2017

Corporate Social Responsibility Report

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I

Corporate Culture and Governance

(I) Commemorating the Corporate Founders

Founders Wang, Yung-Ching & Yung-Tsai Brother

Be diligent, simple and practical

Keep advancing till the perfect end

Sustain businesses development

Make contributions to society.

By Wang, Yung-Ching

" Find out factors through detecting each regarding detail ."

"There is neither impossible thing nor simple thing in the world."

(II) Business Philosophy

- **Harmony**
  With integrity, individuals, departments, our Company, clients, subcontractors, the community, industries, and local society are developing in harmony.
- **Service**
  The Company is a service provider with rapid cycles, which is beneficial for getting a foothold in the industry, and we require all employees to be accommodating and altruistic to meet clients' needs with thoughtful services.
- **Innovation**
  To enable the Company to achieve excellence and users to enjoy more utility, we motivate talents' potential and develop products with better intentions by proactively providing
- **Contribution**
  We endeavor to align goals of the Company with social humanitarian needs across borders so as to establish a connection with the world by providing quality products, promoting industry prosperity, improving quality of life, and continuing reaching out to society.

(III) Vision

We can provide solutions to clients' various requirements and create an excellent research and development site to produce high-tech products. Through innovation, we will continue growing, satisfy the demands of stakeholders, and earn the loyalty of product users and the respect of society.

We emphasize good qualities and virtues of employees and hope them to be enthusiastic about efficient working and revolution and to value the protection of life, ecology, and environment. At last, the Company will become a famous brand for sustainable development in the industry and clients' first choice.

(IV) Common Values

- **Corporate Goals**
  To make both clients and the Company grow and be mutually beneficial, to satisfy clients, users, stockholders, and employees, and to win all of their respect,
- **Quality Policy**
  To surpass the improvement speed of the same trade, and share profits of growth with clients.
- **Corporate Mission**
  To provide quality products, relevant information, and services to respective users fast and reliably.
- **Client Policies**
  To satisfy clients by serving them in a proactive manner.
- **Cultural Image**
  Our Company is a professional and continuously running manufacturer, which means that our Company has an established history, philosophy, systems, organization, experience, technology, previous performances, integrity, responsibilities, and intellectual property. Our Company has formed strategic alliances with many global corporations, and kept clients' needs and trends in mind so as to pursue the growth of intelligence of our personnel and improvements to our product quality.

(V) Sustainable Development

- **Sustainable Development Policies**

  To follow what the vice chairman announced in 2013 Sustainability Development Report for the economic, social and environmental policies

- **Sustainable Development Strategies**

  To create green processes and products through enabling FTC people to do themselves justice with environmental protection in mind, and to continuously grow and meet stakeholders' expectations through the promotion of lean production, advances in effectiveness of resource usage, the utilization of environmentally friendly materials and green equipment, and the supply of ecologically safe products

- **Sustainable Development Matrix**
  - For FTC's long- and short-term business development, please refer to of the 2017 annual report\V. Operational Overview\(I) Business Status section\iv. Long- and Short-terms Plans (on pp. 111-114 of http://www.ftc.com.tw/doc/ftc_106_annual_report.pdf).
  - For achievable work items for execution in long-term business development plan, please refer to the following matrix on sustainable development in the next 10 years.

Matrix on Sustainable Development in the Next 10 Years **Since 2013**

Sustainable Development (Evergreen)

	Economic Aspect	Environmental Aspect	Social Aspect
Vision	• Standardize emerging processes • Continue to seek certification by ISO, international bodies, and renowned brands	• ISO 14001 certification in environmental management • ISO14064 verification in organization level GHG inventories	• ISO 45001 certification in occupational health and safety (OHSAS18001) • Make performances of each certification are superior to government regulations and those of competitors in the same line
Purpose	• Overachieve various KPIs	• ISO 50001 certification in energy management • Carbon-footprint certification of PAS 2050	• Communicate with stakeholders in a systematic, regular, and friendly manner.
Mission	• Make hazardous products, unfruitful equipment, services, or organizations exit or transform • Develop strong global market connections.	• IATF 16949 certification • Cut energy conservation / carbon emission by 5% and water consumption by 20% per product unit a year from 2016.	• Promote friendly neighborhood relations
Quality Policy	• R&D on and consolidate innovative green processes and products. • Provide clients complete and sustainable solutions	• Abide by universal values, the advocacy of international organizations, and the norms of ZDHC.	• Let management of work environment, well-being and human resource be passed on praise by the media and the community
Client Policies	• Become renowned brands and items of choice for products in their respective industries.	• Achieve zero discharge of pollutants by 2020	• Augment linkage with green supply chain and join hands with communities in holding events related to sustainable development.
Sustainable Development Policies	• Develop multiple advantageous strategic alliances, achieving simultaneous growth and mutual benefits with clients. • Earn profits constantly • Develop supply chain for green strategic alliances.	• Conversion to and employment of clean substitute energies • Seven greens: green building, green energy, green procurement, green processes, green emissions, green products, and green supply chain	• Become an opinion leader by participating in establishment of industry standards • Make users enjoy safe and eco-friendly products

(VI) Previous and Current Chairmen

The Late, 1st Chairman,
Shu-Wang Lai
from 1973 to 1998

Chairman,
William Wang
1998 onwards

(VII) Yearly Declaration from the Vice Chairman

Environment is the foundation

Looking back at 2017, the global economy featured oil prices sparking a rally and staying stable after bottoming in January 2016, loose monetary policy, low interest rate, a US rate rise, a revaluation of New Taiwan currencies, and etc. Besides the aforementioned, export competitiveness of Taiwan-made products further weakened because of difficulties in pass-throughs while material prices go up, regional frictions such as tense situation in Korean peninsula and erupted disputes over islets in South China Sea, stagnation of the second round cross-Strait official talks on merchandise trade for ECFA, and the strengthened Chinese supply chain. Under such circumstances, in 2017, FTC's consolidated revenue increased NT$856.68 million, a rise of 2.1%, to NT$ 40,705.66 million, before-tax net profit increasing million, a rise of 17.9%, to NT$5,276.48 million, and after-tax net profit reaching NT$4,760.01 million, with EPS standing at NT$2.54 and planned payout of stock dividend at NT$1.90 per share, in cash entirely.

In 2017, FTC had stable economic performance under the adverse internal and external circumstances, and made many achievements of sustainable development in economic, social and environmental aspects despite escalation of both competitiveness and challenges in the textile industry. In spite of the abortion of the Trans-Pacific Partnership (TPP) scheme and the disappointing withdrawal of the U.S. of the Paris Agreement on Climate Change, the Company's advocacy of universal values and effort for attaining green indicators and reform will remain unchanged.

Following approval by the board of directors in 2015, “Corporate Governance Principles”, declaration of disclosure on material information, and “Ethical Corporate Management Best Practice Principles” are integrated into education and training courses from 2016; these rules demand realization and conformity of all personnel, from directors to rank-and-file workers, regardless of their duties and ranks. From July of 2017, the audit committee was substituted for the supervisors’ role, which marked a milestone in internal supervision and prompted the Company to further progress.

The Company has made an effort to innovate products made from green materials, with green processes, or/and into green functions in recent years, which can be verified via various international environmental certificates, such as ISO-50001 for the energy management system in December 2015. Furthermore, it has been staying informed about frequently changing issues of global climate change and trying its best to adequately respond to them.

In 2018, more effort and attention have been made/paid on benefits of water-free dyeing and water-free water-repellent equipment and processes and the development of partial recycling of eco-friendly polyester materials, intelligent temperature control clothing, green materials, and green plants.

As an environmental vanguard, FTC is fully aware of the need to befriend the environment and therefore has been sparing no effort in achieving the management index for safety, hygiene, and environment. In line with the management concept of "equal emphasis on environment, safety, hygiene, and economy" and "deep cultivation in Taiwan, march towards the world, and sustainable development," the company has been making relentless effort in the policy, system, and management of environmental protection, hygiene and health, job security, product safety, on top of abiding by laws/regulations and formulating measures governing understanding of and conformance to legislations. In line with the implementation of the controversial "five-day workweek" scheme in January 2017 and its revision in March 2018, the Company has adjusted work schedule and increased manpower. As for environmental protection, including prevention of air pollution and water pollution, the Company has continuously improved processes and equipment, installed new anti-pollution equipment, adopted various energy-conservation programs and applicable and affordable methods for pollution/emission/effluent/waste reduction and made various kinds of processes not only be compliant with regulations and the latest environmental-protection standards but also obtain various environmental-protection and operating permits. In terms of the energy conservation, a target of over 20% reduction of water consumption of each unit of products had been put into practice; what had to be addressed are challenges of the transition to the alternative energy, the reduction of carbon emissions, and the decrease of power consumption as a result of hike of power rates from April 2018.

In the field of safety, hygiene, and environment, the company has pledged to:

- Faithfully abide by laws/regulations on safety, hygiene, and environment, as well as other reasonable demands of stakeholders.
- Implement safety, hygiene, and environment management system, strengthen pollution prevention, and lower the extent of hazard.
- Push hazard identification, risk evaluation and response, and risk management, to ward off harm.
- Push energy conservation and waste abatement, so as to lower the impact on environment, safety, and hygiene.
- Push harmonious relationship with neighboring communities, augment virtuous communication for win-win outcome, and carry out continuous improvement, so as to achieve sustainable development.

As for the management system for occupational safety and hygiene, incorporate hazard identification and risk management strategies for cycling implementation and embrace the principle of "documentation, workflow, and standardization" in achieving the management goal for safety and hygiene, in addition to carrying out continuing examination and management, attaining instant correction and continuous improvement, pushing risk management to boost the management performance for safety and hygiene. Since June 2009, FTC has been renewing OHSAS18001/CNS-15506 once every three years; ISO 45001 will be renewed with the new version in 2019.

In the management of environmental-protection system, invest in pollution prevention and abatement, carry out control and 3Rs (reduce/recycle/reuse of waste air, waste water, and solid wastes, dedicated to R&D on products with environment-friendly process, and enhance efficiency of energy conservation and waste abatement. Pass ISO-14001 certification annually since 2010 and pass certification of upgraded version for factories in Taiwan in Dec. 2017, to be followed by certification of upgraded version for overseas factories and carbon-disclosure program (CDP) in July 2018.

In March 2018, the United States adopted measures counter8ing trade deficit with China, which, along with subsequently development, may lead to higher tariffs and restriction on exports of some products to the U.S., affecting global supply chain. Luckily, textiles are not major subjects of the trade dispute and the Company plans to ship products to the U.S. via the intermediary of the Vietnamese plant, alleviating the impact.

In line with requests of globally noted branded customers, FTC has restricted or banned environment-hazardous chemicals, in quest of environmental friendliness and compatibility from the development phase to the time point of the arrival to the end users, so as to befriend the environment.

Vice Chairman &
Chief of the CSR Committee

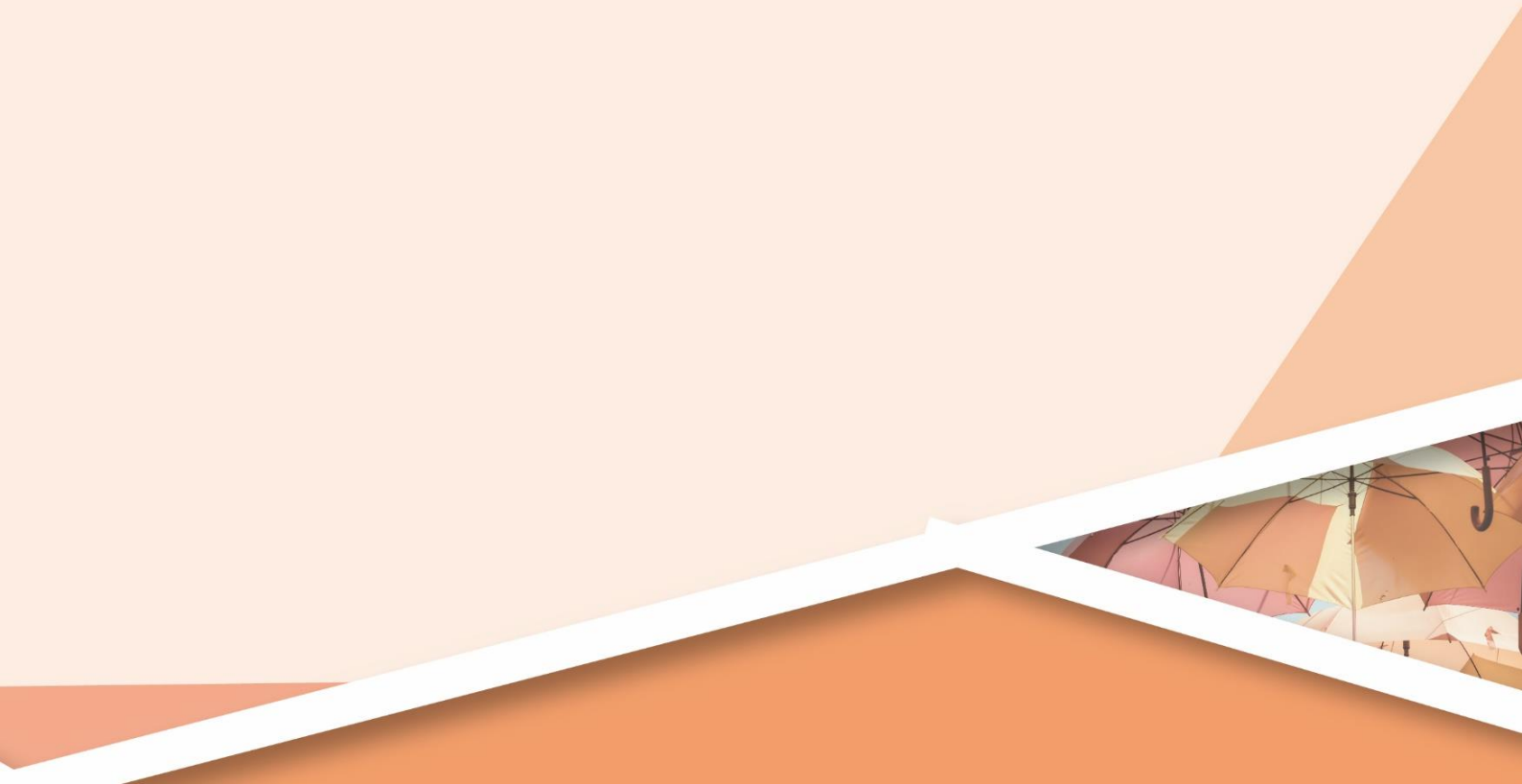
謝武銘

April 11, 2018

(VIII) Annual Business Policy

II

About this report



(I) Editing Principles

The framework of this report is based on the Global Reporting Initiative's (GRI) Standard Sustainability Reporting, and the information is gathered against the identified material issues and compiled in conformity with principles for defining report content/quality of GRI Standard Sustainability Reporting Guidelines and standards of AA1000 so as to encompass as complete material topics as possible for stakeholders. The contents of this report are classified into economic, environmental, and social aspects, and the overview of sustainable development policies, management methods and performance indicators are further stated in each aspect. To obtain the external assurance from SGS, this report is edited in accordance with three principles—inclusivity, materiality and responsiveness—of AA1000 APS (Accountability Principles Standard). Furthermore, reporting principles of GRI Standard are also taken as a work of reference—the contents of this report are disclosed conforming to materiality, stakeholder inclusiveness, sustainability context while its quality is in light of principles of balance, comparability, accuracy, timeliness, reliability and clarity

Financial data is presented in New Taiwan Dollars while other relevant information is presented in the form of what international universal indicators requires and/or explained with notes beneath or beside charts/tables.

The disclosed information is what took place from January 1st to December 31st 2017, but a summary of main events before the deadline for compilation in the first half of 2018 are covered so as to acquainted stakeholders with the latest status. The reported objects are invested subsidiaries over which FTC has, based on majority of shareholdings, operational control or significant influence, including the four oversea ones, Formosa Taffeta (Zhongshan) CO., LTD., Formosa Taffeta (Changshu) CO., LTD., Formosa Taffeta Vietnam CO., LTD., Formosa Taffeta Dong-nai CO., LTD., and 106 stations of Formosa Petrol Stations (FPS); information of overall environment, financial performance, safety/hygiene, and performance of energy/water conservation of all these subsidiaries is disclosed . The coverage on all these objects includes information of their overall environment, safety/hygiene, and performance of energy/water conservation. As a listed company, Formosa Advanced Technologies Co., Ltd. compiles the CSR report by its own. On account of total workforce of 16, no factory established, and their total sales being only the small proportion of the Company's revenue, six subsidiaries, namely Formosa Development, Formosa Taffeta (Hong Kong), Xiamen Xiangyu Formosa Taffeta Trading, Formosa Taffeta (Cayman), Formosa Taffeta Juiyieh (Hong Kong), and Public More International Company Ltd., do not joint the ranks of the reported objects.

The finalization of disclosed topics were determined through first listing potential issues, gathering stakeholders' opinions on their interested issues via questionnaire, weighing materiality of those issues, prioritizing the relevance of stakeholders to the Company's operations, and then picking out topics with higher weights. CSR reports are published annually from 2016, and the publication date of the Chinese version is no later than the end of every June. At the end of June 2017, the previous report whose information is mainly about the operations state of 2016 was posted on the FTC's website. Welcome to visit http://www.ftc.com.tw/ftc909e.htm to download CSR reports for reference.

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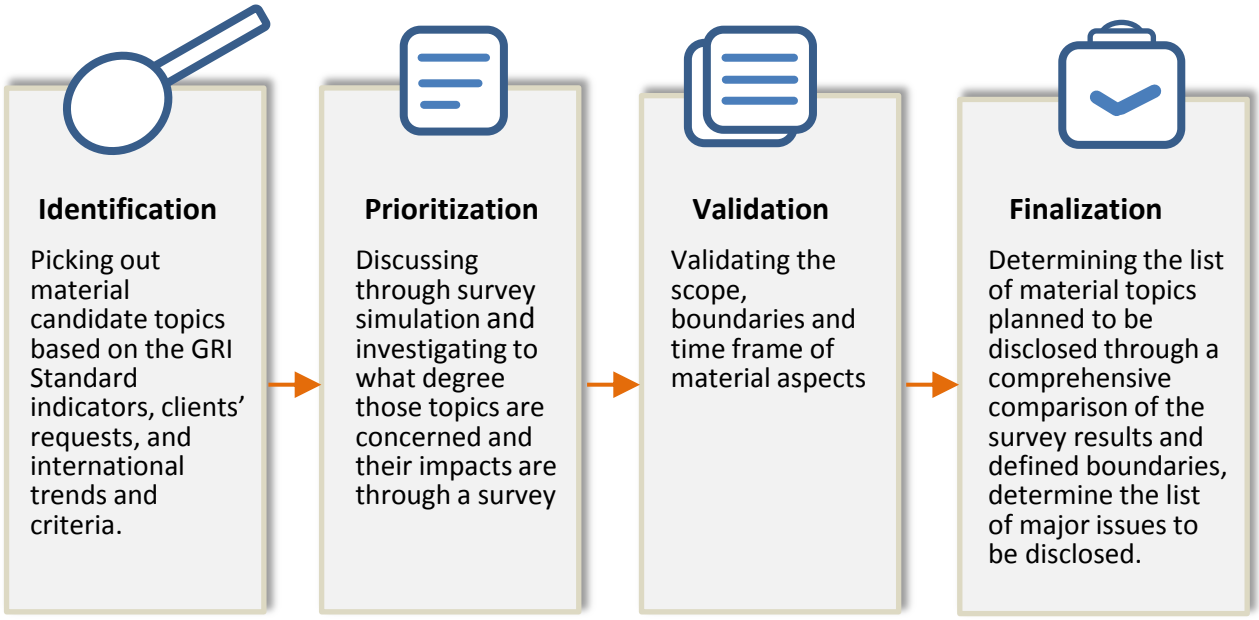
(II) Stakeholders Engagement and Identification of Material Topics

i. Identification of Stakeholders, Concerned Topics, Communication Methods, and Frequencies

Based on the five major principles of the AA1000SES, matters and stakeholders that are either impacted by the Company's activities, products, or services or may greatly impact the Company are first discussed and determined, and then stakeholders' concerned topics are identified through surveys. The aforementioned, communication methods and communication frequency are summarized as follows.

Stakeholders	Concerned Topics	Communication Methods	Frequencies
Brand dealers / Clients / Potential Clients	Competitiveness in product quality, quantity, delivery date, and price; supply and demand, service or strategic partnerships; conservation of raw materials, energy and water resource and reduction of exhaust, effluent and waste; the degree of interaction with stakeholders, lawfulness of employment procedures and relevant regulations; the management system of workplace safety; gender equality, humanizing management, client privacy, and human rights protection.	Phone / E-mail / Interviews /Attendance of meetings	Irregularly
Shareholders /Investment Trust Institutions	Projected objectives and actual performance, earned profits and the allocation of dividends, the state of corporate governance, and indicators of long-term shareholdings for foreign and international investors.	Board of Directors Meeting / the Shareholders' Meeting Shareholder Service Room / Spokesman Interview / Mails	Every Two Months / Annually Irregularly
Government	Environmental protection system and certification, exhaust and effluents discharge inspection, waste management and pollution prevention, continuity in issuance of permits to use coal, pension policy, water and energy conservation projects, control over the usage and storage of chemicals, labeling and safety of products, availability of the environment of fair competition.	Interview / Document / Inspection Video Conferencing / Phone	Irregularly
Suppliers	Mutually beneficial partnership that enables each party to grow simultaneously, transparency of environmental protection information, compliance with the labor system, fairness of bidding and haggling, incoming quality control (IQC) and whether the selection of suppliers in compliance with regulations	Phone / E-mail / Interview	Irregularly
Employees / Unions	Whether the HR system explicitly regulate the payroll, promotions, performance evaluation, training and rewards and penalties and whether equitable treatment is put into practice, whether the condition of working environment and labor rules comply with the international human rights treaties, and whether systems of job protection, benefits, and career planning and development, and the channel of communication are complete.	Face-to-face Communication / e-mail/Suggestion Box /Labor Organizations / Regular Union Meetings	Irregularly / Every Two Months
Community / Local Groups	Whether there are clear community communication channels, maintenance of public relations, involvement in community activities, concern for local vulnerable groups, resource allocation for emergency relief, the advocacy and sponsorship of public benefit affairs like education, fulfillment of energy conservation and reduction in carbon emissions and in environmental hazards, and control over the discharge of effluents and exhaust to the required extent.	Face-to-face Communication / Phone	Irregularly

ii. The Process of Identifying Material Topics



Material topics of the above graphic, identified through discussions in meetings, are the thread of this report; the identified material topics and their corresponding internal/external boundaries are shown as subsequent.

Identified Material Topics and Responsiveness

A survey is conducted to gather stakeholders' concerned topics for the identification of material ones, and where they locate in the right matrix is based on 109 effective samples. The framework of this survey is designed according to the GRI Standard, and the stakeholders will check the corresponding level of their concern. The topic with highest concern is given 10 points; otherwise one point is given. The number in total of the filtered topics are 11 items, located in the upper right, upper middle, center, and upper center cells of the this Nine Halls Diagram.

