Task Force or	Climate-relate	d Financial	Disclosures	(TCFD)
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	Dimension	TCFD Disclosure Recommendation	Chapter
Governance	Disclosure of the organization's governance around climate-related risks and opportunities	<ol> <li>Describe the board of directors' oversight of climate- related risks and opportunities</li> <li>Describe management's role in assessing and managing risks and opportunities</li> </ol>	1.3.4
Strategy	Disclosure of the actual and potential impacts of climate- related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	<ol> <li>Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term</li> <li>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning</li> <li>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</li> </ol>	Special Report 3, 1.3.4, 3.1, 3.2
Risk management	Disclosure of how the organization identifies, assesses, and manages climate-related risks	<ol> <li>Describe the organization's processes for identifying and assessing climate-related risks</li> <li>Describe the organization's processes for managing climate-related risks</li> <li>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management</li> </ol>	1.3.4
Metrics and targets	Disclosure the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material	<ol> <li>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</li> <li>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</li> <li>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</li> </ol>	Special Report 3, 1.3.4, 3.1, 3.2

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	Chapter I General Principles	Message from the Chairman, Sustainability Strategy Blueprint, Targets and Progress, 1.1, 1.2, 1.3, 1.4
	Chapter II Exercising Corporate Governance	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue, 1.2, 1.3, 1.4, 4.1.3, 4.1.5, 4.2
	Chapter III Fostering a Sustainable Environment	Special Report 2, Special Report 3, Targets and Progress of ch2 & ch3, 2.2, 2.3, 3, 6.2.2
-	Chapter IV Preserving Public Welfare	Special Report 1, 1.2, 1.3, 2, 4, 5, 6.2.1
	Chapter V Enhancing Disclosure of Corporate Sustainability Information	Sustainability Strategy Blueprint, Targets and Progress, Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue, 1.2, 1.3, 1.4, 4.4.1, 7.1
	Chapter VI Supplementary Provisions	Identification of Stakeholders and Material Topics, Boosting Stakeholder Dialogue,1.4, 7

Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

### Guidance on Social Responsibility ISO 26000

	Description	Chapter	
Organizational Governance	Decision-making processes and structures	1.2, 1.3, 1.4	
	Due diligence		
	Human rights risk situations		
	Avoidance of complicity		
Human Bighta	Resolving grievances	Identification of Stakeholders and Material	
Human Rights	Discrimination and vulnerable groups	13.3, 1.4, 4.1.1, 4.1.3, 4.1.4	
	Civil and political rights		
	Economic, social and cultural rights		
	Eundamental principles and rights at work		

	Description	Chapter	
Labor Practices	Employment and employment relationships		
	Conditions of work and social protection	4, 6.1.3, 6.2.1, 6.2.3	
	Social dialogue		
	Health and safety at work		
	Human development and training in the workplace		
The Environment	Prevention of pollution	Special Report 2, Special Report 3, 1.3.4, 2.1,	
	Sustainable resource use		
	Climate change mitigation and adaptation		
	Protection of the environment, biodiversity and restoration of natural habitats	2.0, 0, 0.2.2	
	Anti-corruption		
	Responsible political involvement	Consid Papart 1 1 2 1 2 1 1 2 2 1 2 2	
Fair Operating	Fair competition		
Practices	Promoting social responsibility in the value chain	эресанкерон т, т.2, т.3.т, т.3.2, т.3.3	
	Respect for property rights	-	
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	Special Report 2, 2.2, 2.3	
	Protecting consumers' health and safety		
	Sustainable consumption		
	Consumer service, support, and complaint and dispute resolution		
	Consumer data protection and privacy		
	Access to essential services		
	Education and awareness		
Community Involvement and Development	Community involvement		
	Education and culture		
	Employment creation and skills development	Special Report 1, Special Report 2, Special Report 3, 2.1, 3.1, 4.1, 4.2, 5, 6.1, 6.2.1	
	Technology development and access		
	Wealth and income creation		
	Health		
	Social investment		

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### 7.4 Assurance Statement

# ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FAR EASTERN NEW CENTURY CORPORATION'S SUSTAINABILITY REPORT FOR 2021

#### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Far Eastern New Century Corporation (hereinafter referred to as FENC) to conduct an independent assurance of the Sustainability Report for 2021 (hereinafter referred to as the SR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during verification (2022/03/04-2022/04/15). SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

#### INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all FENC's Stakeholders.

#### RESPONSIBILITIES

SGS

The information in the FENC's SR Report of 2021 and its presentation are the responsibility of the directors or governing body (as applicable) and management of FENC. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all FENC's stakeholders.

#### ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

The assurance of this report has been conducted according to the following Assurance Standards:

#### Assurance Standard Options and Level of Assurance

- A. SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
- B. AA1000ASv3 Type 1 Moderate Level (AA1000AP Evaluation only)

#### SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

Select specific reporting criteria included in the contract

#### **Reporting Criteria Options**

- 1. GRI Standards (Comprehensive)
- 2. AA1000 Accountability Principles (2018)
- AA1000 Assurance Standard v3 Type 1 evaluation of the report content and supporting management
  systems against the AA1000 Accountability Principles (2018) at a moderate level of scrutiny; and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

#### ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, SR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant.

#### LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts, Task Force on Climate-related Financial Disclosures (TCFD) and SASB related disclosures has not been checked back to source as part of this assurance process.