Analytical Matrix of Material Topics

Level of Stakeholders' Concern: High		
		• Economic Performance
	• Employment • Occupational health and safety 2018 • Emissions • Customer Health and Safety • Water • Supplier Environmental Assessment	• Procurement Practices • Materials • Effluents and Waste • Energy
• Labor Management Relations • Local Communities • Supplier Assessment for Labor Practices • Diversity and Equal-Opportunity • Non-discrimination • Anti-corruption	• Training and Education • Customer Privacy • Socioeconomic Compliance • Environmental Compliance • Marketing and Labeling	

Low — Level of impact on FTC/FPS/Subsidiaries — High

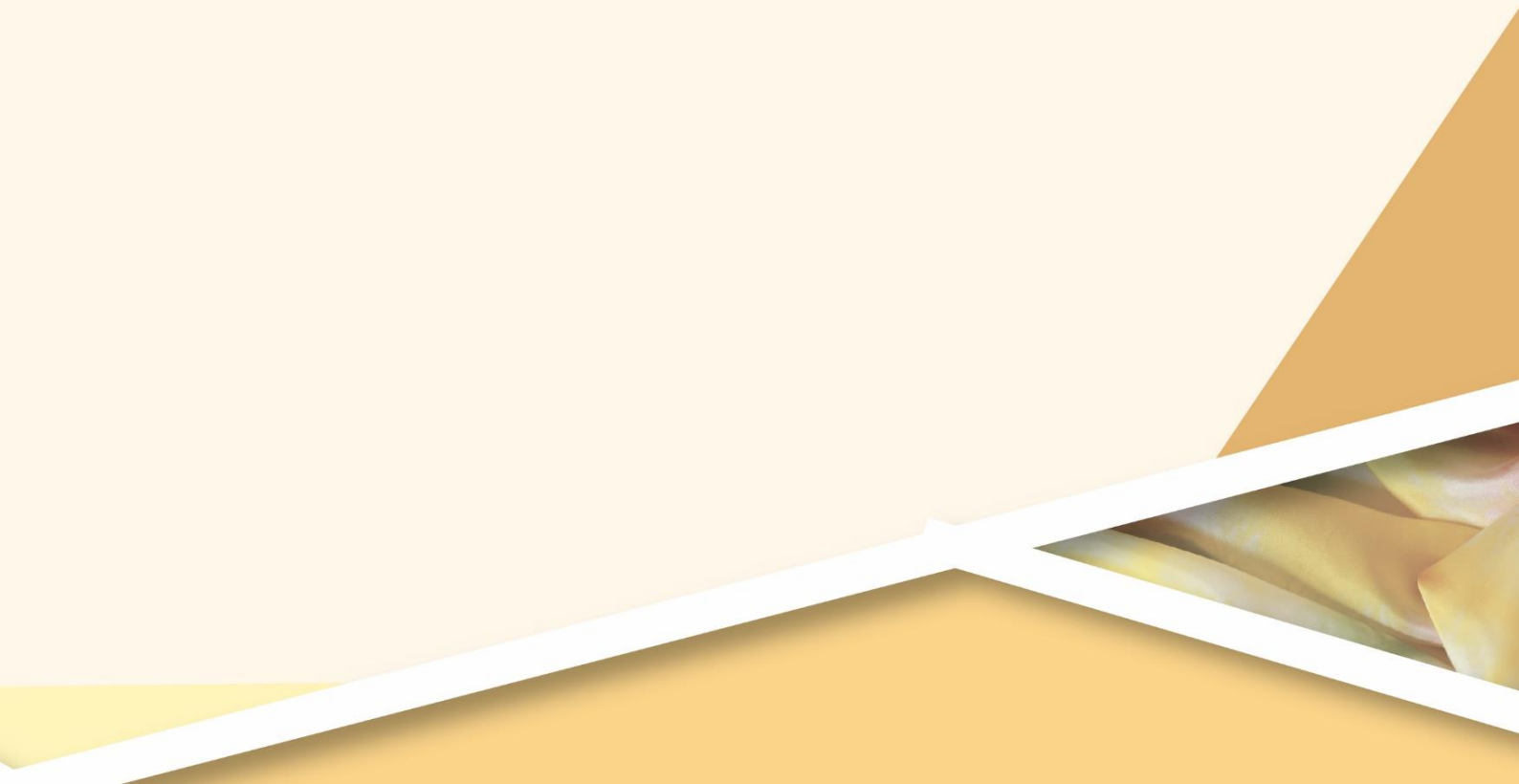
Internal and External Boundaries of FTC, its affiliates and Formosa Petrol Stations (FPS)

●Disclosed with materiality ○Undisclosed with materiality ▲Disclosed without materiality

Topic \ Boundary		Internal				External			
		Taiwan		Subsidiaries in China	Subsidiaries in Vietnam	Suppliers	Clients	Community	Government
		FTC	FPS						
Economic	Economic Performance	●	●	●	●				●
	Procurement Practices	●		●	●	●			
Environmental	Materials	●	●	●	●	●			
	Energy	●	●	●	●				
	Water	●	●	●	●				
	Emissions	●	●	●	●			▲	▲
	Effluents and Waste	●	●	●	●			●	
	Products and Services	▲		▲	▲			▲	
	Environmental Compliance	▲							
	Supplier Environmental Assessment	○	○	○	○	○			
Social	Employment	●	●	●	●				
	Labor/Management Relations	▲		▲	▲		○		
	Occupational Health and Safety	●	●	●	●				
	Training and Education	▲	▲	▲	▲				
	Diversity and Equal Opportunity	▲	▲	▲	▲				
	Non-discrimination	▲	▲	▲	▲				
	Local Communities	▲	▲	▲	▲				
	Anti-corruption	▲	▲	▲	▲		▲		
Products	Customer Health and Safety	●	●	●	●				
	Product and Service Labeling	▲							
	Customer Privacy	▲	▲	▲	▲				

III

Management Overview



(I) Overview of the Company

i. Corporate Profile

Formosa Fiber Co., Ltd., the predecessor of Formosa Taffeta Co., Ltd. (FTC), is established on the outskirts of Douliu in Yunlin County. It was registered and jointly founded by Formosa Chemical & Fiber Corporation, a member of Formosa Plastics Group (FPG), and several industrialists on April 19th, 1973, which was in the booming phase of Taiwanese textile industry and export trading. Modern equipment was introduced for businesses of weaving, dyeing, printing, finishing, etc. of taffeta made of filaments of nylon and polyester. Not until January 1979 is it renamed Formosa Taffeta Co., Ltd., and the time of its listing on the Taiwanese stock exchange is in December 1985 with total capital NT$16,846,646,370.

The Company gains a foothold in the textile industry with its specialization in midstream techniques, such as weaving of filaments, dyeing, printing, and finishing, etc. and proactive innovation. It is a bridge between the upstream raw silk materials and the downstream finished product manufacturer, which makes it indispensable to the supply chain of the textile industry. Furthermore, it is a worldwide manufacturer of filament nylon/polyester taffeta that is of both high capacity and quality. What is worth mentioning is that its complex function fabrics, applied to sports and leisure wear, are on a par with trends and the progress of international brands. This makes it famous as a worldwide “faithful supplier” among our clients in relevant industries.

To diversify its operations, the Company expand its business scope to include the manufacture of tyre cord fabric, umbrella frame, cotton yarn and cloth, special textiles for safety and protection, PE plastic bags, carbon fiber cloths, and the operation of petrol stations. Over the past 40 years, it, in light of it business philosophy of harmony, innovation, service and devotion, dependably supplies quality products, services and information to support the development of the downstream clients in various lines of business and to make life better.

(i) Overview of Subsidiaries **(in thousands of NTD)**

Company Name	Date of Establishment	Address (as appeared on the license)	Paid-in Capital	Scope of Business
Formosa Taffeta (Hong Kong) Co., Ltd.	1989.4.11	Room 1606, Tower 6, China Hong Kong City, 33 Canton Rd., Tsim sha tsui, Kowloon, Hong Kong	1,356,822	Sales of fabrics woven with filament/staple synthetic fibers
Formosa Advanced Technologies Co., Ltd.	1990.9.11	329, Henan St., Douliu City, Yunlin County 640, Taiwan	4,422,222	IC packaging, test, and modules
Formosa Development Co., Ltd.	1990.9.20	29, Ln. 224, Shiliu Rd., Douliu City, Yunlin County 640, Taiwan	161,000	— Urban land consolidation — Development, rental and sales of residential/business buildings and industrial plants
Formosa Taffeta (Zhongshan) Co., Ltd.	1992.12.3	167, South Shenwan Avenue, Shenwan Town, Zhong-shan City, Guangdong Province 528462, China	1,402,085	Manufacture and sales of — Nylon/polyester fabrics woven with synthetic fibers — Umbrella frame
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	1994.8.24	Room B5, 7th Fl., Xiangyu Building, No.22, Xiang Xing 4th Road, Xiamen Logistics Park (Free Trade Zone), Xiamen 361006, China	15,273	Import and export trades and transit trades; suspension of operation for liquidation since April 2017
Formosa Taffeta (Vietnam) Co., Ltd.	1999.6.16 Reformed after M & A	SEC.1, Nhat Chanh, Com., Ben Luc Dist., Long-an Prov., Vietnam	2,342,353	Manufacture, processing and dyeing of cloth woven with synthetic fibers
Schoeller F.T.C. (Hong Kong) Co., Ltd.	2001.10.31	Room 1606, Tower 6, China Hong Kong City, 33 Canton Rd., Tsim sha tsui, Kowloon, Hong Kong	6,879	Special Trade in textile
Formosa Taffeta Dong-nai Co., Ltd.	2004.6.25	Nhon Trach 3 Ind. Zone., Hiep Phuoc Com., Nhon Trach Dist. Dong-nai Prov., Vietnam	2,590,434	Manufacture, processing and sales of various dyeing fabrics and tyre cord cloth woven with synthetic fibers
Formosa Taffeta (Changshu) Co., Ltd.	2005.4.4	1, Peng-Hu RD., Chang-shu New & Hi-Tech Industrial Development Zone, Jiangsu Province 21550, China	1,302,019	Dyeing and finishing of top-grade fabrics Rental of own facilities and the offer of property management
Formosa Taffeta (Cayman) Co., Ltd.	2014.3.12	Cassia Court, Suite 716, 10 Market Street, Camana Bay, Grand Cayman, Island KYI-9006	5,284,775	Investing Formosa Ha Tinh Steel Corporation (Vietnam)

1 Formosa Taffeta CO., LTD. (Headquarters)

2 Taipei Office of Formosa Taffeta CO., LTD.

3 Formosa Taffeta (Zhong-shan) CO.,LTD.

4 Xiamen Xiangyu Formosa Import & Export Trading CO., LTD.

5 Formosa Taffeta (Hong Kong) CO., LTD./Schoeller FTC (H.K.) CO., LTD.

6 Formosa Taffeta (Chang-shu) CO., LTD.

7 HCM City Office of Formosa Taffeta Vietnam CO., LTD.

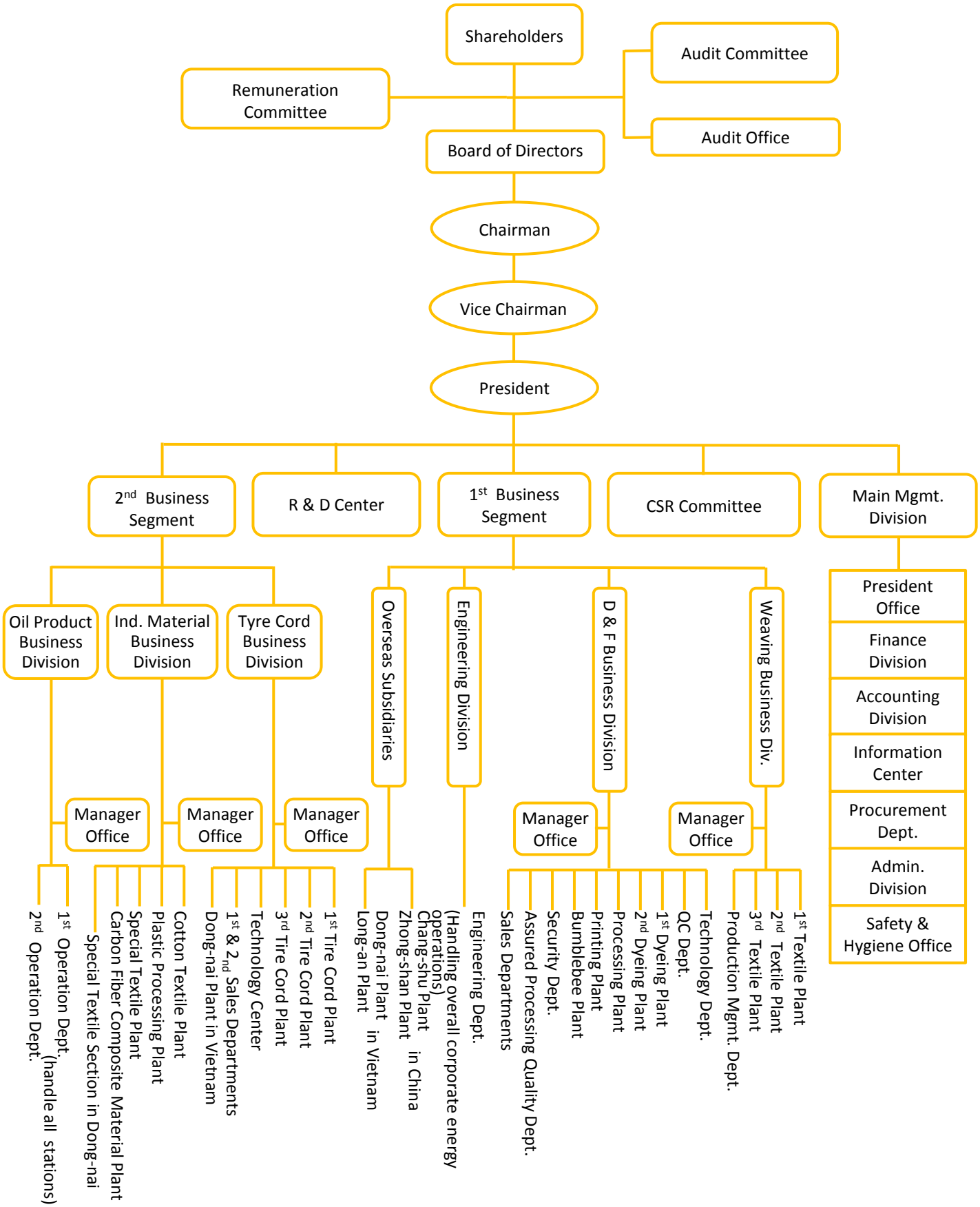
8 Formosa Taffeta Vietnam CO., LTD.

9 Formosa Taffeta (Dong-nai) CO., LTD

10 F.T.C. America Corp (USA office)

11 Formosa Taffeta (Cayman) CO., LTD.

(ii) Organizational Structure (Effective on April 1st, 2018):



ii. Overview of Products

(i) Products and Scope of Their Applications

Product	Scope of Application
Polyamine fabric	Wet breathable & waterproof rain coat, waterproof breathable snow coats, jackets, sleeping bags, garments, down jackets, sportswear, jackets, hunting suits, hats, tents, air beds, umbrellas, parasols, golf umbrellas, beach umbrellas, sails, gloves, shields with electromagnetic insulation etc.
Polyester fabric	Sports casual wear, microfiber clothing, curtains, umbrellas, medical supplies, home accessories, etc.
Cotton fabric, blended fabric, fabrics interwoven with filament/staple fiber, pre-dyed plaid	Garments, jackets, shirts, umbrellas, backpacks, medical health care supplies, etc.
New functional yarn	Individual or composite applications to diverse woven/knitted fabrics for various apparel, bedding, health care supplies, sports casual wear, hats, coats, parasol (umbrella), special processing purpose, etc.
Combed cotton yarn, blended yarn	All kinds of woven and knitted fabrics, cotton and blended fabrics, fabrics interwove with filament/staple fiber, and pre-dyed plaid
Protective fabric	Flame retardant/resistant fabric, air force flight suits, tank suits, secret service suits, firefighting suits, electric arc suits, auto/motor racing suits
Fabrics with special purposes	Clean-room clothes/aseptic clothes for electronic, foodstuff, and pharmaceutical factories, sterile gown, wrapping fabric, petroleum clothes, anti-electric arc clothes, uniform for policemen and servicemen, bullet-proof/stab-proof clothes, helmet, shield, drum paper for speaker, damper fabric for stereo equipment
Carbon fiber fabrics as composite materials	Sports equipment, bicycles, motorcycles, automobiles, aerospace industry, electronic products, industrial mechanical arms and mechanisms, construction reinforcement, wind turbine blades, etc.
Polyamine /Polyester Tyre cord fabrics	tire cord fabrics to various specifications, bead chafing fabric, conveyor belt fabric, puncture resistant fabric for bicycle tires, lining, high pressure rubber hose cord
Plastic bags	Plastic shopping vest bags, perforated bags, garbage bags
Super diesel/98,95+,92 unleaded gasoline various motor oil / car wash service	Retails of vehicle fuel, generator oil, motor oil, and lubrication oil, daily necessities, cooling shirts ; car maintenance and car washing

(ii) Sales Markets

1) Textile Products:
   The Company's sales markets are all over the world, including Asia, Europe, America, etc., and the target markets are the ones in Asia, mainly in Hong Kong, Southeast Asia, and the Middle East.
2) Tyre Cord Fabrics:
   Besides tire manufacturers in Taiwan, these fabrics are also exported to Southeast Asia, India, Sri Lanka, the United States, China, Japan, Korea, and Eastern Europe; their export Rate is 78 %.
3) Plastic Bags:
   These are mainly sold to Japan, and then South America. 99% of them are for export, and the others are for the domestic market.
4) Oil Products:
   100% of oil products are for domestic markets.

(iii) Sales quantity and amount of main products for the last 3 years

in thousands of NTD

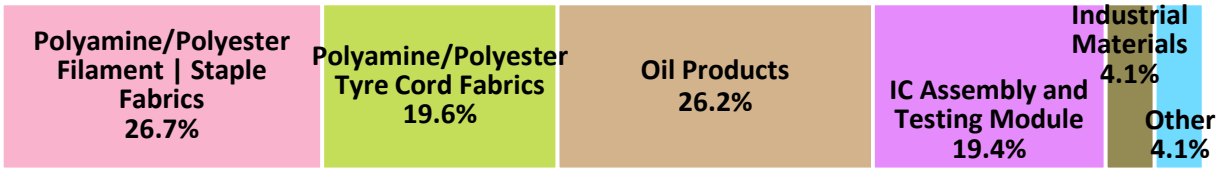
Year / Quantity/Amount / Main Product	2017				2016				2015			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Polyamine /Polyester Fabric (thousand yard)	50,172	1,670,212	225,208	10,539,034	41,842	1,555,608	213,623	10,141,327	50,168	1,963,381	225,988	11,167,188
Polyamine /Polyester Tyre Cord Fabric (ton)	8,925	1,441,386	48,879	6,532,330	7,681	1,279,006	42,856	5,909,952	7,618	1,343,944	43,306	6,315,962
PE Bags (ton)	1,142	59,651	4,952	353,847	1,576	84,100	5,063	386,953	1,109	62,638	4,802	358,887
Yarn Count (piece)	23,670	474,974	260	4,417	26,493	523,024	257	4,974	25,621	555,347	458	10,075
Cotton Cloths (thousand yard)	1,031	83,602	575	62,581	1,746	144,211	450	42,398	1,310	125,665	704	65,574
Special Textile (thousand yard)	3,783	567,899	1,098	223,391	2,916	533,949	1,175	263,161	2,677	638,948	1,274	211,330
Oil Products (KL)	467,609	10,671,800	-	-	501,488	10,296,989	-	-	501,844	11,013,204	-	-
Ribs (ton)	3,361	80,056	-	-	-	-	5,887	137,627	-	-	6,854	186,078
Packaging (thousand piece)	913,391	4,485,782	4,858	75,536	920,503	4,947,708	11,932	131,042	918,849	4,985,027	13,977	153,325
Testing (thousands piece)	919,773	2,784,144	281	2,995	929,924	2,952,912	403	5,795	905,318	3,206,641	460	10,008
Modules (thousands piece)	3,626	539,986	6	51	2,514	453,939	-	-	2,486	405,788	-	-
Land Development (-)	-	21,043	-	-	-	23,510	-	-	-	48,360	-	-
Investment Promotion income (-)	-	-	-	30,947	-	-	-	30,801	-	-	-	29,220
Commission Income (-)	-	-	-	-	-	-	-	-	-	-	-	15,980
Total	-	22,880,535	-	17,825,129	-	22,794,956	-	17,054,030	-	24,348,943	-	18,523,627

iii. Financial Information

FTC believes that sustained stable profit growth is a key to sustainable development of an enterprises, and the realization of the corporate social responsibility. To acquaint stakeholders with the its business status fully, FTC not only annually holds shareholders' meeting but also regularly posts the latest financial information on the "Investor Relationship" section of its website, among which is audited by the third party are quarterly parent company only financial statements and report and consolidated financial statements and reports, whose boundary convers all its subsidiaries, of each year. It held the first investors' conference in 2017 and planed to do so every year to communicate with stakeholders, so that investors can have a firm grip on its business direction. With so many challenges in the global industrial environment, it creates competitive edge and attains operational efficiency for sustained profit growth in line with the business policies of "conceptual reform", "innovation," and "quest of value." In 2017, FTC's after-tax net profit grew by 23.93% to US 4,760 million.

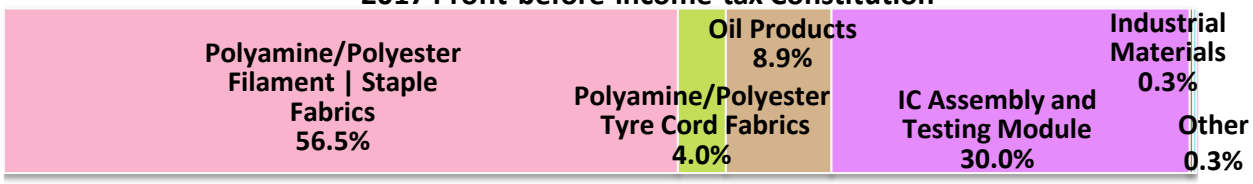
FTC diversifies its operations that include the manufacture of polyamine/polyester filament and staple fabrics, polyamine/polyester tire cord fabrics, and ribs, the operation of petrol stations and IC assembly modules, investment, and other production and distributing businesses, and services. The main sources of sales revenue for 2017 are polyamine/polyester filament and staple fabrics (26.7%) and petrol stations (26.2%). Polyamine/polyester filament and staple fabrics are also the primary contributor of profit that contributes up to 56.5% while petrol stations provide a steady flow of cash, which thereby leads to a healthy financial status. For related financial information, please refer to the annual report, downloadable on http://www.ftc.com.tw/ftc902.htm.

2017 Sales Revenue Constitution



(Consolidated Sales revenue : NT$ 40.71 billiions)

2017 Profit-before-income-tax Constitution



(Profit-before-income-tax: NT$ 2.46 Billions, excluding investment profit)

Annual Financial Review **(in millions of NTD)**

Year	Sales Revenue	Operating Costs	Employees' Salaries and Wages	Employee Benefits Expenditure	Profit after Income Tax	Research and Development Expenses	EPS Dollar /Share
2017	40,706	35,567	4,146	4.93	4,760	60	2.54
2016	39,849	34.355	4,136	4.95	3,841	54	2.07
2015	42,873	36,733	4,102	4.86	3,224	52	1.68

Annual Financial Review **(in millions of NTD)**

Year	Undistributed Earnings	Income Tax Credit	Income Tax	Monetary Value of Financial Assistance Received from Government
2017	5,398	25	516	2.2
2016	4,830	25	634	0.47
2015	3,820	155	537	0.1

iv. Major Award-winning Record

The awards won by the Company's departments are summarized below:

Award	Awarding Organization	Awarded Unit	Award Description
The Global Apparel Strategic Alliance (GASA) Award	adidas	FTC	A top player among adidas' suppliers that supply over 5 million yards a year in its GASA program
Nike Material Sustainability Index (MSI) Premium Supplier Program	Nike	The 1st Business Segment	Nike recognized FTC's products provided by its 1st Business Segment for their being conducive to the development of sustainable environment; thus Nike granted FTC this award.
First place in issued pieces in the program that encourages issuance of electronic invoices.	National Taxation Bureau of the Central Area, Ministry of Finance	FPS	This prize was awarded due to FPS' overall adoption of electronic invoices and issuance of numerous electronic invoices.
Good Gas Station	The Environmental Protection Bureau of Kaohsiung City Government	FPS_Gangshan Station	Evaluated as gas station with good performance in air pollution control

Performance Award given by adidas

Nike's recognition of FTC's commitment to sustainability

Certificate of Merit for as the top of issuance of electronic invoices

'Good Gas Station' award for good performance of FPS _Gangshan in air pollution control

(II) Corporate Governance

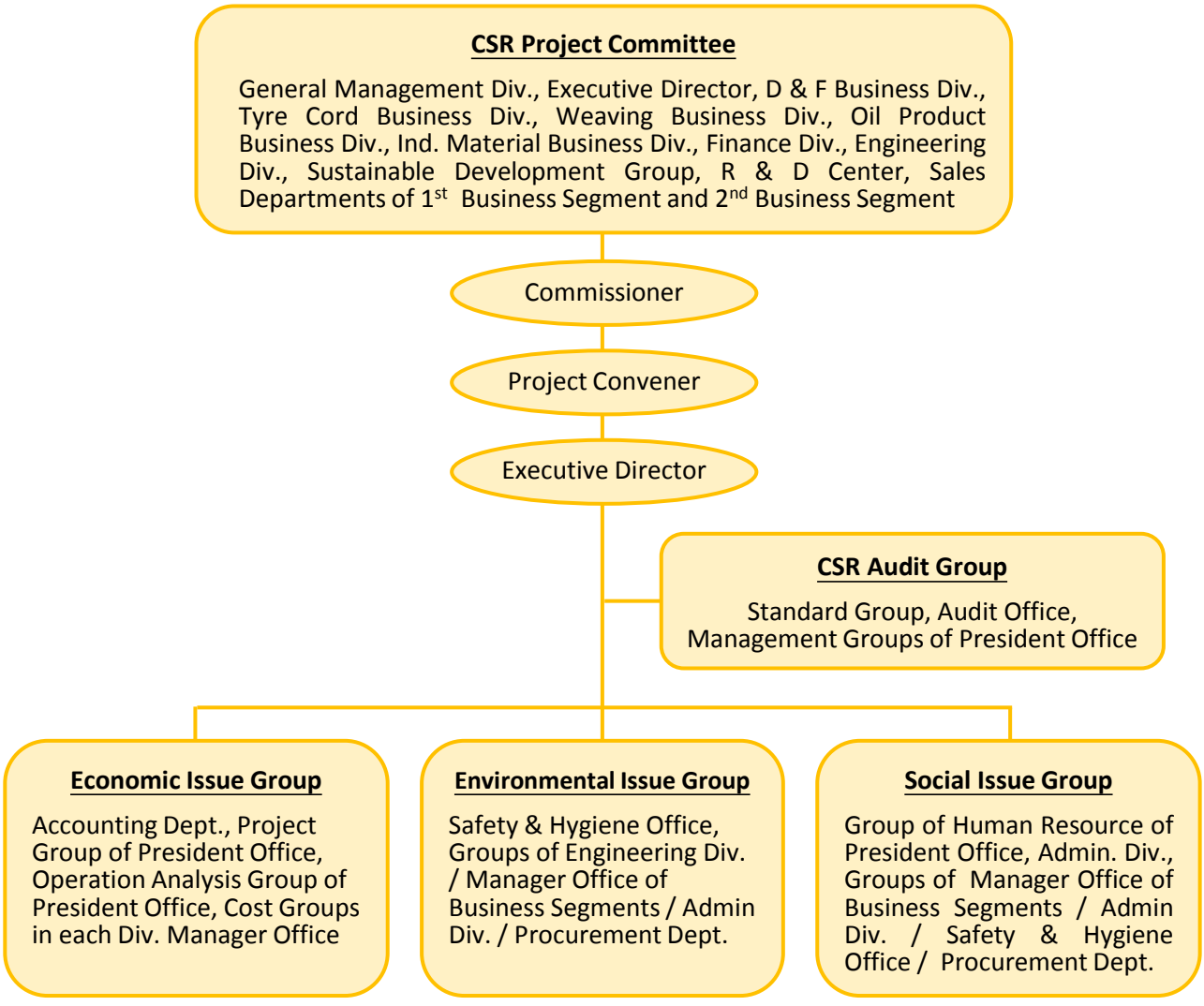
i. Operations of Corportate Governance Principles, Director and Supervisor Information, Internal Control, Salary Remuneration Committee, and Management Team

On November 7th 2014, the Board of Directors* passed 61 articles of "Corporate Governance Principles" to disclose, as Security departments required, information on the Market Observation Post System and FTC's website. Information of the background, experience, and academic qualifications of directors and supervisors, whose role was replaced with the Audit Committee in July 2017, management team, Remuneration Committee, and Internal Control System Statement, as well as other information, please refer to pages 13-14, 17-19, 20, 47-48, and 67 of the 2017 annual report on http://www.ftc.com.tw/doc/ftc_106_annual_report.pdf.

*: The total number of directors is 11; among whom, three directors are independent ones who also are auditors; one is female; two directors in the 51-to-59 age group, six in the 61-to-69 age group, and three above 70.

ii. CSR Committee Organizational Structure and Task Group

On March 6th 2015, the Company set up the CSR Project Committee, and its commissioner was assumed by the managing director-cum-president then, who was promoted as the vice chairman in June 2016. Three groups—the Economic Issues Task Group, the Environmental Issues Task Group, and the Social Issues Task Group—were established to carry their own share. Major issues will first be reported to the executive director, project convener, and vice chairman, and shall be included in the agenda of the Board of Directors for discussion and resolution prior to being disclosed in the annual CSR report and put into practice without dissent. The Board of Directors passed the resolution for the "Corporate Social Responsibility Principles" on August 7th 2015, which included 31 articles that covered the Company's aims, policies, and specification details.



iii. Advocacy and Implementation of Business Integrity and Anti-Corruption

Business integrity management is an important issue of social concern. In 1999, the United Nations proposed the Global Compact to include anti-corruption among the main issues of CSR, advocating that corporations should be responsible for actively creating a fair and just management environment. APEC also revealed "Improving corporate social responsibility" and "Cracking down on corruption" as two of the issues for globalization and encouraged public and private sectors to cooperate and devote their efforts to improving governance mechanisms and cracking down on and eliminating corruption.

In June 2015, the Board of Directors passed the 26 Articles of the "Ethical Corporate Management Best Practice Principles of Formosa Taffeta," which stipulated that the directors, supervisors, replaced by the Audit Committee in July 2017, managers, and staff, etc. must comply with relevant legal regulations and avoid acts of dishonesty. The applied boundaries of these principles are FTC and its subsidiaries, and these principles are posted on FTC's website. The aims of these principles are internal consensus, stipulation of prohibited acts of dishonesty and rules needed to be followed, implementation of ethical corporate management, application of risk control mechanisms, and creation of ethical operation environment and integrity-oriented business edge. The key points are listed below:

(i) In order to strengthen the Company's commitment to integrity management, the Company should stipulate the provisions of integrity management in the Articles of Incorporation and external documents and ensure implementation.

(ii) To ensure that the Company engages in fair and transparent commercial activities and avoids business dealings with parties with dishonest histories.

(iii) Stipulate the prohibition of bribery and fraud, providing illegal campaign funding, false charity donations, or providing unreasonable gifts, entertainment, or other interests, both directly and indirectly.

(iv) Stipulate that the Board of Directors should supervise the company management to prevent acts of dishonesty and ensure implementation of integrity management. These measures are necessary but not restricted to the dedicated departments.

(v) Stipulate that Company directors, supervisors, managers, and employees shall abide by relevant legal regulations and prevent dishonest acts during the execution of their duties.

(vi) Require that the Company stipulate avoidance of conflict of interest policies for directors, supervisors and managers.

(vii) The Company shall establish effective accounting systems and internal control mechanisms. Internal audit personnel shall stipulate regular and irregular inspections depending on circumstances and submit regular reports.

(viii) Require that the Company stipulate relevant SOP standards and regulations in order to facilitate the execution of duties to implement integrity management.

(ix) Stipulate that the Company shall organize regular educational training and establish reporting and punishment mechanisms.

(x) Stipulate that the Company shall strengthen the disclosure of integrity management information.

Furthermore, we also established a department dedicated to the prevention of corruption and channels for reporting violations and corruption in order to prevent violations, corruption, and inside trading.

Anti-Corruption Mechanisms and Risk Management

In addition to implementing anti-corruption measures and performing audit checks, the Company and other subsidiaries of Formosa Plastics Group have also incorporated preventive measures into daily operations. In terms of the proportion of the amounts of money involved, the risks are very low, which is explained as follows:

(i) Independent, internationally renowned accountants without negative social images will be selected for the position of certified accountants.

(ii) The position of supervisor shall not be restricted by the Board of Directors and may conduct routine audit inspections and independent operations. The auditing committee substitutes for supervisors from July 2017, expanding the function of supervision as a unit, rather than individuals.

(iii) The Board of Directors has passed "Corporate Governance Principles", "Ethical Corporate Management Best Practice Principles", and coded of ethical conduct, all of which are widely applicable to the self-discipline and avoidance of bribes and dinners, etc. for directors, auditors, and managers, as well as personnel involved in trading, accounting, and warehousing. The aforementioned are incorporated in the "Code of Practice" and other relevant regulations, and these have been implemented for years.

(iv) Every year and every season, the Audit Office of the Company will conduct audit investigations and report the implementation progress to the Board of Directors. The audit items include the following nine trade cycle items: distributing, receivables, procurement, payables, production, payroll, financing, investment, computer information systems that reflect any major negligence, and abnormalities. Monthly audit reports will be submitted to the independent directors and Audit Committee for review, and any issues will be tracked and investigated in accordance with instructions.

(v) Each department has the responsibility and obligation to conduct and undergo audit inspections, including the divisions of the President Office, Accounting, Materials, Public Works, General Management, Human Resources, Operations, and Director's Office.

(vi) Overseas subsidiaries are required to avoid illegal rent-seeking, especially in view of China's raging anti-graft campaign, which has virtually eliminated improper banqueting. For visits for faster official approval, these are admittedly inevitable sometime to meet schedule and seek efficiency, but they have been reduced. Bans on friendship-oriented visits, business communications, and inquiry of legal requirements have not been imposed.

To view more details of what above, please refer to the "Implementation and Measures of Ethical Corporate Management " section in FTC's Annual Report, which is annually disclosed online.

iv. Overall Corporate Risk Inspection

Economic Aspect

(i) Price-drop Risk for Inventory

Inventory in 2016 and 2017 are worth NT$ 7.86 and NT$ 8.45 billion, respectively, and the later one accounts for 9% of the total asset. Inventory includes raw materials, works in process, semi-finished products, and finished products, with raw materials mainly consisting of reusable yarn, dye, and auxiliaries. Works in process are of high liquidity. Inventory of finished products, namely fabrics and gray, is worth about NT$ 3.5 billion; for the reduction of inventory risk, such inventory are sold several times irregularly a year to lessen the load, and allowance for inventory valuation loss is also made annually. The reduction and realization of inventory need to be speeded up, but inventory valuation loss is not that serious to incur vital risk of insufficient turnover of working capital.

(ii) Risks of Technology Concentration

The textile industry is a mature one and doesn't involve R&D on key technologies as the hi-tech one does, which means that the completion of finished products of this industry still requires collaborative efforts of upper-, middle- and down-stream manufacturers. Including the four overseas plants, there had been 76 plant managers/division chiefs and those ranking higher as of April 30, 2018, with different kinds of expertise, working at respective plants, attesting to technology dissemination and absence of risk for key-technology outflow or technology concentration. Some technological outflows resulting from retirement or poaching of key technicians are, however, inevitable, posing challenge to the company's advantage based on certain unique technologies. ◦

(iii) Risks of Client Concentration

The Company has always viewed customers' 100% loyalty to our products as our target and honor, and therefore strived to achieve a good cooperation or alliance relationship, amongst which the main branded customers (such as Nike, Adidas, Columbia, Puma, Cheng Shin Rubber Ind., Kenda Tires and others) are our primary targets. Textiles are the main FTC's products, that is, FTC is in the globally so-called traditional industry, in which suppliers are numerous and competition is quite fierce. Therefore, unlike the electronic industry, there are hardly statistics of worldwide market shares of respective enterprise's various products. Under such circumstances, what enterprises pursue is clients' full quota of each purchase. With worldwide sales and distribution network, FTC has no risks of client concentration, but there are risks of major client switching and changing companies. The resulting excess production capacity can be immediately distributed to domestic or foreign demanding branded customers, but the room for price negotiation will be small. Part of expanded capacity and such surpluses can be offset through strategic alliance with local branded clients with growth potential in each country and the increase of the newly allied clients' roles, mobility and substitution for a long time.

(iv) Disruption of rank-and-file workers and managerial staffers

Due to difficulty in seeking fresh blood, caused by the trend of less offspring and young people flocking to service sector and abroad, the company has been confronted with the problem of aging workforce, whose age, excluding foreign works, averages 43.9, with average service years of 19.6. In order to suffice manpower, especially solicitation of young employees, and cultivate basic-level cadres, for the sake of sustainable development, the company has improved significantly pays, fringe benefits, promotion opportunities, and education/training in recent three years.

(v) Inconsistency in the recorded volumes for reception, release, and storage of imported tax-bonded materials may result in penalties by the customs.

1. Since 2017, the company's Zhongshan plant has resorted to tax bonding only for import of Japan-made grey growth, amounting to 6% of its total purchase of man-made filament, which can be managed easily, due to the limited volume, involving low risk.
2. The Vietnamese plant should intensify warehousing management for the reception, release, and storage of tax-bonded imported materials to avoid risk and periodically regulates the import volume. In 2017, the plant employed tax-payment method for most import of PU filament, whose nominal tariff is 0%, for export purpose after processing, thereby reducing the amount of tax-bonded materials and cutting the related risk.

Environmental Aspect

(vi) Risks of Climate Change

The extreme climate and climate changes may cause impacts on food, energy, water resources, hygiene and health, ecology, etc. and bring about flood, forest fires, fluctuations in materials prices, and so forth. Before these incidents escalate into Butterfly effect disasters, the advantages of product sales outweigh their disadvantages after risk evaluation, which is explained as below:

1. The extreme climate will be beneficial to promoting the widespread application of the Company's main products, functional fabrics—fabrics for cold-resistant down coats, thermal retention finished fabrics, high-end waterproof and breathable laminated fabrics, cooling yarn, etc.—by the consumers.
2. To cope with the negative influence of global warming effect on sales of warm-keeping fabric, the Company has been endeavoring to transfer such risk by pushing sales of autumn clothes and alleviate the burden for manpower deployment during off and busy seasons.
3. The Company's energy costs will slightly increase with more energy consumption of water, electricity and oil, which will have a minor impact because of limited upside breadth of the prices of water and electricity that are governed by the government of every country. As for the influence of oil prices, it mostly comes from the extraction costs of shale oil in the United States and the geopolitical conflicts among Middle East, Northeast Asia, and South China, rather than from climate changes.
4. Having implemented energy-saving and waste reduction policies for many years, the Company has achieved significant success and the hardware facilities and software management systems are reaping the rewards. FTC has tried hard to let each production unit reach over 20% water conservation while international banded customers propose the initiation of annual 5% water conservation in the recent 5 years. Such efforts generate no significant benefits in that the cost of water accounts for a small proportion of the total overall production costs, which implies that focus of such efforts is more on water conversation than cost reduction.

(vii) Discharge Risks

In January 2015, 24 hour detection and quality analysis instruments were established to monitor the wastewater discharged from dyeing processes. The instruments are connected to the City Environmental Protection Bureaus, updated every 15 seconds, and will trigger timely alarms for any abnormalities so as to reduce the hazards of industrial discharge. Naturally, FTC's neighbors will oversee FTC owing to their concern about impacts on effluents discharge, air emissions and waste treatment. For corporate sustainability, maintenance of the long-term relations has been our due diligence. Thanks to the furnishing of thermal-medium boilers with microcomputer burning-control system for monitoring O_2 emission in recent three years, O_2 emission from boilers in burning has been cut to 2-3%, down from 6% originally, boosting the burning efficiency of boilers and reducing fuel-oil consumption. In Q4 2017, the company equipped some factories with regenerative thermal oxidizers (RTOs), decreasing VOC (volatile organic compound) emission.

(viii) Restricted Use of Raw Coal and Petroleum Coke by Yunlin County Government:

In accordance with the "Local Government Act", Yunlin County Government shall suspend use of raw coal and petroleum coke or establish a panel of environmental protection experts to achieve the aims of prohibiting such use by major enterprises and reducing contaminant source. This will increase production costs because of the use of substitute fuels that cannot stably generate electricity and steam. Besides burdening extra costs, the Company, following its environmental protection policy, spent about NT$ 100 to 200 million to upgrade hardware equipment. What it has to and is going to do to address the issue of restricted use of raw coal and petroleum coke is to in advance replace the old with the upgraded. A petition for such issue has been submitted to the Environmental Protection Administration (EPA) by its affiliated enterprise, the Formosa Plastics Group, in the expectations of consistency of the energy policy throughout the country, instead of different standards in different counties and cities. For the time of being up in the air for this energy policy, the step the Company is taking is to strive for intensive communications with the local government and extension of the term of license while the replacement of equipment will be carried out in line with the annual plan.

Social Aspects

(ix) Risks of Public-Safety Hazard for Petrol Stations

1. Regular safety check for equipment: Conduct safety checks for vehicles, tanks, and equipment related to the filling of oil storage tanks, as well as car-washing machines, electric-circuit boxes, auto shut-off device for nozzles, and breakaways according to SOP.
2. Personnel management: forbid station staffers to use fire, keep their cell phones during working hours, ask them to wear anti-static uniforms, and require them to follow SOP in providing service.
3. Control of customers and vehicles: ask, via posters or oral reminding, customers not to smoke, not to use cell phones for making or receiving calls, to turn off engine in getting gas, and to keep away from filling islands with necessary pause of service if a customer's behavior impacts daily operation. Such management is doing more good than harm and is conducive to the image and repute of petrol stations
4. Carry out joint uniform improvement, calling for improvement of the 100-plus stations entirely whenever one of them is penalized.

(x) Risks of Worker Strikes and Anti-Chinese Protests

The employment of labor in the Taiwan Plant and in the four overseas Plants is conducted in accordance with local labor laws and regulations. Over the past decade, the Zhong-shan Plant in China and the Vietnam Plants only once suffered from worker strikes due to internal ethnic conflicts and labor wage disputes. To prevent similar incidents from happening in the future, the Company has taken into consideration the balance of worker origins during employment and made appropriate adjustments to employees' wages, rewards, and benefits. Strikes have been rare, following mandatory pay hike of at least 7% required by the Vietnamese government in recent three years. Furthermore, employees are encouraged to express their opinions through provided communication channels, which have also been strengthened to prevent discontent from festering. In the wake of the anti-Chinese riot smashing Chinese-invested factories in May 2014, the Vietnam Plants have intensified communication with the local government and police, winning their pledge to help with upholding the safety of the factory premises by installing barriers and removing political risk, as well as distinguishing Taiwanese-invested plants from Chinese-invested ones and bringing rioting people to justice.

(xi) Product Liability Risks

1. Our Company is a midstream manufacturer in the industry chain. Except the Formosa Petrol Stations (FPS), whose business models are B2C, its businesses does not engage in direct sales to consumers because its main products are textiles, rather than garments, the edible, and the medicinal. With the exception of the retail products and plastic shopping bags of FPS that are free from processing and can be directly used by users, there is no worry about product safety derived from the direct usage of fabrics or textiles.

2. Tire cord fabrics are used in the tire casing by our tire manufacturing clients. The whole tire must pass production certification and tire safety inspection, both of which will be conducted at those clients' manufacturing end.
3. Produce and test temperature-enduring fire-retardant industrial cloth (commonly known as fire-proof cloth) in various grades according to the demand of customers.
4. Bulletproof fabric is tested by the military in a professional manner, in order to meet the criteria of suppliers of materials or branded customers, such as DuPont, which much more regards highly the maintenance of long-term repute than FTC.

(xii) Risk of infringement on intellectual properties (IP)

1. Patents for the company's textile technologies are applied in the name of the R&D team and their ownership is registered in the name of the company, instead of some individuals. In addition, textile technologies are mostly of the nature of application, hardly cause dispute on IP infringement, and differ from many electronic technologies with the nature of invention.
2. In May 2017, the company transferred four patents to the Chinese subsidiary, for the sake of governmental incentives available for high and new tech enterprises, alongside the signing of a contract for the Chinese subsidiary authorizing the parent company and other subsidiaries to use the patented technologies in production.
3. Although IP infringement of patented technologies by mistake, quite frequent for renowned international electronic enterprises, is rare in the textile industry, we still endeavor to prevent such incidents via intensified education and patent application. In August 2017, the Company invited staffers of Lee and Li Attorneys-at-Law and other experts to be instructors for two shifts of training, which were attended by 80 employees.
4. As for the prevention of the infringement of trademark and copyright for pattern prints, the company demands customers to have adequate authorization for the patterns to be printed on the fabric they purchase, a practice, carried out according to SOP, already in place for about 30 years. In fact, printed cloth is a marginal business of ours, unworthy of risking violation of law.

(xii) Risk of regional politics--risk of Sino-U.S. trade war over trade imbalance

On March 22, 2018, the U.S. activated "Section 301" and trade investigation for tariff hikes, overshadowing export of China-made products to the U.S. and heralding revival of protectionism, including mutual retaliatory measures, restriction on import of high-tech products to the U.S., and appreciation of Asian currencies, which will impact global trade and supply chain. Unable to be immune from the approaching whirlwind, Taiwan should function as product assemblers mediating Sino-US trade, so as to reduce trade deficit and avoid high tariffs. Luckily, Luckily, textiles are not major subjects of the trade dispute and the company plans to transfer export orders to the U.S. received by the two Chinese factories, which account for 30% of sales, to the apparel factory in Vietnam and ship products to the U.S. from there, thereby alleviating the impact.

Conclusion: Enterprise Risk Rating:

The summaries of the Overall Rating adopted from the Taiwan Ratings of June 29th 2016 and September 19th, 2017 are as follows:

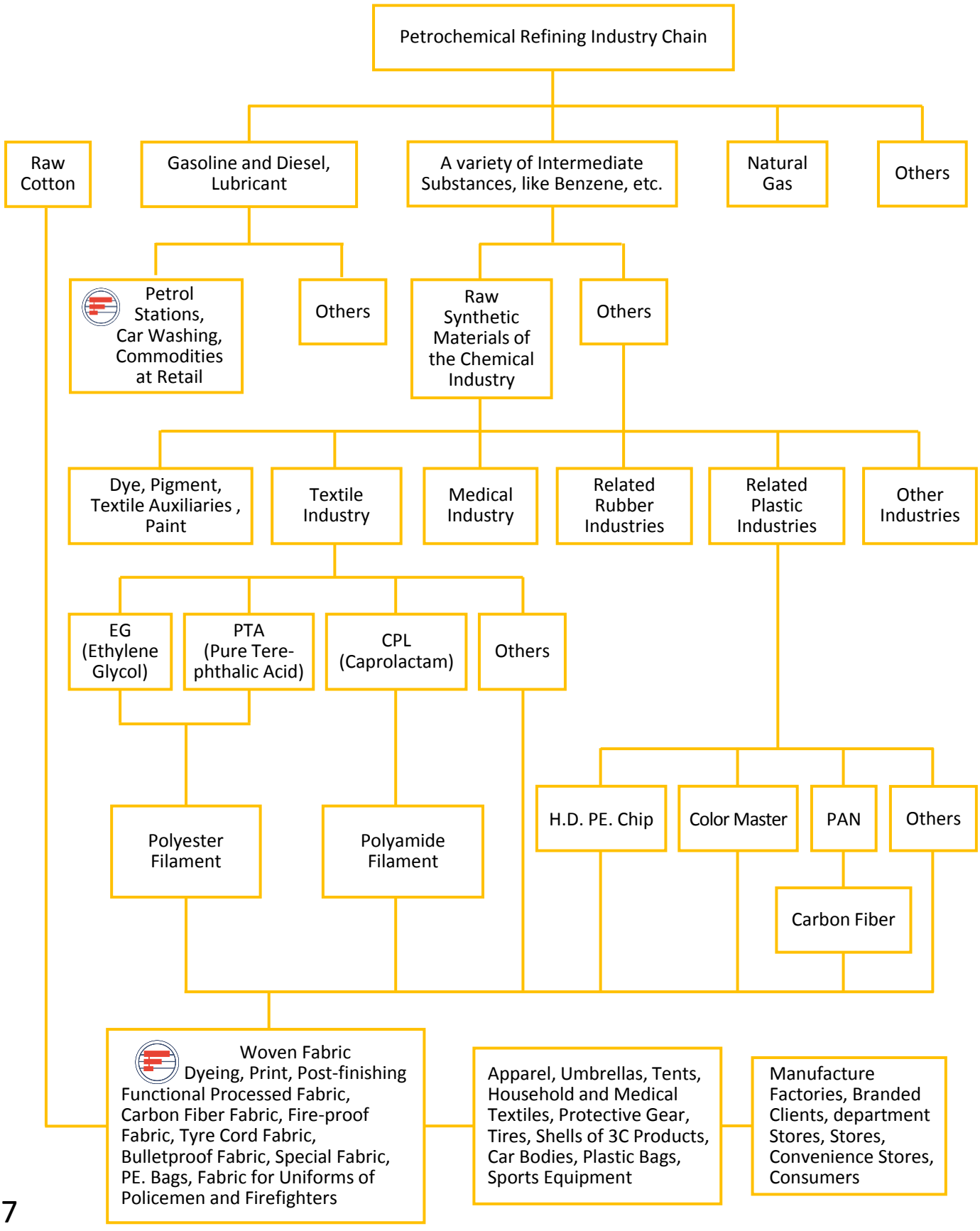
Year	Long-term Rating	Short-term Rating	Rating Outlook
2017	twA+	twA-1	Stable
2016	twA+	twA-1	Stable
2015	twA+	twA-1	Stable

Note：The results of the credit rating are published under the financial structure, competitiveness, and sustained profitability of the Company. The Company has been given an excellent rating and has below–average risks. Please refer to the report for more details.