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from FENC, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

#### FINDINGS AND CONCLUSIONS

#### VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the specified performance information included in the scope of assurance is accurate, reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

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#### 7.5 List of Publishers and Committee Members

**Published by** Far Eastern New Century Corporation

> Publisher Douglas Tong Hsu

**Directors** Johnny Hsi, Peter Hsu, Humphrey Cheng, K.S. Wu, Donald Fan, Judy Lee

Sustainability Implementation Committee Convener Humphrey Cheng

#### Sustainability Implementation Committee Members

Albert Ko, Alen Huang, Allen Sha, Alpha Hsu, Amos King, Amy Zhou, Andrew Tsai, Andy Chen, Andy Lin, Andy Lou, Angel Kuo, Angela Martin, Angus Chou, Angus Liao, Anne Lin, Ariel Mao, Bella Ly, Ben Lee, Bi Hwang Lin, Caleb Hsu, Carol Wang, CH Liu, Chao Ming Hua, Chen Lu, Cheng Hua Lee, Chester Hu, Chialin Wu, Chien Hsun Chen, Chih Ching Lin, Chih Jung Huang, Chin Tsu Peng, Ching Feng Chen, Chris Lee, Chris Wu, Chun Chin Chen, Chun Song Jing, Chunpin Yao, Cindy Hsieh, Claire Lin, Cliff Chu, David Shih, Dennis Chen, Diana Chen, Dong Min Zhu, Duncan Sung, Dustin Chuang, Eric Sun, Gilbert Yi, Gin Den Chen, Guang Tao Dong, Hai Huang, Hang Yuan Yu, Hans Yu, Hejun Li, Hermia Tsai, Hitter Chang, Hsiang Yi Cheng, Hsiao Pin Hu, Hsueh Hua Chiang, Hsueh Lung Lu, Hua Hong Tseng, Hua Mei Yan, Huan Ta Tien, Hung Hui Lee, Hunter Chao, I Hsiung Li, Irene Wang, Jack Lin, Jack Wu, Jason Chuang, Jason Peng, Jenny Fan, Jian Li, John Chang, Johnny Yang, Jolan Chen, Joseph Huang, Julia Chu, Kalinda yang, Kate Peng, Kenneth Chou, Kenny Chou, Kenven Wu, Ker Bin Louy, Kevi Lo, Kuo Kung Yu, Lee Wen Yu, Li Gao, Li Hua Chu, Li Jen Feng, Li Ming Shu, Liangwei Hsu, Li He Jun, Liu Jian, LK Chen, Lu Zhu, Lucius Chang, Luke Yang, Maggie Lo, Mark Tompkin, Mark Wang, Mark Wei, Marvin Mai, Meiling Fang, Mi Zhang, Michelle Yeh, Mill Shieh, Myra Chung, Nico Peng, Nina Chiu, Otis Tseng, Pascal Hong, Patrick Ho, Paul Yang, Pauline Wu, Peggie Lin, Peng Zhang, Philips Phu, Pin Hu Hsiao, QC Ma, Quinton Lee, Ren Yen, Renbin Hsieh, Renhua Lee, Rex Chang, Richard Chen, Richard Maack, Rick Chang, Rodge Ma, Roger Huang, Roy Gao, Ryan Chen, Scott Whitwer, Shao Ping Shou, Sheree Chiang, Shirley Yu, Shuangjun Cao, Simon Chen, Simon Lin, Simon Wang, Sophia Yiin, Steve Huang, Sulan Chen, Sung Tian Shih, Takumi Sato, Tasha Chang, Teddy Chang, Thomas Fang, Thomas Liu, Titan Chen, Titan Han, Tom Kaib, Tony Lee, Tony Wang, Tracy Nguyen, Trista Cheng, Vincent Huang, Wei Jin, Weihua Zhang, Wen Hsin Lin, Wen Hwa Shiau, Will Ling, Wu Feng Jen, Yao Xin Wang, Yen Ping Cheng, Ying Zhou, Yiqin Xia, York Chou, Yu Feng Liu, Yu Tao Gu, Yuao Huang, Yun Feng Xue, Yung Chia Chen, Zhao Fei Xiao, Zhen Sheng Chen, Zhong Ping Yang, Zuo Ke Gang (The names are published in alphabetical order)

#### **Executive Unit**

Corporate Staff Office Allen Sha, Julia Chao, Jonathan Liu, Phoenix Tang, Celeste Wu, Ginny Feng, Hsin He

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#### AA1000 ACCOUNTABILITY PRINCIPLES (2018) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

#### Inclusivity

FENC has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, FENC may proactively consider having more direct two-ways involvement of stakeholders during future engagement. Materiality

FENC has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback. Impact

FENC has demonstrated a process on identify and fairly represented impacts that encompass a range of environmental, social and governance topics from wide range of sources, such as activities, policies, programs, decisions and products and services, as well as any related performance. Measurement and evaluation of its impacts related to material topic were in place at target setting with combination of qualitative and quantitative measurements.

# GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FENC's SR Report of 2021, is adequately in line with the GRI Standards in accordance with Comprehensive Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. Disclosure on management approach for each material topic (103-1) are described in a satisfactory manner in report. It is encouraged to show the effectiveness evaluation of management approach and result of performance for each material topics for future reporting.

Signed: For and on behalf of SGS Taiwan Ltd.



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David Huand

Senior Directo

Taipei, Taiwan

11 May, 2022

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