(III) Relation with the Textile Industry Chain

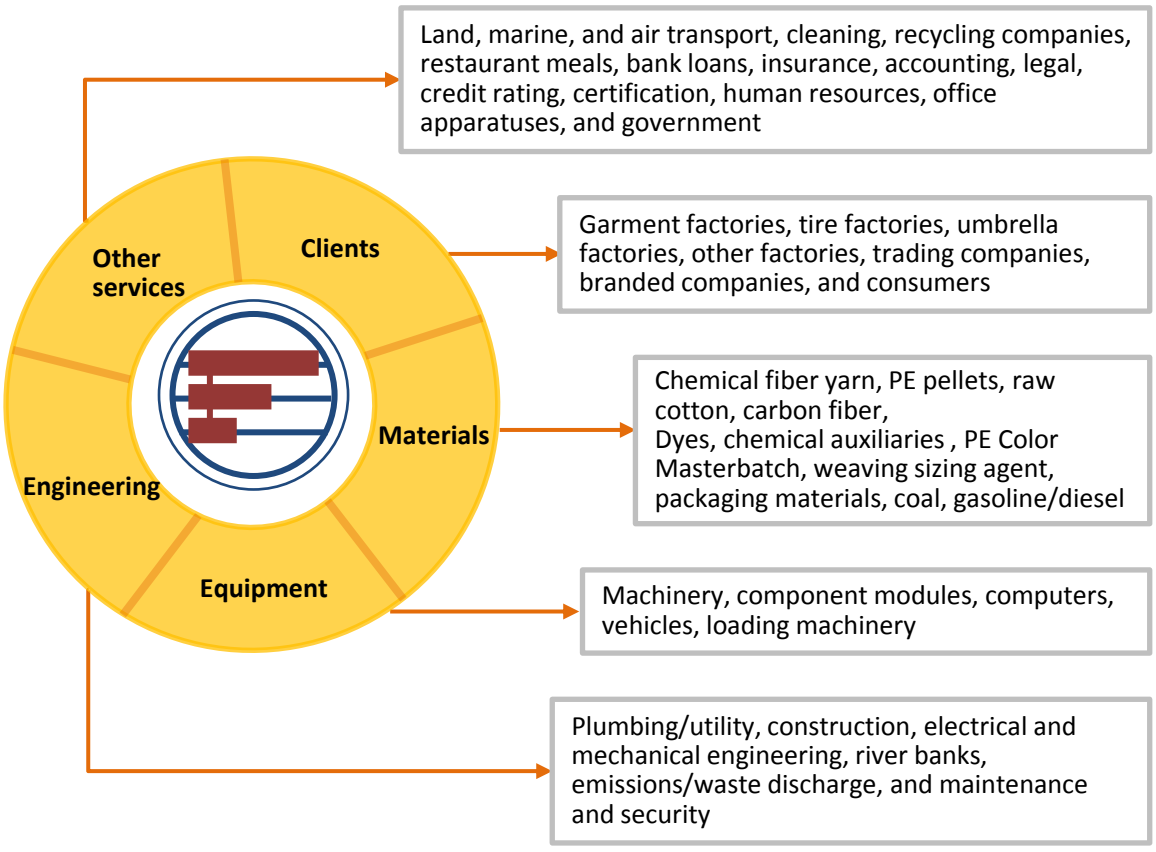
i. The Supply Chain of Raw Materials and Products

Textile Industries Chain of Taiwan



ii. Overview of the Supply Chain

As a midstream player in the textile industry, the Company must rely on the cooperation of the entire industry chain to survive, including bilateral and multi-lateral trade/services, such as the procurement of raw materials, the arrangement of production line equipment, the provision of aftersales services, the construction of plants, and regular maintenance, in order to maintain the required energy for daily operations. The Company also needs to maintain a large number of clients, so it offers a variety of products that are customizable and have a wide scope of applications, such as functional clothing, tires, umbrellas, cleanroom suits, medical supplies, fire resistant fabric, carbon fiber electronic product casings, carbon fiber automobile parts, etc. The continuous operation of the complex supply network is summarized below:



(i) Local Supplier (refers to procurement within the same country) Proportion

i. In order to become a local supplier of the company, an enterprise must provide copy of business certificates issued by the local government (business registration certificate, factory registration certification, incorporation registration form), plus supplier (contractor) data form and form for remittance accounts, which will be screened by the company before accepting it as a local supplier which will trade with the company according to the company's purchasing operation procedure.

ii. The company's major business sites are the five factories in Taiwan, China, and Vietnam, plus the 106 gas stations of Formosa Petrol Station, with the share of local purchases of the Taiwanese factory reaching 81.09%, at the amount of NT$16,402,506,191 in 2017, 60.85% or NT$625,673,557 for the Zhong-shan Plant and 91.18% or NT$800,422,418 for the Chang-shu Plant in China, and 57.54% or NTG$637,292,180 for the Long-an Plant in Vietnam and 43.59% or NT$266,842,121 for the Dong-nai Plant in Vietnam, all making significant contributions to the local economies. The 2018 figures are at a 10% variance of the 2017 figures.

iii. Based on the requirements of suitable safe inventory, rapid supplies, savings on tariffs, and aftersales services, the Company prioritizes the local procurement of raw materials. As of December 31st 2017, the number of main raw material suppliers registered locally and their distribution were recorded as follows:

The Number of Local Suppliers and Proportion in 2017_Taiwan, China

Plant		Taiwan Plant					Zhong-shan Plant in China					Chang-shu Plant in China		
Types of Raw Material		Yarn/ Cotton	Sizing Agent	Dye	Auxi-liary	Total	Yarn	Sizing Agent	Dye	Auxi-liary	Total	Dye	Auxi-liary	Total
Number of Supplier		133	9	40	123	305	26	6	19	43	94	17	34	51
Locations of Suppliers	Taiwan	104	9	39	118	270	10	6	5	9	30	3	7	10
	China	23	-	-	-	23	14	-	14	34	62	13	26	39
	Vietnam	-	-	-	-	-	2	-	-	-	2	-	-	-
	USA	-	-	-	1	1	-	-	-	-	-	-	-	-
	Hong Kong	4	-	1	3	8	-	-	-	-	-	1	1	2
	German	2	-	-	1	3	-	-	-	-	-	-	-	-
Proportion of Local Supplier (%)		78.19	100.00	97.50	95.93	88.52	53.85	0.00	73.68	79.07	65.96	76.47	76.47	76.47

Notes:

The price of yarn of Taiwan is higher than that of China, which results in that it is inevitable to increase the procurement of yarn of China and lower the proportion of Taiwanese local suppliers.

The Number of Local Suppliers and Proportion in 2017_Vietnam

Plant		Long-an Plant in Vietnam					Dong-nai Plant in Vietnam				
Types of Raw Material		Yarn	Sizing Agent	Dye	Auxiliary	Total	Yarn	Sizing Agent	Dye	Auxiliary	Total
Number of Supplier		21	7	18	36	82	30	7	15	28	80
Locations of Suppliers	Taiwan	13	6	14	26	59	15	6	11	18	50
	China	5	-	-	-	5	10	-	-	-	10
	Vietnam	3	1	4	10	18	5	1	4	10	20
Proportion of Local Supplier (%)		14.29	14.29	22.22	27.78	21.95	16.67	14.29	26.67	35.71	25.00

(ii) Economic Benefits of sourcing Locally (refers to procurement from domestic suppliers)

1. The domestic procurement rate (the rate of local procurement amount of the plant to the total procurement of the plant) of the main raw materials and supplementary materials (Yarn, Sizing Agent, Dyes, Auxiliaries) required by the five plants of the Company (Taiwan Plant, Zhong-shan Plant, Chang-shu Plant, Long-an Plant, Dong-nai Plant) in recent years is summarized below:

Local Sourcing Rate of Yarn (Unit: %)					
Plant / Year	Taiwan Plant	China Plants		Vietnam Plants	
		Zhong-shan Plant	Chnag-shu Plant	Long-an Plant	Dong-nai Plant
2017	65.5	50.1	No woven plant	58.3	14.9
2016	80.3	39.0	No woven plant	66.4	20.9
2015	86.5	29.3	No woven plant	61.8	16.8

- In recent years, international branded clients have preferred local procurement and manufacturing; therefore, the proportion of the domestic procurement of yarn will vary according to the different regions in which the clients place their orders.
- The domestic procurement proportion of yarn for tire cord production in Dong-nai Plant is lower because there are currently no high denier nylon production plants in Vietnam.
- The development of indigenous filament in mainland China for cost saving has led to gradual decline in the local purchase value for filament by the Taiwan Plant.

Local Sourcing Rate of Sizing Agent (Unit: %)					
Plant / Year	Taiwan Plant	China Plants		Vietnam Plants	
		Zhong-shan Plant	Chnag-shu Plant	Long-an Plant	Dong-nai Plant
2017	100	0	No woven plant	4.2	9.5
2016	100	0	No woven plant	6.0	16.3
2015	100	0	No woven plant	6.1	18.3

- Due to the application of the textile processes techniques of Taiwan Plant, the Zhong-shan Plant procures the sizing agents from Taiwan.

Local Sourcing Rate of Auxiliaries for Weaving and Dyeing (Unit: %)					
Plant / Year	Taiwan Plant	China Plants		Vietnam Plants	
		Zhong-shan Plant	Chnag-shu Plant	Long-an Plant	Dong-nai Plant
2017	87.4	81.2	85.6	15.9	35.6
2016	93.7	73.1	86.3	13.8	35.1
2015	93.5	75.3	92.1	18.9	31.4

- The domestic procurement proportion of auxiliaries in Vietnam Plants are lower because the number of local suppliers of dyes and auxiliaries and the quality of what they supply cannot meet demands for diversified products.
- Local purchase of auxiliaries by the Taiwan Plant has decreased than two years ago, as Gore requires use of imported auxiliaries for products produced under technological cooperation.

Local Sourcing Rate of Dye (Unit: %)					
Plant / Year	Taiwan Plant	China Plants		Vietnam Plants	
		Zhong-shan Plant	Chnag-shu Plant	Long-an Plant	Dong-nai Plant
2017	99.8	80.5	80.7	14.3	42.5
2016	99.9	67.9	71.4	17.5	42.6
2015	99.9	70.8	88.0	15.9	46.6

- The selection of dyes is based on features of nylon or polyester yarn. The fluctuation in the consumption amount of dyes has higher linkage to the procurement ratios of types of purchased yarn.

2. For the considerations of safety inventory, uniform quality, and short delivery FYC's domestic and overseas plants make internal purchase, at proper quality, volume, and price.
3. In order to ensure the effective reduction of overseas transportation costs / time/ custom taxes / insurance of raw materials, protect the environment, and increase the local industry's unity and social interests, the local procurement proportion of the five plants located in three countries are increased.

Local Sourcing Rate of Dyeing Auxiliary of the 2nd Business Segment (Unit: %)									
Year	Plant	Raw Material	Latex	Resorcinol	Bridging Agent	HDPE.L-LDPE	Color Master Batch	Ink	Epoxy
2017	Taiwan Plant	Tyre Cord Plant	100	0	96.9	-	-	-	-
		Carbon Fiber Plant	-	-	-	-	-	-	100
		Plastic Plant	-	-	-	100	100	100	-
	Vietnam Plants	Tyre Cord Plant in Dong-nai	0	0	0	-	-	-	-
2016	Taiwan Plant	Tyre Cord Plant	100	0	96.4	-	-	-	-
		Carbon Fiber Plant	-	-	-	-	-	-	100
		Plastic Plant	-	-	-	100	100	100	-
	Vietnam Plants	Tyre Cord Plant in Dong-nai	0	0	0	-	-	-	-
2015	Taiwan Plant	Tyre Cord Plant	100	0	83.8	-	-	-	-
		Carbon Fiber Plant	-	-	-	-	-	-	100
		Plastic Plant	-	-	-	100	100	100	-
	Vietnam Plants	Tyre Cord Plant in Dong-nai	0	0	0	-	-	-	-

- The raw material for the fabric plants in Taiwan and tire cord fabric plants in Vietnam is Resorcinol. Currently, this raw material is not produced locally and therefore relies 100% on imports.

4. Conduct irregular comparisons of the raw materials (Yarn, Dyes, and Auxiliaries) of the local suppliers. If the materials conform to the Company's quality inspections, the supplier is included in the candidate list of suppliers.

iii. Assessments of Suppliers' Environmental Conformity

(i) Raw Materials

Material procurement can be divided into two categories—raw materials procurement (yarn/cotton) and chemicals procurement (sizing agents, dyes, auxiliaries). The result of 2017 suppliers' rating by the Taiwan Plant is as shown in the bottom right-hand corner of this page, whose evaluated items are quality (50), delivery (35), and price (15).

1. Samples for tests that are provided by suppliers must conform to the following environmental protection regulations:
   a. OEKO-TEX Standard 100 Specification Guarantee
   b. EU REACH Substances of Very High Concern (SVHC) Qualification Certificate
   c. Organotin-free Certification
   d. APEO-free Certification
   e. ZDHC – Inventory of Restricted Chemical Substances
2. Ensure that the products supplied by the supplier conform to regulations so that manufacturers, consumers, and users can confidently use such products.
3. If transported materials are hazardous, the transportation should conform to the national transportation safety regulations so as to allow their deliverability.

Suppliers' Rating by the Taiwan Plant

Category / Grade	Raw Materials Procurement		Chemicals Procurement	
	Number of Suppliers	Pro-portion (%)	Number of Suppliers	Pro-portion (%)
A: (100~90)	69	100.00	164	90.10
B: (89~80)	0	0.00	15	8.25
C: (79~70)	0	0.00	3	1.65
D: (69~60)	0	0.00	0	0.00
E: Introduced for trial	0	0.00	0	0.00
F: (below 59) Termination of Inquiries	0	0.00	0	0.00
Total	69	100.00	182	100.00

4. Regular assessments, as well as irregular on-site inspections of the suppliers, are conducted to verify if the production processes and materials comply with the government's environmental protection regulations.
5. Contractors found to be in violation of the government's environmental protection regulations will be terminated from trade to ensure the safety of the raw materials.

(ii) Materials

1. Regarding material procurement, the procurement of materials compliant with international environmental protection regulations should be prioritized.
2. Materials certified with the Green Mark by the EPA or Energy Label by the Ministry of Economic Affairs or that conforms to criteria of renewable materials/low pollution/recyclable/increased social benefits or reduced social costs and materials with similar effects should be prioritized in procurement. The amount spent on the procurement of these (genre) products in Taiwan Plants in recent years are summarized below:

Expenditures of Products with Green Mark (Taiwan Plant)		
Year	**Amount (NT$)**	**Explanation**
2017	1,090,878	Such products are mostly purchased irregularly, such as energy-conserving equipment and environment-protection products, which have been gradually replaced with new ones in recent years and as such need only purchase of replacement parts. Therefore, related expenses have been irregular.
2016	1,472,723	
2015	2,097,000	

3. To fulfill our responsibility to environmental protection, our Company spares no efforts in utilizing recycled materials, such as re-PET yarn manufactured from PET products. The procurement amount (tons) of the 1st Business Segment of Taiwan Plants in recent years is as follows:

Type / Year	Yarn Made from Non-reclaimed Materials		Yarn Made from Reclaimed Materials		Total
	Quantity (Tons)	**Proportion of Procurement (%)**	**Quantity (Tons)**	**Proportion of Procurement (%)**	
2017	11,265	92.36	932	7.64	12,197
2016	12,011	96.78	400	3.22	12,411
2015	14,504	98.15	274	1.85	14,778

- Due to lightweight trend, the actual usage amount of regenerative filament (in terms of length) has been on the rise, despite gradual decline of purchase volume.

iv. Supplier Management

(i) Under the Company's supply-chain structure, the company starts, continues, or suspends transaction with a specific supplier according to existing screening standards and asks suppliers to notify the company in advance in case of inability for supply (stoppage of production or operation, etc.), so as to assure stability of production quality and uphold customers' interests.

(ii) From the second half of 2018, new suppliers (for raw materials and chemicals) will have to sign commitment to corporate social responsibilities, on top of experiencing existing screening criteria.

(iii) Due to the Company's requirements, the amount of suppliers' packaging has decreased, including:

1. If the amount of auxiliaries used reaches an economical bulk (monthly usage 4,000 kg), then negotiations will be conducted with the contractors to switch to bulk packages (Capacity: 1,000 kg) to reduce the amount of packaging used.
2. Negotiations shall be conducted with contractors to use environmentally friendly and recyclable packaging materials.
3. The annually decreasing incoming quantity of dyes in Taiwan Plant can most prove that the purchased dyes are developed with eco-friendly effects, like less consumption of dyes and energy, less generation of effluent, and so on, through the collaboration between suppliers and our R&D department.

Year	Purchase Volume of Dyes for Weaving/Dyeing in Taiwan Plant (Ton)
2017	445
2016	439
2015	540

v. Client Policies and Rights Protection

(i) Client Policies: Sharing Benefits of Market Growth with Clients

1. **Creating a Sound and Healthy Growing Supply and Demand Relationship**

   Due to the mutual benefits and common prosperity of the co-development relationship between the Company and its clients, creating a sound and healthy supply and demand relationship should be an important management theme of every enterprise pursuing sustainable development. Placing great emphasis on the long-term development and maintenance of the industry supply chain and relying on the international marketing of clients, the Company has demonstrated transaction integrity, reasonable pricing, fair trade, stable supply and demand, long-term cooperation, mutual benefits, common prosperity, and mutually trusting cooperation with its clients.

2. **Enhancing the Competitiveness of Downstream Customers**

   Only by sharing the benefits of market growth with midstream and downstream customers can the Company ensure sustainability. Before developing new products, the R&D Center of the Company will first communicate with midstream and downstream brand customers to develop a mutually beneficial market strategy, ensure smooth promotion of the supply chain of new products, and boost the competitiveness of the customers.

3. **Electronic Commerce Saves Costs and Increases Efficiency**

   To increase the service efficiency of the customers, the Company has established a company website that includes a customer online service system and internet promotion system in order to improve rapid services and provide real-time information, such as an online product information inquiry system, order and production progress, inspection report, and warehousing and transportation tracking. Furthermore, the system also established a dedicated client performance evaluation mechanism, client order prediction and tracking system, and product inspection system to improve the service standards and satisfaction of the customers and reduce the costs of negligence in operations.

(ii) Protection of Client Information and Rights

In order to maintain the rights of the customers and avoid infringing on their rights or leaking either party's information in the commercial trade, the Company has stipulated the relevant management regulations and established standard operation protocols to achieve the aims of long-term common prosperity. In 2017, the Company had no reported cases of client rights infringement.

1. **Personal Information Management**

   When collecting, utilizing, or handling the information of non-Company personnel, especially clients, all Company departments of five Plants in three countries will adhere to the relevant internal regulations of the Company and legal regulations to prevent the abuse, tampering, damage, loss or leak of personal or company information. In order to implement relevant safety measures, items such as personal confidentiality, trademark rights, patent rights, copyrights, and business secrets are included in the protection of information and rights of the Company, and relevant business departments are particularly integrated with the information system of the Company, including client order and information system control and inferior quality product warehousing control, to protect the important information and rights of clients.

2. **Management of Printing Plates and Dyeing Plates Rights**

   Through the configuration and specifications of the relevant information of the rights of the order system in the Company, the product items will be secured by the system and will require specific rights protocols and certification before they can be approved for production. Regardless of model type, sample fabrics, fabrics in excess, or inferior fabrics, information will not be leaked.

3. **Inferior Quality Product Warehousing Management**

   Regarding inferior products produced in the manufacturing process, the inferior products that are registered in their rights protection system will be stored and controlled until their rights expire. The registration will be conducted by relevant personnel, and the restriction can only be lifted with the approval of the clients and President-level staff in order to prevent these inferior products from entering the market.

(iii) Information and Communication Security Management

The Company has taken all the necessary security and management measures for the information system and equipment, installed anti-virus software, firewalls and access restriction software/hardware, and implemented access control and user registration inspections to monitor the security of all information systems and prevent unauthorized access, leakage, infiltration, tampering, theft, or damage in order to ensure continuous operation and protection of client confidentiality and rights. In the case of emergency, such as earthquakes, fires, typhoons, power shortages, or lightning strikes, swift response measures will be taken to resume normal operations as quickly as possible; perpetual backup will be retained under normal conditions in order to reduce the threats to client rights and prevent damage to the sustainability of the operations.

(iv) Client Satisfaction Investigation

1. Client Satisfaction with the Weaving / Dyeing Division (Company Self-Evaluation)

The main clients of this division are international sports brands and renowned outdoor fashion brands. Many cooperative projects have been conducted based on long-term strategic partnerships. Main works include new product development, marketing samples, coloring management, cylinder head quality verification, bulk production quality, delivery control, client complaint and aftersales services, which are managed separately each month in each quarter, development of supplementary information systems, establishment of platform for bilateral transparent information exchange, and conducting client satisfaction audits.

Clients	Delivery (%)				Quality (%)			
	Target	2015	2016	2017	Target	2015	2016	2017
NIKE	95	92	90	93	95	97	95	96
adidas	97	93	90	91	96	96	96	93
PUMA	96	90	93	95	97	100	97	95
Columbia	95	88	90	93	95	97	95	93
TNF	95	91	90	92	95	95	93	93

Clients	Services by Garment Plants (Point)				Pieces of Newly Developed Products (Piece)			
	Target	2015	2016	2017	Target	2015	2016	2017
NIKE	6	5	5	5.5	100	133	122	110
adidas	6	5.5	5.5	5.5	100	163	177	164
PUMA	6	4.8	5.5	5	100	109	113	105
Columbia	6	5.2	5	5.5	100	135	145	160
TNF	6	5	4.8	5	100	128	117	120

Notes:

- Short delivery time and punctual delivery are the competitive advantages of brand clients, as well as the basis for client satisfaction. The weaving division needs to work on improving these factors to meet clients' targets.
- New product development focuses on differentiation, customization, and special functions. Creating close ties with customers and sales performance is also a method for increasing client satisfaction, which is also the result and competitive edge from years of efforts.
- Forming an alliance with downstream customers, which are mainly garment factories, to improve services and boost client satisfaction will be beneficial to increasing the market share of the brand customers at the end of the industry supply chain. The rating of services by garment plants: 6–Excellent, 5–Good, 4–Average, 3–Poor, 2–Bad.

2. Client Satisfaction with the Tire Cord Division (External Survey)

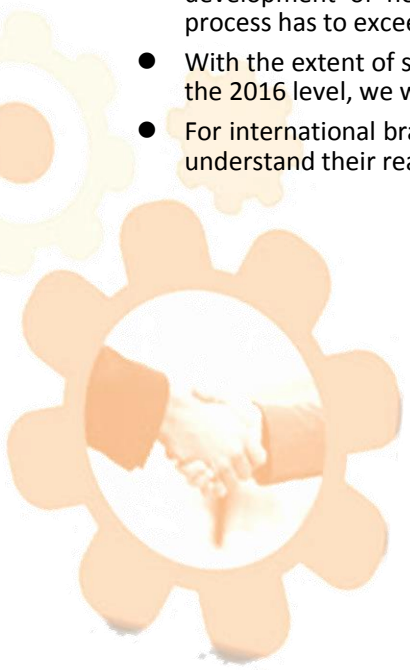
In order to understand client satisfaction with the products of the Tire Cord Division with regard to quality, delivery time, client complaints, packaging, new product development, and services, the following survey was conducted on long-term close clients with large scale transactions between the months of April and June every year .

Survey Result Client Satisfactory of FTC's Tyre Cord Division (Unit: Point)

Significance/ Satisfaction Level / Item / Year		Quality	Delivery Date Punctuality	Complaint Handling	Packaging Maintenance	New Product Development	Service
Significance to Business Development	2017	5.15	4.38	3.23	2.08	1.92	2.08
	2016	6.0	5.0	3.6	3.0	2.5	2.4
	2015	5.86	5.36	3.68	3.82	2.82	3.05
Evaluation of Satisfaction Level	2017	5.4	5.3	5.2	5.4	5.2	5.6
	2016	5.2	5.1	5.2	5.2	5.0	5.1
	2015	5.1	4.8	5.0	5.0	4.7	5.1

Notes:

- The score of "Significance to Business Development" is between 2 and 6, where "6" represents an item with the highest significance, and vice versa. "
- The score of "Evaluation of Satisfaction Level" is between 2 and 6, where "6" represents an item with the highest satisfaction, and vice versa. "
- Most clients consider product quality and delivery punctuality to hold great significance to the importance of industry development. For automobiles, the safety of usage is one of the most valued factors of customers. Any components or modules that involve driving safety and that need to be replaced need to undergo a long period of inspection and testing; therefore, the development of new products and new client sources are not easy, and the development process has to exceed one year.
- With the extent of satisfaction for various items exceeding the 5.0 target in 2017 and better than the 2016 level, we will not let up on our effort, since there still needs further improvement.
- For international brands that have not yet to engage in large scale dealings, the Company should understand their reasons in depth in order to gain their trust, orders, and satisfaction



(IV) Formosa Petrol Stations (FPS)

Main businesses of FPS' are the retail of gas and diesel and service of car wash. gas All oil products are 100% from Formosa Chemical & Fiber Corporation, a member of Formosa Plastics Group (FPG), which is a steady supply source. To maintain the quality conformity, a lot of efforts are made to execute source management—to regulate that samples of gasoline/diesel in each tank truck must be taken and stored, that standard operating procedures must be obeyed for the transportation and unloading, and that periodic oil quality inspections must be carried out by accredited certification bodies. By March 2018 there are 106 domestic operation locations, and where they are located are shown on the right side.

106 Locations of Formosa Petrol Stations

Employees of petrol stations must adhere to "five don'ts and five dos" of refueling vehicles. Moreover, the Company thinks highly of customers' privacy, and therefore, in conformity with "Personal Data Protection Act (PDPA)" implemented from October 2012, members' sensitive or critical information, like IDs, phone numbers, license plate numbers and so on, is not stored in database for data loss prevention (DLP).

Five Don'ts during Refueling

- Ø Do not force refueling.
- Ø Do not lift the lever up and/or lower it with a pump nozzle.
- Ø Do not drop a pump nozzle or hit it hard.
- Ø Do not let the last few drops be left in the pump nozzle.
- Ø Do not press the barrel of a pump nozzle with your hand.

Five Dos during Refueling

- Ŏ Stop refueling when self-stopping mechanisms are triggered.
- Ŏ Lift the lever up with your hand for activating the pump.
- Ŏ Keep a pump nozzle from being hit when in use.
- Ŏ Let any last drops fall in before removing the nozzle from the gas tank.
- Ŏ Keep pump nozzles and rubber hoses clean all the time.

i. FPS' Environmental Protection Measures

Besides growth in sales, FPS also attaches importance to environment protection and sustainability through incorporating energy/electricity/water conservation, reduction of air pollution, etc., into daily management

(i) Energy Conservation Measures

From July 2nd 2015, the electronic invoice system is introduced into 105 petrol stations one after another across Taiwan. The completion of such introduction and updates of related equipment is on December 25th of the same year and takes NT$ 2.25 million. This brings the following effects and economic benefits:

- Compared to conventional duplicate/triplicate cash register uniform receipts, computerized uniform ones consume 1.85 million pieces of paper pre month, which can save the paper expenditure of NT$ 190 thousand per month.
- Manual jobs of collating, securing and checking paper receipts are much fewer.
- The usage of electronic receipts can cut warehousing costs through being free from the constraint imposed on conventional receipts that requires five-year retention for sampling inspection.

For energy-saving and carbon-reducing, it is planned to take membership cards as vehicles to replace paper electronic invoices.

(ii) Electricity Conservation Measure

From 2012 onwards, energy-consuming fuller lights, projection lamps and conventional fluorescent tubes are replaced with energy-saving LED lights produced by Nan Ya Photonics Inc.; after such replacement, power saving is getting better year by year.

Year	2011 (base year)	2015	2016	2017
KWH/KL	14.0	9.1	8.7	9.5
Proportion of conserved electricity (%)	-	-35.0	-37.9	-32.1

Note: Electricity-saving ratio = (electricity consumption of the current year – electricity consumption of the base year) / electricity consumption of the base year

(iii) Water Conservation and Discharge Measures

1. Tap water is the main water source of each gas station and is provided for car washing and domestic usage for customers and employees. Wastewater generated from car washing cannot be discharged into public sewers without treatment in conformity to drainage standards. In 2017, sixteen gas stations have secured usage right for ground water and the remainder will also apply for the right successively. The discharge of sewage in 2017 gains accreditations of environmental protection bureaus and irrigation associations of respective cities and counties.
2. Total tap water uses in 2017 is 73,391 tons, which is an increase of 19,405 tons compared to 2016, which can be attributed to more car washing services. In 2017, 9 water-saving car washes were introduced for greater water conservation effectiveness; wastewater recycling and reuse system was installed at the Wenxin Road station on May 10, 2017, which will disclose wastewater recycling rate in 2018. Along with the manifestation of the benefit of wastewater recycling, such wastewater recycling systems will be installed at other gas stations gradually, including two in the first half of 2018, so as to achieve the goal of usage reduction, waste reduction, and emission reduction.

(iv) Underground Pollution Preventive Measures

Preventive Measures	Implementation Contents	Implementation Cycle	Implementation Effectiveness
Oil Quantity Balance Control Declaration	According to the Regulations for the Prevention of Groundwater Pollution of Underground Storage Tank Systems and Monitoring Equipment, the petrol stations of the Company shall comply with relevant regulations to fill out the daily oil input and output control form and declaration to prevent underground pollution.	Complete oil quantity control form/ daily Declaration / every 4 months	The 2017 declarations of the petrol stations have been verified by various environmental protection bureaus and have been found to contain no abnormalities.
Underground Pollution Monitoring	The underground pollution monitoring conducted by the petrol stations of the Company shall adopt the soil gases monitoring method. The soil gases inspection is conducted every month, while external environmental gas soil inspections shall be conducted every four months. The inspection results will be posted on the internet. The regular cooperating inspection organization for 2017 is Tai He-Mei Industrial Co., Ltd.	Inspections / every 4 months Declaration / every January, May, September	The 2017 declarations of the petrol stations have been verified by various environmental protection bureaus and have been found to contain no abnormalities. PID and FID conform to standards, and soil and groundwater inspections are not necessary.
Operation Equipment Self-Inspection	The self-implementation of petrol station equipment inspections by the petrol station (including internal inspection of petrol station, oil-gas measurement of oil storage wells, manual oil measurement of oil storage tanks, and detection of underground storage tanks)	Periodical sample inspections / daily, monthly, biannually	In 2017, the irregular inspections conducted by the EPA/EPB show that there is no pollution and that the petrol stations comply with inspection standards.

Install a flame ionization detector and a photoionization detector for detecting the oil-gas density of the soil-gas monitoring well of underground storage tank (monitoring well, for short), to determine leakage in underground storage tanks or pipelines (in reference to the "oil-gas detection method for the soil-gas monitoring well of underground storage tank", announced by Taiwanese EPA).

(v) Petrol Vapor Recovery Measures

1. According to the provisions of paragraph 3, Article 22 of the Air Pollution Control Act, certified environment inspectors shall conduct regular petrol vapor inspections twice a year and equipped with petrol vapor recycling nozzles, nozzles are replaced regularly, and the residue oil within the nozzles is cleaned. Each area is equipped with petrol vapor recycling meters, and monthly self-inspections are conducted to calibrate the petrol vapor recycling to the optimal ratio of 1:1 in order to achieve the effects of petrol vapor ratio stability and extend the life of the equipment. In 2017, the Environmental Protection Bureaus conducted gas-oil ratio inspections of the pump nozzles at 21 stations, which yielded a passing rate of 97.5%, much higher than the required 70%.
2. Employees are required to comply with the correct ways of refueling and the refueling principles of the five Dos and five Don'ts. Employees are trained to check if the petrol vapor recycling pipes are properly connected, if the petrol vapor recycling motors are properly functioning, if the motors are malfunctioning, or if there is any residue oil in the rubber tubes of the pump nozzles. Should any equipment abnormalities be found, the incident should be reported immediately, and the damaged or malfunctioning equipment should be removed to increase the petrol vapor recycling rate and ensure safety.
3. In order to alleviate air pollution, the Environmental Protection Bureau of the Kaohsiung City Government has been pushing "air quality upholding and improvement program" and has attained the goal of the current stage. During the session of 2017 for displaying the achievement of Kaohsiung City in upholding and improving air quality, the Gangshan gas station of Formosa Petrol Station got an award for good performance in abating air pollution.

ii. FPS' Contributions to Society

In addition to the aforementioned environmental protection measures, the Formosa Petrol Stations also actively provide many services that are offered to clients to increase customer loyalty, customer reliance, customer satisfaction, and customer retention rate. In terms of promotion, the Company has fulfilled its obligations of informing to reduce consumer disputes. What FPS pays back to customers and the society are as follows:

(i) Cash Discount: Offering discounts for cash payments and credit cards. In 2017, FPS cooperated with Cathay United Bank to promote co-branded credit cards, as well as engaged in cooperation with E.SUN Commercial Bank, Union Bank of Taiwan, Taichung Bank, Yuanta Bank, and HSBC Bank to offer promotional discounts to clients. Furthermore, clients that use self-service gas pumps are also eligible for discounts.

(ii) Membership Points: Applying for VIP membership makes a customer eligible to accumulate VIP membership points for gift redemption.

(iii) Membership Points: Applying for VIP membership makes a customer eligible to accumulate VIP membership points for gift redemption.

(iv) FPS is also active in participating in charitable events; which are summarized as follows:

Year	Charity Organizations	Charity Events	Targets
2017	The Good Shepherd Social Welfare Foundation of the Catholic Church and nine other units	Assistance to the aged, children, and the physically or mentally handicapped	Various underprivileged groups
2016	Yunlin County Spinal-Injury Victims' Association	Collectively assist spinal-injury victims	Spinal-injury victims
2015	○○○Foundation	School Building Plan for Children with Severe Disabilities	Children with severe disabilities
2014	○○Foundation	Showing Love for Seniors ~ Dragon Boat Festival	Seniors suffering from dementia
2013	○○Foundation	Showing Love for Abused Children	Children suffering from abuse
2012	○○Orphanage	Fundraising for New Homes	Children living in an orphanage

IV

Environmental Aspect

(I) Development Overview of Sustainable Environment Operations

The textile industry is closely related to the daily lives of the public. FTC is a midstream company of the textile industry whose main businesses are weaving and dyeing processing. The proportion of the various energy costs consumed in the production process accounts for 4~6% of the total operating revenue. The Company has always promoted the ISO 14001 Environmental Management System to continuously improve its possible environmental impacts.

Established in 2007, the energy-saving promotion team was expanded and reorganized as the "Energy Management Committee" in 2015 to integrate the human, materials, and energy resources of the Company, propose energy-saving targets, and develop and promote various viable plans to increase efficiency of energy usage, reduce energy consumption, greenhouse gas emissions, and waste discharge.

For the purpose of sustainability, reduction of environmental impacts derived from production, and the idea of befriending the environment, we especially notice key environmental issues, such as energy, water, pollution, and waste, and adopt the following six measures:

i. Top-down approach: The Energy Management Committee was established to set up energy-saving targets, stipulate policies and inspect implementation performance
ii. Set benchmarks for water, electricity, and oil consumption and pollution discharge, and conduct mutual comparison and verification
iii. Set benchmarks of energy consumption for equipment procurement/replacement decisions
iv. Implement and promote the reuse of recyclable resources such as water, steam, and thermal energy to improve energy utilization rate
v. Implement and promote pollutant management controls to reduce pollutant discharge and endeavor to keep clean
vi. Procure raw materials, chemical dyes, and auxiliaries that are conform to regulations to establish safe and green processes

(II) Energy and Water Conservation and Pollutant Management Measures

Based on "Green Design and Clean Production" concepts, FTC has been not only promoting various resource conservation projects in water and energy consumption and carbon reduction technology, but also participating in external technology exchanges. Furthermore, it actively plans visits to various guiding projects every year to enhance communication with other industries and stimulate transposition thinking, which inspires employees to propose and promote feasible projects through brainstorming.

From January 2008 to December 2017, a total of 562 improvement projects were completed, amounting to NT$ 321,825 thousand per year in improved benefits and 110,018 tons in CO_2 reduction per year. The Company has gradually promoted policies for cutting back on procurement, reducing consumption, and reducing waste discharge. To maintain neighborly relationship with the community and Based on the vision of good neighborliness and co-sustainability with communities and realize the potential benefits of mutualism for sustainability, FTC has designated the personnel section, the industrial-safety & Hygiene office, the Administration Division, and the Engineering Division as the windows for handling environment-related complaints of stakeholders according to a set procedure.

i. Energy Conservation Measures

Climate change due to global warming has threatened the survival of both animal species and mankind. In order to effectively control CO_2 emissions and alleviate the impacts brought about by global warming, FTC's Taiwan Plant decided to implement the ISO 150001 Energy Management System in 2015 in order to reduce both direct and indirect energy consumption and waste, precisely understand energy conversion demands, improve the energy utilization rate, and enhance the re-utilization rate of energy. The measures that have been taken are described in detail as follows:

- Oil Conservation:
  (i) Installing exhaust chimneys of boilers and setting machinery with waste heat recovery devices.
  (ii) Installing condensed steam and hot water recycling devices.
  (iii) Replacing the natural gas used as fuel for thermal energy in setting machinery that uses fuel oil.
- Gas Conservation:
  Recycling waste hot gases and condensed steam, using oil and electricity cogeneration motors, and improving the thermal efficiency of generation boilers.

- **Electricity Conservation**: Propose Improvement Projects and Implement Performance Reviews
  (i) The turbines of the air conditioner circulation system and water towers of the Weaving Plants have been constructed of special materials and designed to reduce electricity consumption.
  (ii) Reducing the electricity consumed in the circulation of cooling water.
  (iii) Installing electricity conservation devices in various motors.
  (iv) Replacing conventional lighting with energy-saving lighting.
  (v) Using high efficiency and energy-saving air compressors and chiller equipment.
  (vi) In 2014, the Ministry of Economic Affairs promoted the "Voluntary Green Electricity Pricing Pilot Project" to encourage enterprises to subscribe to green electricity, which will be used to subsidize renewable energy generation like wind and solar energy. The project was designed to help enterprises reduce the carbon emissions of their products and fulfill their social responsibility of environmental protection. In 2015 and 2017, the Company made plans to respond to the national clean energy policies and subscribed to 1.2 million kwh of green electricity every year.
- **Air Conservation:**
  (i) Ensure a well-designed air circulation pipeline, install gauges to determine on-site leakages, and regularly inspect the air pipelines to control leakages within acceptable ranges.
  (ii) By managing compressors loads, distributing high and low pressures, and inhibiting the "false needs" of air compression, the operation efficiency of the compressor and energy conversion efficiency can both be improved.
  (iii) Using hydraulic or electric motors to replace pneumatic cylinders in order to reduce the energy consumed during energy conversion.

  Note: "False needs" refers to the air compression needs that are unnecessary or an over-expansion of air that is not required for production. Such needs are mostly caused by ill-planning or poor management. (Reference: Zeng Yuwen, Foundation of Taiwan Industrial Service, "Introduction of Energy-Saving Technology of Air Compressors", Environmental Protection Information / No. 27 Issue, http://setsg.ev.ncu.edu.tw/Portals/0/niki/環保簡訊/27期-2. 空壓機節能技術應用介紹.pdf)

ii. Water Conservation Measures

As the global population continues to increase and industrialization becomes more prominent, water resources everywhere are becoming increasingly limited. Compared with other countries, Taiwan is more likely to face water shortages issues during winter and spring in that rainwater of rainy seasons cannot be stored as a result of its geographical factors. As water shortage is a severe problem, in order to avoid lapsing into water shortage situations and increasing water costs, water conservation has become a critical theme in sustainability.

The Three Main Water Conservation Themes of the Company that are applied to 5 plants in 3 countries:

- Reduce: Using the latest technology and equipment, the Company can use the lowest water ratio to produce textiles and carry out dyeing processes, which can significantly reduce water consumption. For example, in 2014, the Company introduced the DyeCoo Supercritical CO_2 Water-Free Dyeing Machine from the Netherlands in order to achieve a water-free dyeing process.
- Recycle: By using energy-saving dyeing machinery, the condensed steam, cooling water, and low polluted water in the production processes can be recycled and reused to achieve the aims of reducing fresh water consumption and wastewater.
- Reuse: Recycling methods have been installed to recycle the water or steam used in production processes to be reused in other production processes in order to achieve multiple stages of utilization and meet its goals of reducing fresh water consumption

Water Resource Recycling Effects:

Water Recycling Statistics of the Five Plants in Three Countries between 2015~2017

Plant / Year / Type	Taiwan Plant			Zhong-shan Plant in China			Chang-shu Plant in China		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Amount of Raw Water Supplied (T/day)	16075.4	12947.8	11744.4	1715.4	1422.6	1462.4	1453.1	1504.7	1468.8
Amount of Condensed Steam (T/day)	998.2	804.2	714.7	375.8	199.4	221.1	171.8	167.5	191.2
Amount of Recycled Water (T/day)	9950.1	8286.8	8323.9	1430.2	1485.6	1369.9	871.8	893.3	1134.7
Total Water Consumption (T/day)	23458.4	18083.1	16714.6	3459.5	2976.5	2920.8	2496.6	2565.5	2794.7
Percentage of Water Recycled (%)	42.4	45.8	49.8	41.3	49.9	46.9	34.9	34.8	41.3
Amount of Wastewater Discharged (T/day)	13301.0	8031.3	7443.7	1959.7	1524.8	1515.1	1550.4	1595.2	1611.9

Plant / Year / Type	Long-an Plant in Vietnam			Dong-nai Plant in Vietnam		
	2015	2016	2017	2015	2016	2017
Amount of Raw Water Supplied (T/day)	4126.4	4170.9	4389.1	1025.3	1458.3	1922.6
Amount of Condensed Steam (T/day)	189.8	221.5	246.3	78.6	249.4	264.3
Amount of Recycled Water (T/day)	2769.9	3686.3	3667.6	596.3	942.9	1556.5
Total Water Consumption (T/day)	6170.3	7337.2	7753.4	1700.2	2650.6	3743.3
Percentage of Water Recycled (%)	44.9	50.2	47.3	35.1	35.6	41.6
Amount of Wastewater Discharged (T/day)	3368.7	3558.6	3218.8	1085.4	1688.0	2178.1

- The statistics disclosed in this report are of dyeing and printing plants.
- Ratios of recycled water and explanations in 2017 and 2016 are stated below:
  - — Taiwan Plant: In line with the localization strategy of branded customers, the Taiwan Plant has gradually shifted part of its production volume to the Vietnamese factory, leading to slightly reduction of water and steam consumption volume.
  - — Zhong-shan Plant (China): In order to meet quality requirement of regional branded customers, recycled-water consumption volume dropped in 2017, due to inadequate color fastness of such water.
  - — Chang-shu Plant (China): Pipe-end waste-water recycling system began to operation at the end of September 2017, with the consumption volume of recycled water increasing gradually.
  - — Long-an Plant (Vietnam): Total water-consumption volume increased in 2017, due to capacity expansion and higher quality requirement of branded customers.
  - — Dong-nai Plant (Vietnam): Total water-consumption volume increased in 2017, due to capacity expansion and recycled-water volume grew, following completion of the improvement of in-factory water-recycling system at the end of 2016.

iii. Measures for Reducing Effluents

In accordance with the government's environmental protection regulations, the Company has stipulated management standards for the prevention and control of wastewater pollution. The Company has also promoted policies for the reduction of wastewater discharge in the plants, enforced the management of wastewater discharge, and stipulated standards for wastewater discharge in order to ensure that the quality of the wastewater discharged conforms to the national wastewater discharge standards, as well as to reduce the environmental impacts caused by pollution.

The wastewater treatment methods of the plants are as follows:

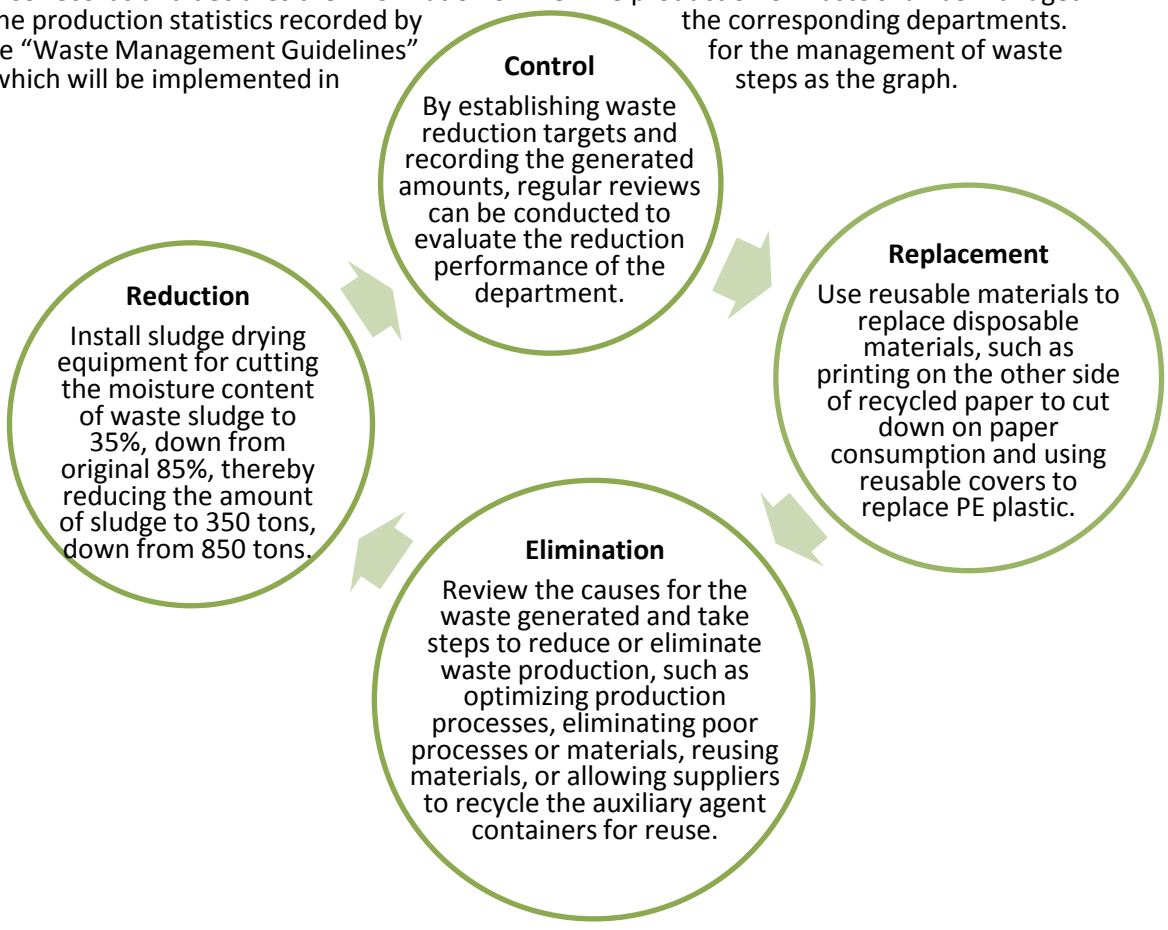
- Taiwan Plant: The pure oxygen aeration and biodegradability method in biochemistry is used as the primary treatment method to reach national standards.
- Zhong-shan Plant (China) and Long-an Plant (Vietnam): The Anaerobic and Aerobic decomposition methods in biochemistry are used as primary treatment methods to reach national standards.
- Chang-shu Plant (China) and Dong-nai Plant (Vietnam): Wastewater treatment facilities are set up in both plants to dispose wastewater to meet the standard for indirect discharge before commissioning with a fee the central wastewater treatment plant of the industrial zone for further processing to meet the standard for discharge.

Regarding the plants' wastewater collection, transportation, and treatment facilities, the Company has stipulated several wastewater operation and monitoring specifications to establish management of wastewater quality and volume. Wastewater management items include:

(i) Production wastewater collection, transportation, and pretreatment facilities
(ii) Domestic wastewater collection, transportation, and pretreatment facilities
(iii) Other wastewater collection, transportation, and pretreatment facilities
(iv) Monitoring of treated wastewater quality and volume from different plants
(v) Procurement of low energy-consuming, low polluting, and efficient advanced production equipment and green energy and materials
(vi) Research and development of green brand products

iv. Measures for Reducing Waste

The waste product management policy of the Company that is implemented in 5 plants in 3 countries is conducted in accordance with the Waste Disposal Act. In addition to waste classification, the Company also records and declares the information online. The production of waste shall be managed based on the production statistics recorded by the corresponding departments. Refer to the "Waste Management Guidelines" for the management of waste products, which will be implemented in steps as the graph.



v. Measures for Reducing Emissions

(i) Organization Greenhouse Gas Inventory and Voluntary Reduction Promotion Committee

In accordance with the specifications stipulated in the ISO and the GHG Protocol of the World Business Council for Sustainable Development, the Company has established the Formosa Taffeta Systematic Greenhouse Gas Inventory Program, reduction plans, and relevant management and system audit protocols. The inventory results will be used as a basis for stipulating relevant voluntary greenhouse gas reduction measures, which will be used in conjunction with PDCA Circulation Management, to promote sustainable and effective greenhouse gas emission management to allow the production processes of the Company to achieve low carbon emissions. Furthermore, this will enable the upstream and downstream contractors of the textile industry to understand the carbon dioxide emissions during the lifecycle of the product when choosing our products. This will consequently improve the awareness for environmental protection and earth protection and provide indicators for conservation and improvement in order to achieve our corporate social responsibility for energy conservation and carbon reduction.

(ii) Management of Ozone Depleting Substances (ODS)

The management of ozone depleting substances is implemented in accordance with the Air Pollution Management Regulations of the Company, “Regulations for the Management of Restricted Chemical Substances listed in the Montreal Protocol”, and “Regulations for the Management of Hydrochlorofluorocarbon Consumption” of the EPA. In response to the current demands of legal regulations and social responsibilities, the Company will gradually replace machine models or equipment containing Chlorofluorocarbons (CFC) and Hydrochlorofluorocarbons (HCFC) to achieve the objectives of zero ODS emissions.

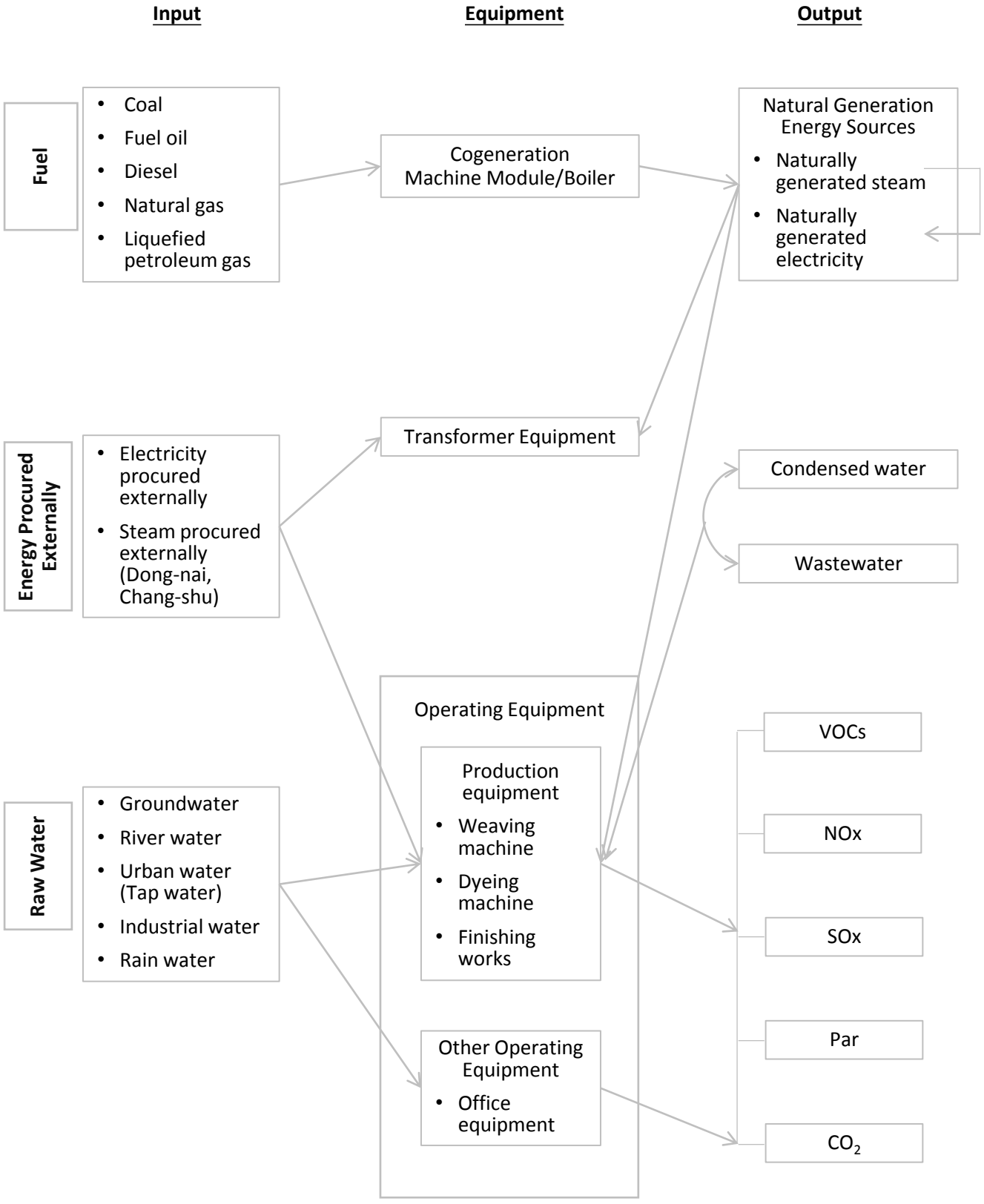
(iii) Environmental Monitoring and Inspection

All relevant production processes should be conducted in accordance with the air pollution operation permits that are obtained in accordance with the regulations. The tracking of the expiration date and application for the environmental protection permits should be managed through the computer system of the Company. Regarding the plant’s stationary pollution sources (two chimneys for oil and electricity cogeneration processes), a constant monitoring system is connected in real-time to the Yunlin Environmental Protection Bureau and is under the full supervision of the environmental protection authorities. Regular inspection should be conducted on all emission chimneys in the plants, and the inspection results should be declared to the Environmental Protection Bureau.

(iv) Green Electricity and Green Procurement

The Ministry of Economic Affairs promoted the “Voluntary Green Electricity Pricing Pilot Project” to encourage enterprises to subscribe to green electricity, which will be used to subsidize renewable energy generation like wind and solar energy. The project was designed to help enterprises reduce the carbon emissions of their products and fulfill their social responsibility of environmental protection. Priority is given to the procurement of products awarded with environmental protection labels (Green Label, Energy Label, Water Label, Green Building Material Label, etc.) in order to fulfill our responsibility to the earth. In 2017, the amount spent on green procurement was NT$1,090,878.

(III) Input and Output of Energy and Water Resources

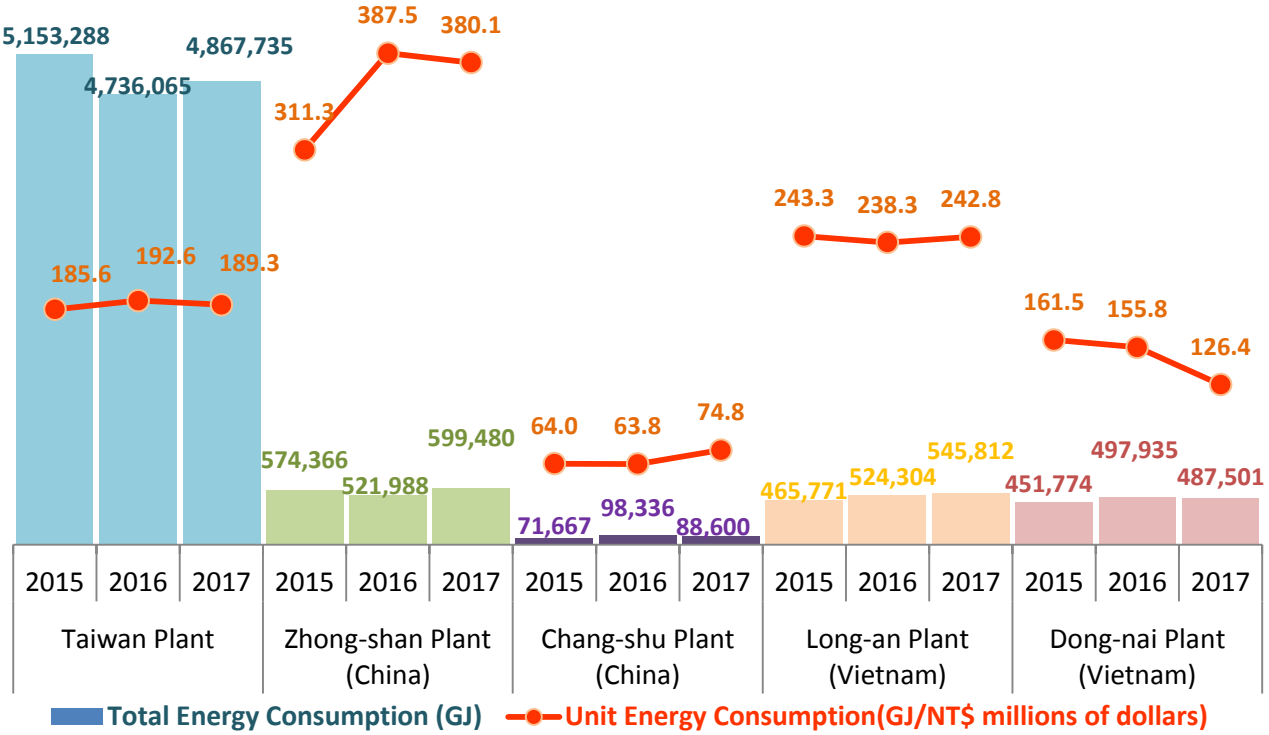


Energy Production and Procurement, Water Resource Input, and Derivative Products Formed after Input of Water Resources

i. Input of Energy and Water Resources

(i) Energy Consumption of the Five Plants (In Three Countries)

Annual Energy Consumption of the Five Plants between 2015~2017



Energy Consumption Items of the Five Plants in Three Countries between 2015~2017 **Unit: GJ**

Item \ Plant / Year	Taiwan Plant			Zhong-shan Plant (China)			Chang-shu Plant (China)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Coal	3,344,198	3,206,476	3,380,193	393,120	364,234	423,176	-	-	-
Fuel oil	866,091	806,432	673,052	-	-	-	-	-	-
Diesel #	5,782	4,693	2,192	3,836	2,968	1,083	-	-	-
Natural gas	-	-	-	53,786	41,678	57,613	42,370	62,791	49,413
Outsourcing electricity	937,218	718,464	812,298	123,624	113,108	117,608	29,157	35,393	39,017
Outsourcing steam	-	-	-	-	-	-	140	152	170
Total Consumption	5,153,288	4,736,065	4,867,735	574,366	521,988	599,480	71,667	98,336	88,600

Notes:

- Taiwan Plant: Total energy consumption increased along with the expansion of output but unit energy consumption dropped, thanks to the benefit of energy conservation.
- Zhong-shan Plant (China): The number of production equipment in operation increased, along with growth of orders, boosting consumption volume of steam, power, and coal, plus the substitution of fuel-coal boilers for natural-gas boilers, boosting total energy consumption volume.
- Chang-shu Plant (China): Increase of total energy consumption derived from increased dyeing volume leading to increased steam volume and increased power consumption caused by new water recycling equipment and calendars.

Item \ Plant / Year	Long-an Plant (Vietnam)			Dong-nai Plant (Vietnam)		
	2015	2016	2017	2015	2016	2017
Coal	314,317	333,373	381,563	-	-	-
Fuel oil	19,479	46,278	13,819	-	-	-
Diesel #	-	-	-	-	-	-
Natural gas	59	52	52	-	-	-
Outsourcing electricity	131,917	144,601	150,377	229,868	256,821	279,176
Outsourcing steam	-	-	-	221,906	241,113	208,324
Total Consumption	465,771	524,304	545,812	451,774	497,935	487,501

Notes:

- Long-an Plant (Vietnam):
  Total energy consumption increased, due to full operation of steam and production equipment, in line with increased production.
- Dong-nai Plant (Vietnam):
  Capacity expansion and better energy conservation efficiency drove down total and unit energy consumption.

(ii) Raw Water Consumption of the Five Plants

Total Raw Water Consumption of the Five Plants between 2015~2017

Notes:

- Taiwan Plant:
  Ground-water consumption volume dropped, thanks to increased water-consumption efficiency in processes and recycling and reuse of discharged water.
- Zhong-shan Plant (China):
  For sake of quality, recycling and reuse of discharged water decreased, boosting consumption of raw water.
- Chang-shu Plant (China):
  Water consumption dropped, thanks to the installation of water recycling equipment.
- Long-an Plant (Vietnam):
  Increase of the kinds and volumes of products with dyeing and finishing process led to increased water-consumption volume.
- Dong-nai Plant (Vietnam):
  Water-consumption volume increased on capacity expansion of knitting and dyeing plants, plus inauguration of the second tyre cord plant.

ii. Output of Energy and Water Resources

(i) Waste Gases

1. Greenhouse Gases

There are three main sources of greenhouse gases:

(1) Emissions from Stationary Sources:

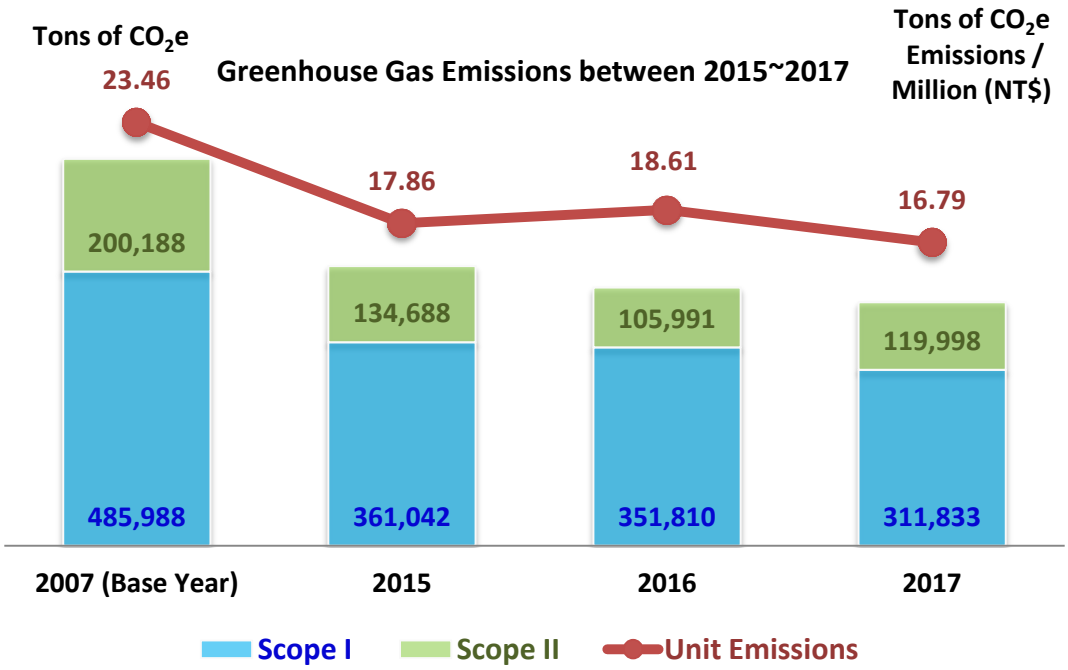
Emissions generated from usage, such as cogeneration, hot coal oil boiler, emergency generator, diesel oil engine generator, steam boiler, and cafeteria

(2) Emissions from Mobile Sources:

Emissions generated from the energy usage of vehicles, such as transportation vehicles, cars, and forklifts during transportation

(3) Emissions from Fugitive Sources:

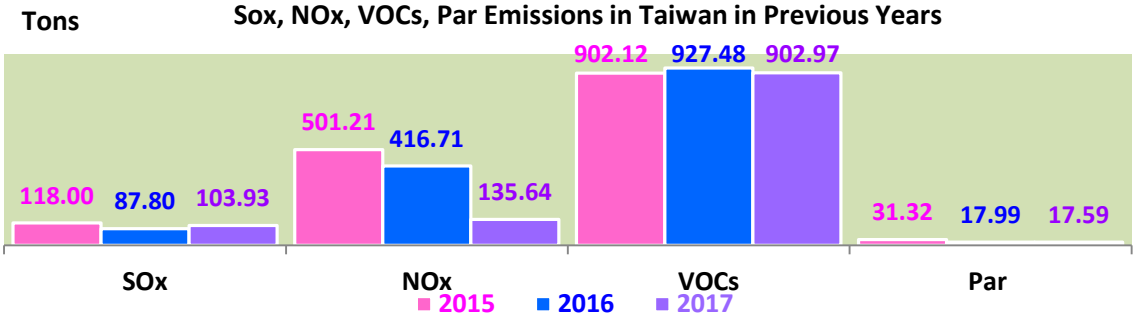
Emissions generated from the operation of facilities, such as internal freezers, coolers, refrigerators, Very High Voltage Generator Circuit Breaker (GCB), carbon dioxide fire extinguishers, and septic tanks.



- Unit Emissions = $\frac{\text{Total Annual greenhouse gas Emissions (Tons of } CO_2e \text{ Emissions)}}{\text{Annual Revenue income of the Taiwan Plant (NT\$ Million)}}$
- Source: Information declared to the county environmental protection bureaus by Formosa Taffeta Co., Ltd. (Taiwan).
- Statistics of GWP value are collected based on the categories of the Fourth Assessment Report announced by IPCC in 2007.
- Total emissions of Scope One and Scope Two in 2017 decrease due to year-by-year execution of emission reduction, and emissions per unit are in turn fewer than those of 2016.

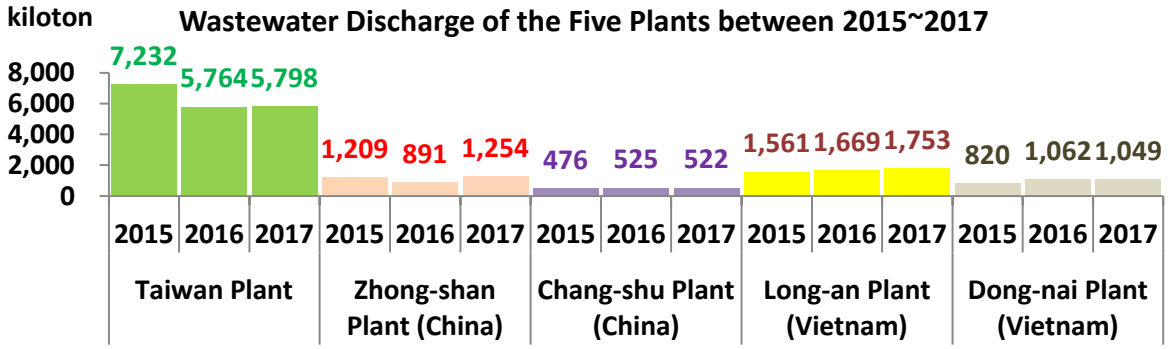
The ration of Scope 1 to Scope 2 Greenhouse Gas Emissions, counted according to the operational control criteria, of the Taiwan Plant for 2017 is 72.21%/29.79 %; the sources for Scope 2 emissions primarily come from the procurement of electricity. Data on Scope 3 indirect greenhouse gas emissions are hard to obtain due to actual usage. Currently, according to the greenhouse gas inventory conducted by the EPA, the inventory investigation will only identify the emission sources and provide a qualitative list instead of a quantified list. The emissions in this scope are primarily due to the commuting of employees, contractors, and client vehicles, as well as the handling of general industrial waste by commissioned contractors.

2. Other Air Pollution



- Source: Information declared to Environmental Protection Admiration of Executive Yuan by Formosa Taffeta Co., Ltd. (Taiwan Plant).
- SOx emission increased in the year than the previous year, due to the use of more low-pressure steam boilers with more SOx emission in steam generation, to fill the shortfall caused by the annual maintenance of cogeneration equipment ahead of schedule, plus the launch of RTO heat-preserving incineration process with higher SOx emission.
- In line with the promulgation of stricter air-pollutant emission standards for power facilities by the Environmental Protection Administration, the company installed SCR (selective catalytic reduction) equipment for cogeneration process M01 and M02, respectively in Dec. 2016 and March 2017, slashing NOx emission.
- VOCs emission dropped, due to installation of RTO (Regenerative Thermal Oxidizer) at the end of 2016, capable of burning and spoiling fume from water-soluble organic solvents, cutting VOCs (volatile organize compounds) emission.
- In line with air-pollution abatement policy of the environmental protection bureau, install wet-type smoke-exhaust desulfurizers or water scrubbers to control emission of particle pollutants discharged by cogeneration equipment and hot-media boilers.

(ii) Wastewater



Notes:

- Taiwan Plant: Thanks to higher water-consumption efficiency and recycling and reuse of discharged water, wastewater discharge didn't increase sharply along with capacity expansion. The final destination for the discharged wastewater is Dapu River. Chi Mei Inspection Tech Co., Ltd. is commissioned to conduct inspections on the quality of the discharged wastewater. Such statistics as water temperature, hydrogen ion concentration index, true color hue, suspended solids, chemical oxygen demand, biochemical oxygen demand, and anionic surfactants in the report are lower than the discharge standards published by the EPA.
- Zhong-shan Plant (China): For sake of quality, recycling and reuse of discharged water decreased, boosting the volume of wastewater. Wastewater from processes is discharged into Xijiang River after inner bio-treatment to the extent in conformity with local discharge standards.
- Chang-shu Plant (China): Wastewater discharge dropped thanks to higher utilization rate of recycled water. Daily-life and process-generated wastewater is channeled to wastewater treatment in factory premises for treatment into a level meeting the standard for discharge to the wastewater treatment plant in the industrial zone for further treatment.
- Long-an Plant (Vietnam): Increase of the kinds and volumes of products with dyeing and finishing processes led to increased wastewater discharge along with increased water-consumption. Wastewater discharged by the Long-an Plant undergoes treatment for attaining standards for the discharge of industrial wastewater (QCVN40:2011) and for wastewater discharge by textile plants (QCVN13:2015MT) before being discharged into Wangudong River.
- Dong-nai Plant (Vietnam): Water-consumption volume increased on capacity expansion of knitting and dyeing plants, plus inauguration of the second tyre cord plant, which results in more wastewater discharge. Wastewater of the Dong-nai Plant undergoes treatment for attaining the standard for discharge of the industrial zone before being channeled to the zone's wastewater treatment plant for further treatment and discharge.

(iii) Waste

Amount of Waste Disposed, Classified in Accordance with Toxic/Non-Toxic/Handling Methods of the Five Plants in Three Countries in 2017 Unit: Ton

Plant	Taiwan Plant		Zhong-shan Plant in China		Chang-shu Plant in China		Long-an Plant in Vietnam		Dong-nai Plant in Vietnam	
Type / Handling Method	Toxic	Non-Toxic	Toxic	Non-Toxic	Toxic	Non-Toxic	Toxic	Non-Toxic	Toxic	Non-Toxic
Reusing		24,294						244		
Recycling		-		156	0.68	165	29	1,656	11	3,198
Recovery (including recovery of renewable energy)		0						95		
Incineration		3,492			9				350	
Burying		404			2,094			3,325	12	4,081
Outsourced Disposal	8.19	0	1,971	1,897					49	
Cleaning		0			1.5					
Other 1		0					7			
Other 2							5,386			
Total Disposed Waste	8.19	28,190	1,971	2,053	2,105	165	5,422	5,320	422	7,279

- Handling methods of Zhong-shan Plant (China), Chang-shu Plant (China,) and Dong-nai Plant (Vietnam) are not further classified.

(IV) Violations and Environmental Protection Expenditures

i. Total Expenditures on Damages and Penalties due to Environmental Pollution and Employees' Work-related Injuries in Recent Years

Year / Item	2015		2016	2017
Compensation Subjects or Enforcement Organization	Yunlin Environmental Protection Bureau	Dong-nai Fire Department (Vietnam)	Occupational Safety and Health Administration Ministry of Labor of the Central Area	Bureaus of County/City Government
Compensation or Penalties	NT$ 136,000	NT$ 2,300	NT$ 60,000	NT$ 502,000

Violations in 2017:

- Three gas stations were fined NT$12,000 each for violation of the Water Resource Act, one was fined NT$100,000 for violation of the Air Pollution Control Act, plus NT$126,000 fine for violation various regulations on waste disposal and NT$60,000 each for four cases of work-related injuries of factory employees.

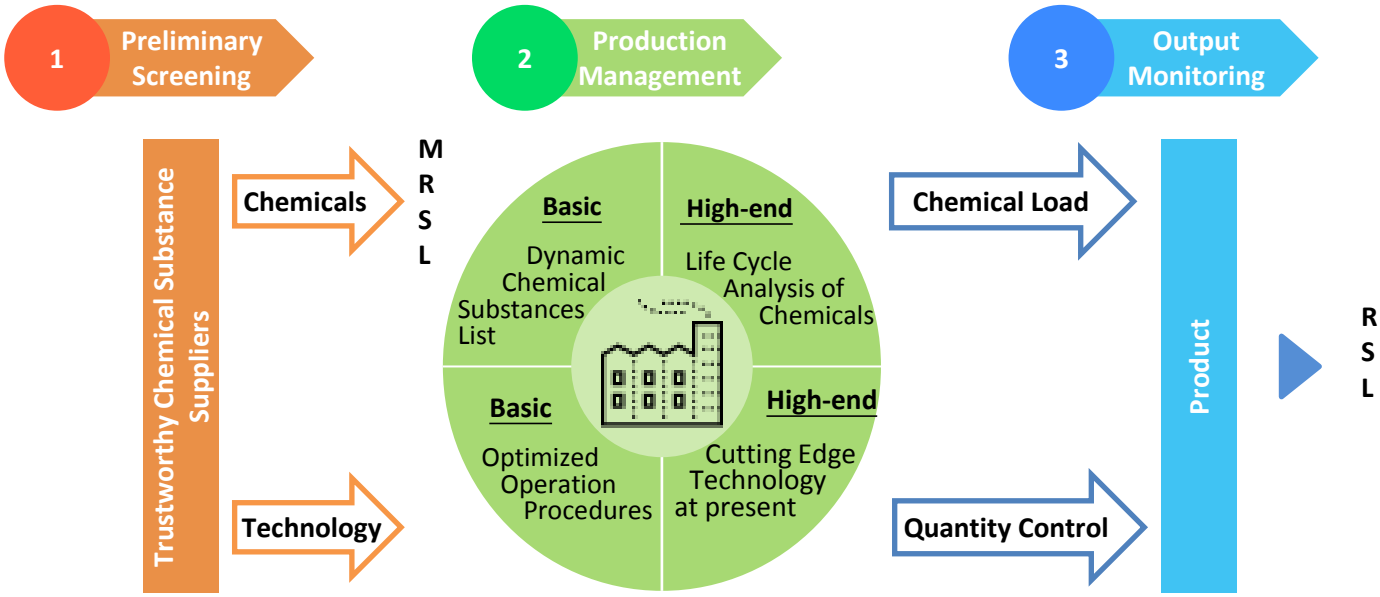
ii. List of Achievements for Execution of Energy Conservation Programs

Completed conservation projects in 2017_Taiwan Plant

Total Projects	Performance of completed conservation projects						Invested Amount (Thousands of NTD)
	Conserved Steam (MT/HR)	Conserved Water (MT/Day)	Conserved Electricity (KW)	Conserved Fuel (KG/HR)	Reduced Emissions of CO_2 (Tons/Year)	Accumulated Amount (Thousands of NTD/Year)	
55	1.06	3,988.2	587.19	82.24	9,260.89	30,412.58	45,336.3

(V) Development of Green Sustainability

In order to fulfill the social responsibilities of environmental protection and consumer safety, as well as implement sustainability policies, the Company has conducted stringent tests and experiments on the chemicals applied to fabrics to evaluate and ensure that the quality and composition of the products comply with the requirements of the customers and the regulations. The Company will also send materials and products to third-party laboratories for inspections to ensure that the materials used and the products are safe. The Company has implemented a three-phase management measure on chemical substances, revolving around two key themes, which are explained below:



1. Preliminary Screening + Pre-Purchase Inspection

Chemical substances should conform to the specifications of the Safety Data Sheet (SDS) or carry a Declaration of Conformity (DoC). Then the chemical substances must pass the pre-purchase inspection and production test before the material can be included in the list of useable materials. Each time the material is procured, sample inspections will be conducted to ensure that the quality conforms to the relevant standards.

2. Production Management

Establish Standards for the Handling and Operation of Chemical Substances, including procurement, application, storage, transportation, and disposal handling measures. The measures should be further classified as basic level and high level to ensure constant improvements to the procedure.

3. Output Monitoring

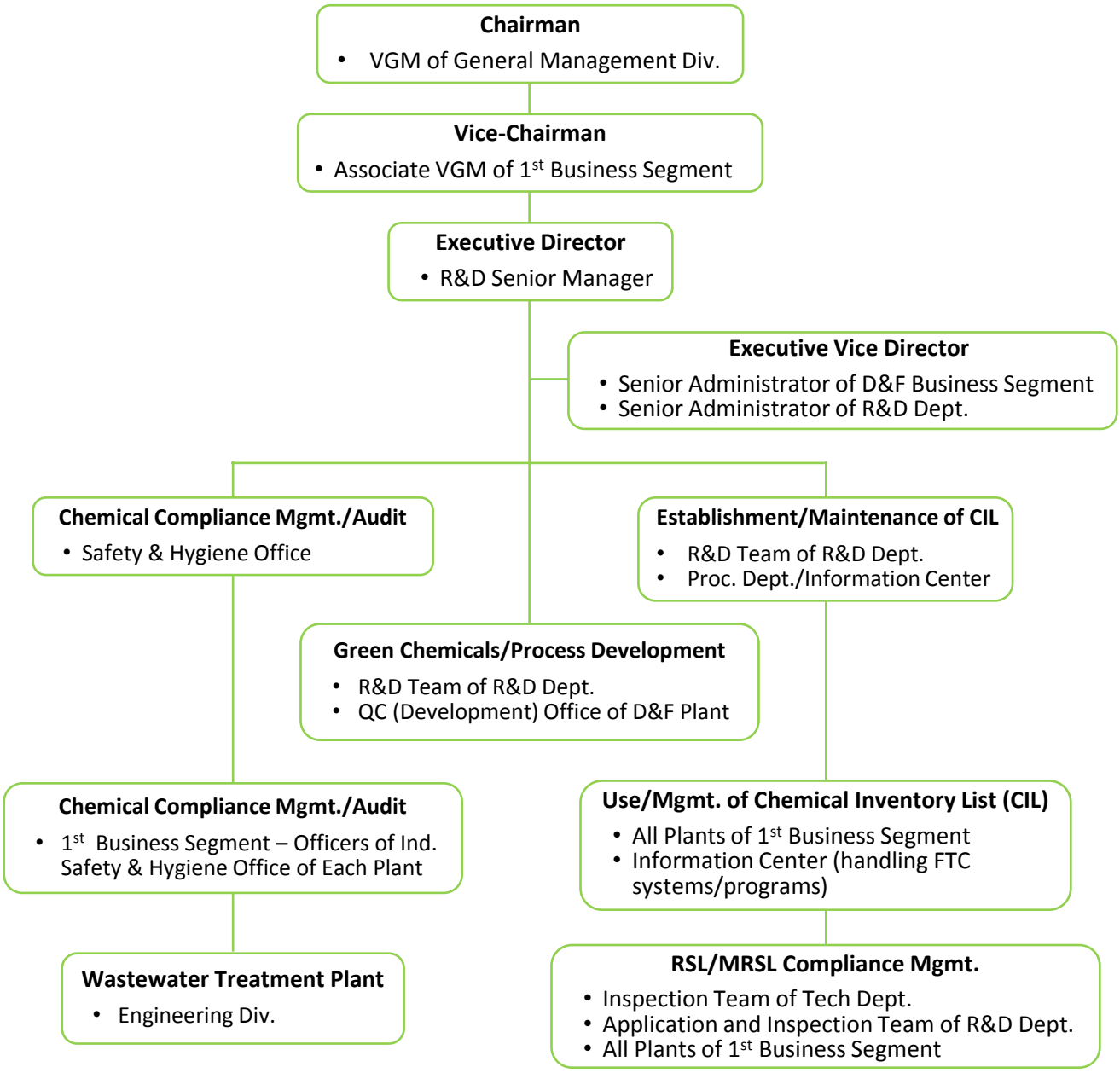
This phase is mainly classified into chemical usage, product yield, and discharge management. The aim of this phase is to ensure that the maximum production yield can be achieved with the minimal use of chemical substances, thus achieving the ultimate objective of reducing discharge volume.

Two Themes

1. Life cycle analysis of basic chemical substances and high-end chemical substances, including load analysis of the final environmental chemical substances
2. Basic optimization procedures and high-end cutting-edge technology are classified under production management and optimization.

Through the above chemical management structure, the security of product users and the green material quality of the textile supply chain can be improved, allowing the Company to progress towards its objective of achieving Zero Discharge of Hazardous Chemicals by 2020.

In order to achieve the goals of Zero Discharge of Hazardous Chemicals by 2020, the Company signed a declaration warranty in 2013, pledging that the raw materials used in production shall not contain specific hazardous chemicals. With regards to the information disclosure and transparency of the raw materials, more communication is needed with suppliers. The Zero Discharge of Hazardous Chemicals Project Committee has also been established with the following organization structure:



The above structure was approved by the 1st Business Segment at a meeting on May 9, 2014. The job responsibilities will remain unchanged, should there be minor adjustment in the organization of the unit in subsequent years.

Operations and Responsibilities of Relevant Departments

1. R&D Center: Responsible for establishing safety standards for raw materials, management of the Company's environmental protection commitment of suppliers, and procurement inspection of dyes/chemicals.
2. Materials Department: Responsible for establishing basic profiles for dye/chemical suppliers.
   Note: Full inspection must be conducted for Category 12 and Category 13. If the supplier would like to apply for inspection exemption, then the on-site procurement department must present a signed application to be submitted to the President Office for approval.
3. Technology Department: Responsible for the management of Oeko-Tex Standard 100 certifications, Restricted Substances List of each brand, and the endorsement of guarantees required by the clients.

ZDHC Short-term, Medium-term, and Long-term Plans

Short-term Objectives:

1. Stocktaking of Chemical
2. The establishment of a ZDHC database, including such information as the Globally Harmonized System (GHS), SDS, Technical Data Sheet (TDS), Supplier Information, Chemical Oxygen Demand (COD), consumption, etc.
3. Register the 16 prohibited chemicals of ZDHC under restriction control
4. Requests for suppliers' offer of the 3-in-1 Guarantee1/16 Prohibited Substances Guarantee
5. Chemical Procurement Screening (Selecting chemicals based on the MRSL)
6. Gradual increase in utilization ratio of environmentally friendly waterproof agents
7. Checks of final fabrics by the Technology Department to see whether they are produced without materials in the RSL
8. The establishment of Standard Operating Procedures for Chemical Management.

   Note:

   3-in-1 Guarantee
   - Guarcompliance with Oeko-Tex Standard 100 Specifications
   - Guarantee of compliance with SVHC Specifications of EU REACH
   - Guarantee of compliance antee of with ZDHC/MRSL

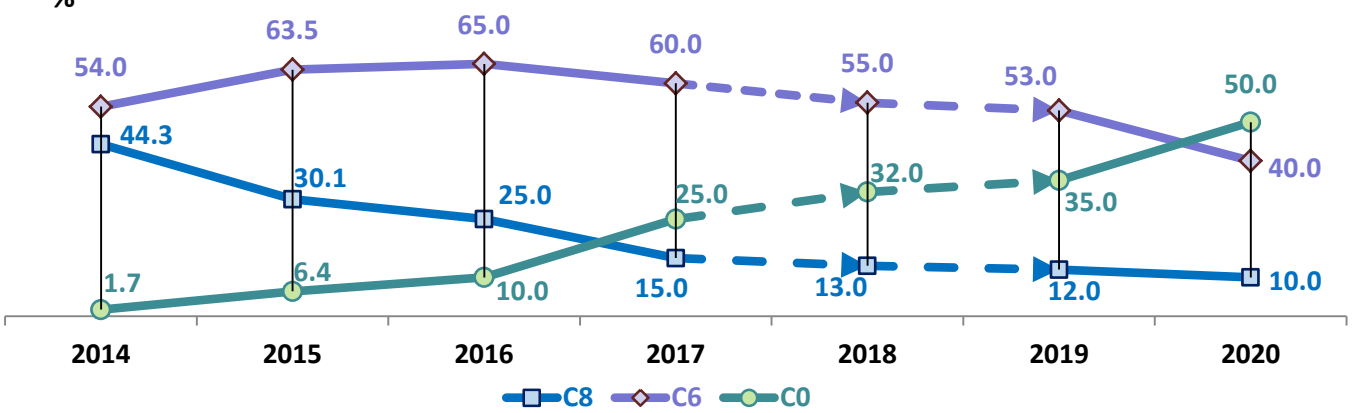
Mid-term Objectives:

1. To decrease consumption types and amount of chemicals; to increase reuse
2. To compare toxicity of chemicals during procurement and request inspection reports from suppliers for comparison
3. To calculate the Chemical Oxygen Demand required for the total discharge of chemicals, establish targets, and reduce the proportion
4. To establish environmentally friendly production lines

Long-term Objectives:

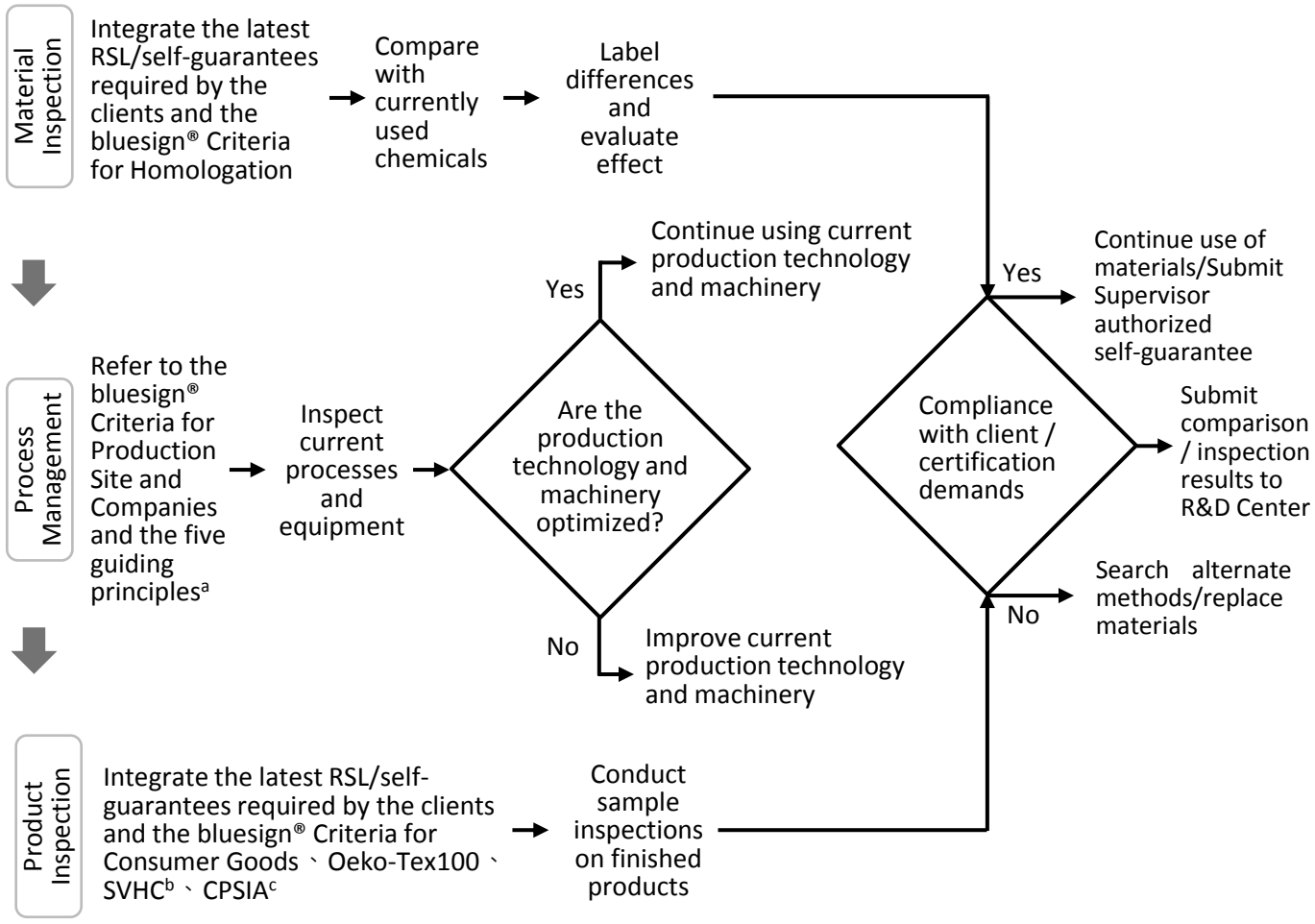
1. All fabric types should have production traceability records so that every batch of chemicals can be traced and information details can be checked.
2. All products should comply with the environmentally friendly and non-toxic discharge standards of the ZDHC. Taking fluoropolymer for example, long-chained fluoropolymer has been gradually replaced with short-chained one and eventually with fluorine-free one.
   - The use of long-chained C8 was gradually reduced over the years in conjunction with the PFOA/PFOS draft regulation proposed by the United States EPA. Umbrella fabric still needs the addition of strong water repellent agent C8, with a share of around 10%, whose waste liquid will be recycled for treatment.
   - To satisfy environmental protection demands of the brand products, a shift from C8 to C6 or C0 FC chain length is in progress.
   - The dotted lines represent the projected consumption targets for 2017~2019.
3. The objectives of zero discharge of hazardous chemicals should be attained by 2020.

Current and Planned Annual Consumption of Fluorocarbon and Fluorine-free Polymer



Implementation Measures for the Three Phases

The management procedures of the Company for materials, production processes, and the hazardous chemicals in products are conducted based on the procedure of defining standards → Implementation of Management → Product Inspection. The procedures are summarized below:



Notes:

a. Five Guiding Principles of bluesign®

(a) Resource productivity: Define the ecological challenges, economic priorities, and the added values of the bluesign® system during textile production processes.

(b) Consumer Safety: Adopt comprehensive measures to ensure that the bluesign® system complies with moral ethics to provide clients with high-quality textile products.

(c) Wastewater Discharge: The bluesign® system aims at eliminating hazardous chemical substances to reduce water pollution and promote the use of advanced wastewater treatment systems.

(d) Waste Gas Emissions: Engage in active weather protection, including the use of low emission components, optimizing energy consumption, and strict monitoring of the emission limits of all production processes.

(e) Occupational Health and Safety: Adopt strict guidelines for the use of sustainable chemicals in the textile supply chain in order to provide a positive influence for the collaborating partners in the bluesign® system. (Refer to the "Green Trade Information" website, http://www.greentrade.org.tw/node/43646.)

b. SVHC: Substances of Very High Concern, announced by the European Chemicals Agency (ECHA); items on the candidate list are 181 in total.

c. CPSIA: Consumer Product Safety Improvement Act, a United States law signed on August 14, 2008 by President George W. Bush, that requires manufacturers and importers to submit documentation of testing by recognized third-parties.

i. Using Green Materials

In order to allow compliance with safety management regulations for the use, storage, and transportation of hazardous chemicals, as well as ensure the safety of the operating personnel and equipment, the Company adheres to relevant regulations, such as occupational safety, fire safety, and transportation, to stipulate relevant document management and Standard Operation Procedures (SOP), which will strengthen safety management, operation control, safety and health facility establishment, emergency handling, and supervision inspections in order to reduce hazards of the chemicals.

(i) Procedure Manuals for Chemical Management Stipulated by Formosa Taffeta

Chemical Management Item	Management Regulations Stipulated by FTC
Management of Hazardous Chemical Labeling and General Knowledge	Regulations for the Management of Hazardous Chemical Labeling and General Knowledge
Management of Dangerous Objects	Regulations for the Management of Public Hazardous Objects
Management of Chemical Operations	Regulations for the Management of Hazardous Chemical Operations
Personnel Management Training	Regulations for the Management of Personnel Training
Hazardous Chemical Operating Environment	Regulations for the Management and Monitoring of the Operating Environment

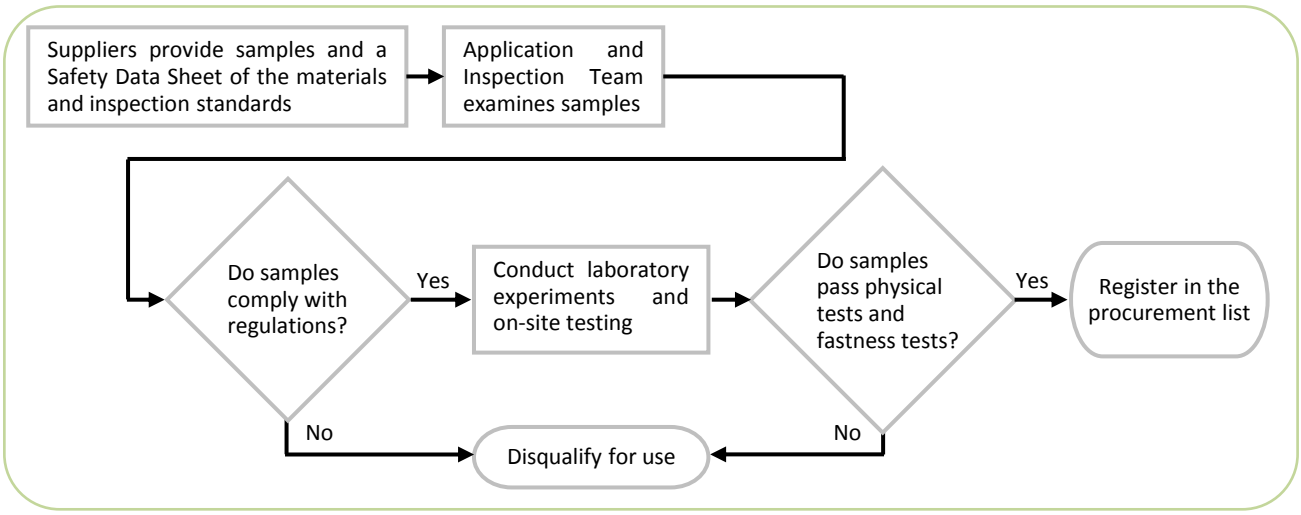
(ii) Chemical Control Banding (CCB)

In conjunction with the provisions of the "Occupational Safety and Health Act" and the increase in demands of chemical management by the stakeholders, the Industrial Safety Office of the Company has stipulated the Chemical Control Banding (CCB) regulation, which will provide the basis for evaluating the risk level and enforcement rules for control banding in accordance with the health hazards, spread, and usage of hazardous chemicals. After gathering the Industrial Safety Officers of each Plant for personnel training, each Plant will establish the "Hazardous Chemical Assessment and Grading Table" and schedules for the implementation of the chemical control banding in accordance with their specific needs and record such information as assessment methods, control banding measures, and implementation logs of the chemical control banding for future reference to facilitate the institutionalization and traceability of the chemical control banding system.

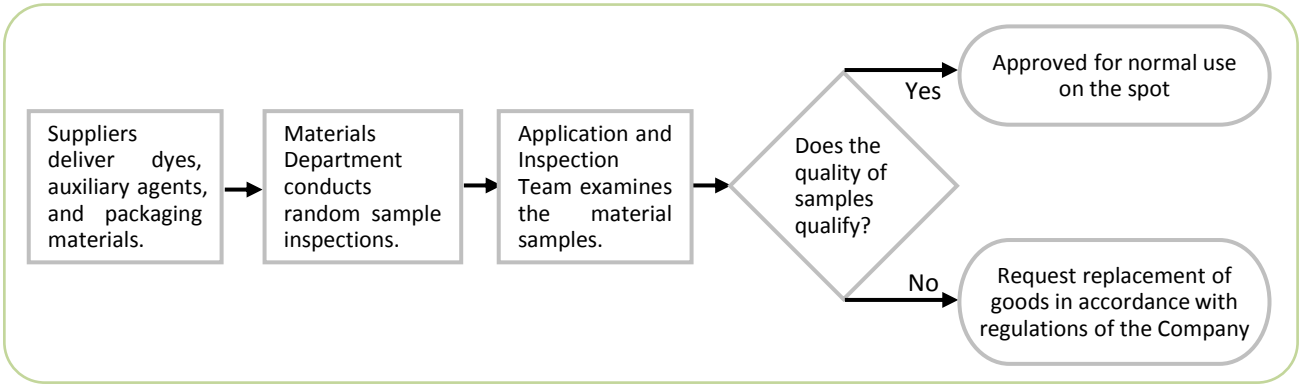
(iii) Hazardous Chemical Inventory Management

The Application and Inspection Team of the R&D Center specializes in the stipulation of standards for the composition/quality of dyes, auxiliary agents, and packaging materials, as well as the quality determination for procuring said materials. Through the inspection of every batch of materials, source management can be achieved to ensure that the quality conforms to clients' requirements. The materials currently in use have undergone stringent reviews, inspections, and tests to ensure that all products comply with the Oeko-Tex® 100 Standard Certification and clients' standards. Suppliers that have not yet obtained environmental certificates will be required to present environmental protection guarantees that prove that the supplier meets the specifications of Oeko-Tex® 100 Standard and complies with the SVHC inventory management of the EU REACH, as well as that their products contain zero organotin or APEO contents. If the supplier is unable to provide such guarantees, then the supplied products will not be registered for use in the material inventory, and if subsequent improvements or corrective measures are not made, then the supplier will be eliminated from the collaboration list.

Establish Chemical Inventory Management



Feed Material Inspection



(iv) Transportation and Storage Management of Chemicals

In addition to establishing clear warning signs and labels for storage in order to increase the awareness of onsite personnel regarding potential hazards and self-protection, the Company has also installed anti-overflow embankments of suitable height or leakage prevention devices with similar functions in the vicinity of the transportation facilities, storage tanks, and pumps to prevent hazards related to chemical spills and pollution. The inspection of the transportation facilities and storage tanks will be irregularly conducted by the Standards Team and Industrial Safety Office of the President Office. If any leakage or abnormality is discovered, a basic quarantine will be established on the premises, and the responsible personnel will be requested to conduct detection at the site of the reported abnormality and reinforce protection measures in order to ensure prompt response to the crisis and effective control of hazards and damages..

(v) General Knowledge of Hazards

In order to ensure that the onsite personnel have full understanding of the different types of hazardous chemicals and that chemical usage conforms to the “Regulations for the Management of Hazardous Chemical Labeling and General Knowledge”, the Company has stipulated the General Knowledge of Hazards Plan to standardize the professional knowledge of relevant operating personnel so that they can fully recognize the properties of the hazardous chemicals, emergency response measures, and preventive measures within their scope of duties and consequently prevent the incidence of disasters or reduce the degree of damage.

The planning and promotion of the General Knowledge of Hazards is conducted by the Industrial Safety Office. In reality, the promotion of the plan requires the supervision and promotion of relevant departments, plants, and plant directors, as well as the cooperation of relevant departments, plants, and Industrial Safety Officers in the implementation of the following items:

1. Compilation and organization of the “Hazardous Chemical Inventory”
2. Preparation of the floor layout of the plant for the storage location of hazardous chemicals
3. Preparation of the labeling for hazardous chemicals

4. Examination of the “Safety Data Sheet” of the hazardous chemicals and review of the accuracy of the contents in the Safety Data Sheet and timely updates as required by the actual conditions. Such reviews should be conducted at least once every three years.
5. Supervision of personnel training for the “General Knowledge of the Manufacturing, Handling, and Usage of Hazardous Chemicals”
6. Stipulation of the Accident Prevention and Emergency Response Measures Table
7. Assisting the Industrial Safety Office in the General Knowledge of Hazards promotion campaign
8. Other necessary measures to ensure that employees are fully aware of the information regarding the hazardous chemicals.

Drill on leakage of chemicals inside factories

(vi) Personnel Training and Emergency Response Drills

The Company shall organize regular training for the general knowledge of hazards and require that all personnel involved in the handling or exposed to the operation site of hazardous chemicals should receive training. Furthermore, training information should be kept complete for inspection and reference. The hazardous chemical operating departments will conduct emergency response drills in accordance with their duty shifts once per year, which will simulate the disasters that may arise from different types of hazardous chemicals, train personnel to ensure understanding and familiarity with the emergency response handling procedures, techniques, and use of firefighting equipment, and record any mistakes and possible improvements identified in the drills.

Joint Toxic Disaster Drill

Joint Disaster Drill Conducted by the Yunlin County Government

Flow chart for reuse of recycled materials at plastic processing factory

Recycled waste films (including films disposed by U-cut) from the operation of film blow-printing machine/dot-breaking machine/paper bag machine → Pulverize waste films (with pulverizer or dicer cutter) → Collect recycled materials (with Film recycling machine) → Put recycled materials in barrels or bags

Use and sale of recycled materials

Year	Annual recycled quantity (tons)	Own use by factory		External sale	
		Qty (tons)	Recycled rate (%)	Qty (tons)	Recycled rate (%)
2017	1105.6	998.2	90.3	107.4	9.7
2016	1059.0	1045.6	98.7	13.4	1.3
2015	960.6	937.5	97.6	23.1	2.4

Film recycling machine

Dicer cutter

Pulverizer

Waste films in bags (including films disposed by U-cut)

Recycled materials in barrels (for own use)

Recycled materials in bags (for own use or sale)

Recycled materials in bags (for sale)

ii. Green Production Processes

Adhering to the management philosophy of green sustainability, the Company has made extensive use of recycled materials and biomass materials, made improvements to its production processes, installed energy conservation devices, and improved energy and resource efficiency in the hopes of reducing carbon emissions and environmental impacts. To achieve this objective, the Company has already implemented the following measures. In the future, depending on market trends and environmental needs, annual adjustments will be made to the following measures in the production processes.

Annual Practices for Green Production Processes	
● Development of Recycled Nylon and Recycled Polyester. In 2017, the proportion of recycled fabric products in Taiwan Plant was: Nylon 1.3%, Polyester 6.4%, and that of five plants was Nylon 0.6%, Polyester 9.1% (GRS Reg. No.: CU 816779)	● For dyes and auxiliaries used in entire production line processes, request guarantees from suppliers to ensure compliance with EU REACH specifications, Oeko-Tex® Standard 100, and ZDHC/MRSL requirements; conduct irregular sample inspections and commission third-party certification organizations
● Introduction of Teijin Morphotex®, which contains light interference fibers and allows for popular colors without dyeing or the use of dyes or auxiliary agents.	● Promote the first-time success rate and decrease the rate of repeated processing by upgrading equipment, improving processes, and increasing productivity
● Bio-mass material application, such as DuPont Sorona® fiber. In 2017, the application of this biomass material accounted for 0.04%.	● Replace traditional solvent-based adhesives with water-based Acrylic and Polyurethane adhesives
● Establish the conversion of dry paper to printed product series	● Promote environmentally friendly, water-conserving, energy-conserving and carbon-reducing processes and products
● Using and promoting organic planted cotton yarn and fabric (GOTS and OE Reg. No.: CU809578)	● All fireproof processing should use Halogen-free and Antimony-free flame retardants
● Introduce dyeing chemicals extracted from plants planted using sustainable methods to reduce the consumption of petrochemical feedstock	● Recycle waste thermal energy and wastewater; actively promote concepts of converting waste of previous projects into resources for future projects
● Introduce and implement the Zero Discharge of Hazardous Chemicals (ZDHC) plan	● Develop and introduce water-free water repellent processing; progress towards a water-free production line
● Research and introduce water-free dyeing and finishing equipment and technology, for example, the evaluation and introduction of the Supercritical CO_2 Fluid and the advanced technology research of atmospheric pressure plasma finishing	● Wet, moisture permeability, and waterproof processing has the advantage of allowing the recycling and reuse of dimethylformamide (DMF); promote an increased utilization rate of the production line due to this process
● Introduce short-chain C6 and C4 Fluorine-free water repellent processes to eliminate PFOA and PFOS. Currently accounting for 30%~40% usage, the usage will be increased annually and is projected to reach 100% by 2020.	

Current and Planned Annual Consumption of Fluorocarbon and Fluorine-free Polymer

Unit:%

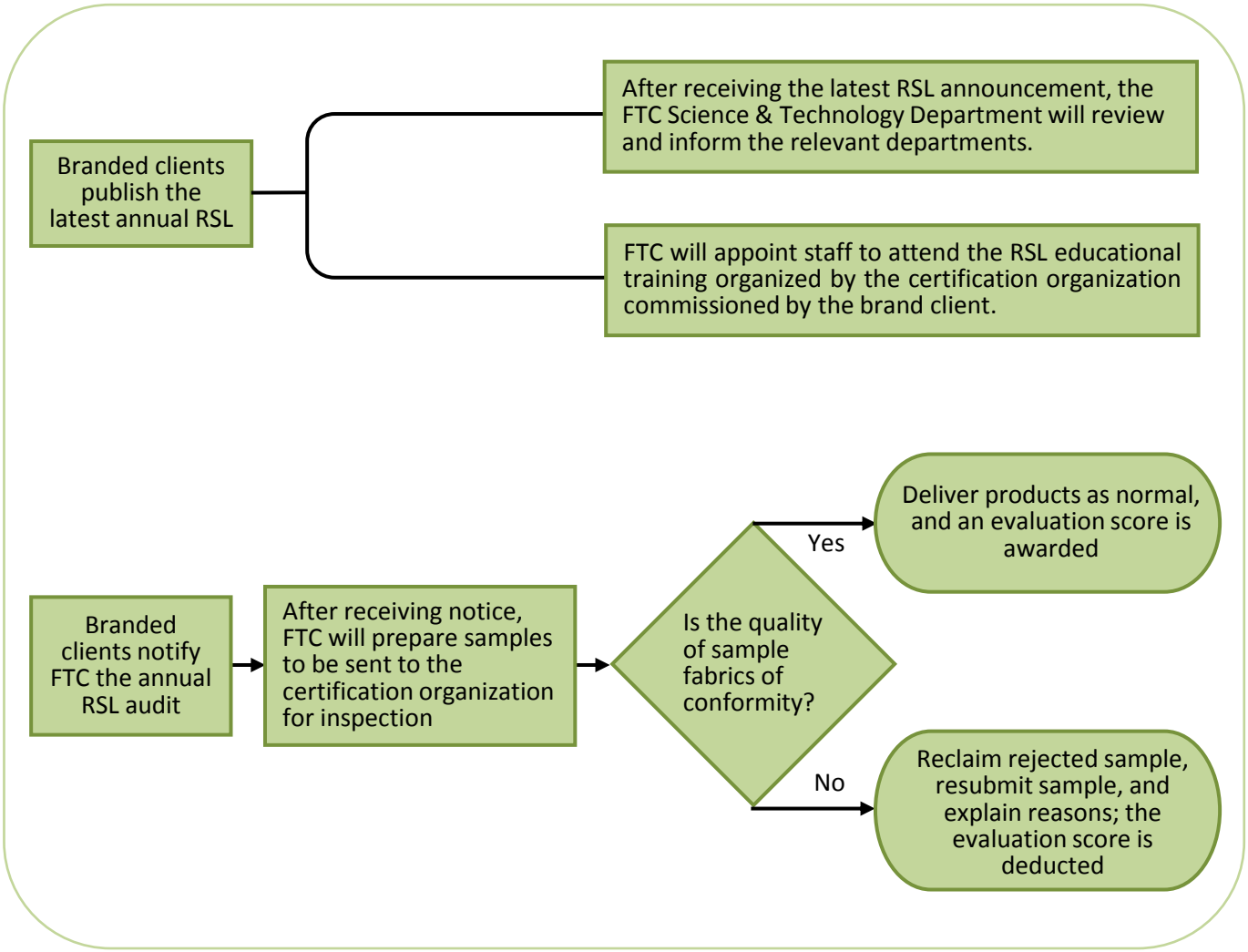
	C8		C6		FC free	
Year	Target	Actual Value	Target	Actual Value	Target	Actual Value
2017	15.0	17	60.0	58	25.0	25
2016	25.0	23	65.0	64	10.0	13
2015	30.1	30	63.5	65	6.4	5

iii. Green Products

(i) Finished Product Inspection – RSL Review of Each Brand

Fulfilling the social responsibility of environmental protection and consumer safety is a commitment of the company for the sake of sustainable development. In compliance with the Restricted Substances List (RSL)lists of restrictive materials annually put forth by major brands, by branded customers, such as NIKE, adidas, PUMA, Vf, every year, we demand downstream firms attending relevant explanation sessions illustration conferences, so as to acquaint them with changes updates in the lists and the latest international management/control mechanisms. .

In order to ensure compliance with branded clients'' RSL specifications, FTC has implemented the following self-management process:



All fabrics of 5 Plants in 3 countries meet the quality standards for testing inspection criteria of local governments or international regulations and the management/control criteria on specifications of hazardous materials set by branded customers. Products are annually sent to a third-party fair notarization bodies for inspection, and product guarantee s are offered by our technical division issuance of warranty. As of the end of the fiscal reporting year (on a calendar year basis) for the CSR report, all products had passed branded customers' annual spot check of branded RSL, and Oeko-Tex ® Standard 100 certification, etc., and the use of materials (including new dyes and auxiliaries) is given to those in conformity with bluesign® criteria. In addition, the company has formulated "regulations for the governing management of chemicals (510-20-M003)," "standards for the development of new auxiliaries for the R&D section (808-40-A001)," attesting to the rigorous standard and high regard for products regarding the health and safety of customers. In the future, we will continue to uphold this belief, strive for clients' health and safety and the environmental sustainability, and seek more rigorous monitoring and management processes.

(ii) 24 Product Categories that have passed Product Carbon Footprint Certification

With the promotion and planning of the Lean Management Team, which is now renamed as Sustainable Development Section, and R&D Center, in 2012, the Company conducted the Product Carbon Footprint Certification for 24 product categories in accordance with the PAS 2050: 2011 to calculate the total amount of greenhouse gas emissions produced by the products, from obtaining their raw materials to the final manufacturing phase. This allows the Company to implement energy management and efficiency improvement plans, enhance energy efficiency, and reduce carbon dioxide emissions in order to achieve the objectives of low carbon production and reduction of environmental impacts. Through the guidance offered by the Taiwan Textile Research Institute (TTRI), the Company has passed the BSI Certification and obtained the Product Carbon Footprint Certification for 24 product categories. Obtaining such certifications has created a world record for the most number of certifications obtained in a single inspection.

The 24 product categories are functional fabrics that can satisfy 80% of market and client demands. The functions and uses of the products summarized below:

Processing Item	Functions	Uses
Nylon/Polyester Dyeing & Setting Process for Woven Fabrics	General dyeing and setting	Linings, shell fabrics (Clients may opt for finishing and laminating)
Nylon/Polyester Dyeing & Absorbent Process for Woven Fabrics	Moisture absorbent and quick drying	Sportswear, jackets, golf wear
Nylon/Polyester Dyeing & Water Repellent Process for Woven Fabrics	Stain-proof, waterproof, air permeability	Shell fabrics, inner tent layer, sports and leisure wear, jackets
Nylon/Polyester Dyeing & Water Repellent & Finishing Process for Woven Fabrics	Down-proof, waterproof, soft texture	Vests, coats, jackets, sport jackets, fashion wear
Nylon/Polyester Dyeing & PU Coating Process for Woven Fabrics	Waterproof, moisture permeability, wind resistant, colored plastic, glossy	Raincoats, coats, sport jackets, fashion wear, mountaineering jackets
Nylon/Polyester Dyeing & Acrylic Coating Process for Woven Fabrics	Waterproof, moisture permeability, wind resistant	Umbrellas, tents, sport jackets, fashion wear
Nylon/Polyester Dyeing & Lamination Process for Woven Fabrics	Waterproof, moisture permeability, wind resistant, warm	Raincoats, coats, sport jackets, fashion wear, mountaineering jackets
Nylon/Polyester Printing & Water Repellent Process for Woven Fabrics	Printing, stain-proof, waterproof, air permeability	Umbrellas, shell fabrics, sports and leisure wear, beach pants, fashion wear
Nylon/Polyester Printing & Water Repellent & Finishing Process for Woven Fabrics	Embossing, down-proof, water-proof, soft-texture	Linings, shell fabrics, coats, jackets, sport jackets, fashion wear
Nylon/Polyester Printing & PU Coating Process for Woven Fabrics	Waterproof, moisture permeability, wind resistant, colored plastic, glossy	Raincoats, coats, sport jackets, fashion wear, mountaineering jackets
Nylon/Polyester Printing & Acrylic Coating Process for Woven Fabrics	Waterproof, moisture permeability, wind resistant	Umbrellas, tents, sport jackets, fashion wear
Nylon/Polyester Printing & Lamination Process for Woven Fabrics	Waterproof, moisture permeability, wind resistant, warm	Raincoats, coats, sport jackets, fashion wear, mountaineering jackets

iv. Environmentally Friendly Production Processes and Product Certificate

Based on the objectives of environmental protection and sustainability, respecting life, commitment to local charities and social well-being, and cherishing ecological research and environmental protection, the Company has obtained the following certificates since 2009: OHSAS 18001＆TOSHMS, ISO 14001, product carbon footprint certificate, and ISO/CNS 14064-1:2006 Inventory. The overseas plants have also actively strived to achieve such certifications. The certificates obtained by the plants are summarized in the following table:

Certification Items		Certified Plants				
		Taiwan	Changshu	Zhongshan	Dong-nai	Long-an
Certificates of Eco Products ＆Production Processes: Oeko-Tex ® Standard 100 Certification		✓	✓	✓		✓
GOTS Organic Cotton Certification		✓				
OE Organic Cotton Certification		✓				
GRS Polyester Recycle Standards		✓				
Organization Quantification and Reporting of Greenhouse Gas (GHG) Emissions (ISO 14064-1)		✓				
Occupational Health and Safety Administration System Certification (OHSAS 18001), 2007		✓	✓	✓	✓	✓
Taiwan Occupational Safety and Health Management System (TOHMAS Certification)		✓				
Environmental Management System	(ISO 14001:2015)	✓				
	(ISO 14001:2004)	✓	✓	✓	✓	✓
Quality Management System	(ISO 9001:2015)	✓				
	(ISO 9001:2008)	✓	✓	✓	✓	✓
bluesign® Standard Certification		✓	✓	✓	✓	✓
Product Carbon Footprint Certification PAS2050, 2011		✓				
Energy Management System (ISO 50001), 2011		✓				

※Regarding the relevant certificates, the Company will continue to conduct annual inspections and upgrade third-party certifications in accordance with the certificates' expiration.

※The Taiwan Plant premises already passed the certification of the new edition of ISO 14001:2015 in Dec. 2017 and overseas factory premises are expected to pass the new-edition certification by Aug. 2018 entirely.

The self-supervision demonstrated by the Company in obtaining such certificates has demonstrated the determination of the Company to protect the environment and its clients and pursue sustainability. In addition to dedicating efforts to mitigate the impacts of global climate change and promoting a green supply industry chain, the Company has also taken steps to ensure that contractors in the textile industry chain can similarly report improvements in energy conservation and emission reduction when they choose FTC's products.

Environmental Aspect

(I) Employees: Building a Healthy and Safe Work Environment for Personal Enrichment

Knowing how to make everyone work at ease and give full play to their expertise has always been an objective of Formosa Taffeta. In order to attract outstanding talents, the Company offers stable and competitive salaries in accordance with company regulations, as well as complete training programs and career development planning that allow employees to upgrade their professional capacities. Together with the comprehensive welfare benefits and the creation of a safe and healthy work environment, the physical and mental health of the employees can help achieve the best utilization of human resources. Furthermore, multiple communication channels have been established to solicit employee suggestions and safeguard employee rights, thus establishing a firm foundation for the sustainable development of the company.

i. Human Rights Protection

FTC has always ensured strict compliance with both domestic and international labor and human rights regulations and has always treated all employees equally, and the related information is disclosed on http://www.ftc.com.tw and FTC's annual report that includes the following:

A. Stipulation of "Work Regulations": "Work Regulations" are stipulated in compliance with the labor regulations of the government to protect the working conditions and the rights of the employees, and anti-discrimination policies of gender, age, religion, and ethnicity.

B. Open recruitment information and impartial selection: The Company provides open, fair, and just employment opportunities to all job seekers in compliance with provisions of the "Employment Service Act".

C. "Regulations Governing Grievance for Inner and Outer Stakeholders": The Company has established various reporting channels, including suggestion boxes, reporting forms, a direct line (05-5577011), and e-mail (t1000@ftc.com.tw), etc. for employees to report a complaint at any time when they feel that their rights are being infringed or they are subject to inappropriate treatment. Three types of reporting channels—the level-by-level report, the next-level report, and the inter-departmental report—are provided. Complaint materials are handled by designated staffers in a confidential manner and complainers are well protected against any revenge afterwards. There was no complaint on employees' interests and human rights in 2017. Suggestions on daily-life affairs were handled and responded by the administrative department immediately (http://www.ftc.com.tw/doc/ftc_e1.pdf).

D. Status for the operation of "Reward and Penalty Committee" (http://www.ftc.com.tw/ftc90a3.htm)：Major reward or penalty cases are discussed and reviewed by high level managerial staff.

E. "Sexual Harassment Prevention Regulations": "Committee for Evaluating Complaints on Sexual Harassment" and reporting channels, such as a direct line (05-5577123)、fax number (05-5573888), e-mail (t2041@ftc.com.tw) etc., are set up; the advocacy of sexual harassment prevention is strengthened to the advocacy of sexual harassment prevention "Personal Information Management" policies: Ensuring the proper custody and handling of employees' confidential information

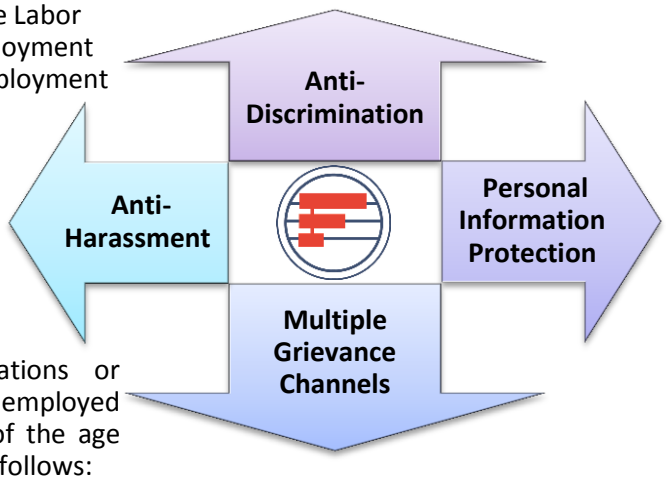
F. "Specifications for Employee Rights Protection": The Company abides by the regulations pertaining to the Prohibition of Forced Labor, such as the Labor Standards Act and the Occupational Safety and Health Act. In 2017, no complaint cases were reported.

G. Status for the operation of labor union: The labor union was established in 1976 to regularly conduct committee and supervisor meetings and member meetings, and negotiate with the Company on labor issues to protect employees' rights and promote a harmonious labor/management relations (http://www.ftc.com.tw/doc/ftc_labour_relations_benefits.pdf).

H. Information on labor-management consultation (only record of the number of meetings, without publicizing the contents of consultations): Four labor-management meetings were held in 2017.

(i) Employment

The recruitment operation of Formosa Taffeta has always abided by the principles of fairness, justness, and openness. Employee candidates are determined based on the performance of each batch of interviewees, in complete compliance with the Labor Standards Act. The Company' s policies forbid the employment of child laborers; at the same time, based on equal employment rights, consideration for employment is based on personal professional capabilities and experiences, instead of such factors as age, ethnicity, sexual orientation, religion, political standing, birthplace, marriage, appearance, or disability. After individuals are hired, their promotion, assessment, training, and reward/punishment system are regulated by clear regulations to ensure equal treatment for all employees. No incidents of human rights violations or discrimination among the hired employees and of employed child laborers were reported in 2017. The analysis of the age groups and proportion of new employees in 2017 is as follows:



Age Group Analysis of New Formal Employees in the Five Plants in 2017

Age Group	Taiwan Plant			Taiwan FGS			Zhong-shan Plant in China			Chang-shu Plant in China		
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
Under 29	32	63	95	22	23	45	80	117	197	28	57	85
30 to 39	11	37	48	4	7	11	47	64	111	7	17	24
40 to 49	1	5	6	1	1	2	7	35	42	1	3	4
50 to 59	0	2	2	0	0	0	3	2	5	0	1	1
Over 60	0	2	2	0	0	0	0	0	0	0	0	0
Subtotal	44	109	153	27	31	58	137	218	355	36	78	114
Total employees	905	2,009	2,914	277	305	582	276	308	584	115	177	292
Proportion of New Employees (Annual accumulated) (%)	4.9	5.4	5.3	9.8	10.2	9.9	49.6	70.7	60.8	31.3	44.1	39.0

Age Group Analysis of New Formal Employees in the Five Plants in 2017

Age Group	Long-an Plant in Vietnam			Dong-nai Plant in Vietnam		
	Female	Male	Total	Female	Male	Total
Under 29	46	93	139	161	234	395
30 to 39	10	25	35	21	27	48
40 to 49	3	4	7	3	1	4
50 to 59	0	0	0	0	0	0
Over 60	0	0	0	0	0	0
Subtotal	59	122	181	185	262	447
Total employees	425	551	976	476	543	1,019
Proportion of New Employees (Annual accumulated) (%)	13.9	22.1	18.5	38.9	48.3	43.9

Notes:

a. Definition of new employees: New formal employees that have completed the external recruitment and registration procedures (excluding contract workers and migrant workers).

b. Formula for the proportion of new employees: Total number of new employees for the year / Year-end (December) formal employee population * 100%

(ii) Workforce Structure

1. Ratio of Male Employees to Female Employees, and Average Years of Service

Ratio of Male to Female Employees, and Average Years of Service of the Five Plants between 2015~2017

Year	Item \ Plant		Taiwan Plant	Taiwan FPS	Zhong-shan Plant in China	Chang-shu Plant in China	Long-an Plant in Vietnam	Dong-nai Plant in Vietnam
2017	Formal Employees	Average Years of Service	19.6	7.3	7.3	5.9	8.6	3.5
		Male	2,009	305	308	177	551	543
		Female	905	277	276	115	425	476
		Male:Female	2.2:1	1.1:1	1.1:1	1.5:1	1.3:1	1.1:1
	Informal Employees	Male	339	378	0	0	0	0
		Female	393	175	0	0	0	0
	Total		3,646	1,135	584	292	976	1,019
2016	Formal Employees	Average Years of Service	18.6	3.4	5.7	4.1	7.6	2.6
		Male	2,104	255	371	175	516	532
		Female	957	236	276	111	423	433
		Male:Female	2.2:1	1.1:1	1.3:1	1.6:1	1.2:1	1.2:1
	Informal Employees	Male	326	453	0	0	0	0
		Female	336	220	0	0	0	0
	Total		3,723	1,164	647	286	939	965
2015	Formal Employees	Average Years of Service	18.6	8.5	5.9	3	8.2	3.08
		Male	2,215	195	437	184	477	453
		Female	1,039	183	282	122	413	403
		Male:Female	2.1:1	1.1:1	1.5:1	1.5:1	1.2:1	1.1:1
	Informal Employees	Male	398	486	0	0	0	0
		Female	374	253	0	0	0	0
	Total		4,026	1,117	719	306	890	856

Notes:

- Statistics of male to female employment ratio, and average years of service are based on formal employees. (Informal employees are not included.)
- In 2017, the percentage of formal employees in the Taiwan Plants is 80.0 %, while informal employees (such as consultants, contract workers, migrant workers, and part-time student workers) account for 20.0 %. In the past five years, the percentage of formal employees has been maintained above 80% on average, amongst which the ratio of male to female employees has been 2.2:1, average age has been 43.9 years old, and average years of service has been 19.6 years.
- Informal employees of Taiwan FPS (Formosa Pertorleum Station) are more than formal ones because of its property of service industry and part of its employees are student workers; in 2017, informal employees account for 51.3 % while 48.7 % of its workforce are formal ones.
- FTC establishes manufacturing bases in China and Vietnam while reaching out to the world; in 2017, 65 % of FTC's workforce are Taiwanese, 13 % are Chinses, and the rest are Vietnamese. Through the exchange of different cultures, employees' views and thoughts are thereby broadened and diversified.

2. Ratio of Female to Male in different positions and at different ages

Ratio of Female to Male in different positions and at different ages in 2017 Unit/Ratio Unit: headcount/%

TYPE	Plant / Gender / Groups	Taiwan Plant				Taiwan FPS				Zhong-shan Plant in China			
		Female	Male	Total	Ratio	Female	Male	Total	Ratio	Female	Male	Total	Ratio
Position*	Managerial staff (and above)	0	21	21	0.7	0	1	1	0.2	0	〈3〉	〈3〉	------
	1st and 2nd level supervisors	12	319	331	11.4	1	14	15	2.6	19	49	68	11.6
	Base-level supervisors	68	544	612	21.0	37	78	115	19.7	69	100	169	29.0
	Base-level employees	825	1,125	1,950	66.9	239	212	451	77.5	188	159	347	59.4
	Subtotal	905	2,009	2,914	100.0	277	305	582	100.0	276	308	584	100.0
Age	Under 29	88	231	319	11.0	100	125	225	38.7	83	87	170	29.1
	30 to 39	253	389	642	22.0	110	107	217	37.3	128	116	244	41.7
	40 to 49	416	624	1,040	35.7	55	47	102	17.5	55	85	140	24.0
	50 to 59	142	695	837	28.7	12	26	38	6.5	10	19	29	5.0
	Over 60	6	70	76	2.6	0	0	0	0.0	0	1	1	0.2
Subtotal		905	2,009	2,914	100.0	277	305	582	100.0	276	308	584	100.0

Ratio of Female to Male in different positions and at different ages in 2017 Unit/Ratio Unit: headcount/%

TYPE	Plant / Gender / Groups	Chang-shu Plant in China				Long-an Plant in Vietnam				Dong-nai Plant in Vietnam			
		Female	Male	Total	Ratio	Female	Male	Total	Ratio	Female	Male	Total	Ratio
Position*	Managerial staff (and above)	0	〈2〉	〈2〉	------	0	〈4〉	〈4〉	------	0	〈3〉	〈3〉	------
	1st and 2nd level supervisors	12	16	28	10.0	18	20	38	3.9	5	6	11	1.1
	Base-level supervisors	40	68	108	37.0	53	60	113	11.6	52	54	106	10.4
	Base-level employees	63	93	156	53.0	354	471	825	84.5	419	483	902	88.5
	Subtotal	115	177	292	100.0	425	551	976	100.0	476	543	1,019	100.0
Age	Under 29	54	88	142	48.5	161	233	394	40.4	361	416	777	76.2
	30 to 39	52	64	116	40.0	144	196	340	34.8	92	118	210	20.60
	40 to 49	9	18	27	9.2	101	104	205	21.0	17	7	24	2.4
	50 to 59	0	7	7	2.3	17	15	32	3.3	6	2	8	0.8
	Over 60	0	0	0	0.0	2	3	5	0.5	0	0	0	0.0
Subtotal		115	177	292	100.0	425	551	976	100.0	476	543	1,019	100.0

Notes:

- Definition of positions:
- Managerial staffers (senior supervisors) refers to positions of Managers and above; 1st level management supervisors refer to Plant Director-level; 2nd level management supervisors refer to Section Chief-level.
- Status:
- Managerial staffers (senior supervisors) of the Zhong-shan plant and the Chang-shu plant in China and the Long-an plant and the Dong-nai plant in Vietnam are excluded in the calculation since they are dispatched from Taiwan. To avoid duplicate calculation, the number of dispatched managerial staffers are displayed as 〈headcount(s)〉.
- As our Company is a traditional labor-intensive industry, it can be observed from the position group statistics that, although female employees hold positions among the base level supervisors and 1st and 2nd level management supervisors, there are no female managerial staffers (senior supervisors) among the high level executives of senior management. In the future, the Company will continue to strengthen the training of female employees to increase diversity of supervisor appointment.

(iii) Health and Safety

FTC has been endeavoring to take good care of employees' health and safety; the reason is quite straightforward. In the human nature respect, cohesion can only be created with employees' realization of the corporate care. From the reasonableness aspect, workforce's health and safety closely correlates with production and sustainable development—any hygiene/safety risk may weaken workforce productivity, damage the corporate reputation, further bring heavy loss to the Company in economic or social aspect, and thereby lowering the Company's competitiveness. From the lawful perspective, the announcement of "labor health protection rules" by Ministry of Labor reveals that employees' health is a corporate inevitable responsibility. With such realization, since June 2009, the Taiwan Plant obtained the OHSAS 18001/TOSHMS certificate and passed that certification annually after that; by 2013, and the other four overseas plants in Zhong-shan, Chang-shu, Long-an, and Dong-nai passed certification of the OHSAS-18001/TOSHMS or/and ISO-14001 one after another. Furthermore, FTC sets up the following measures and plans:

1. **Safety, Health, and Environment Policies**

In order to ensure effective health and safety management, the Company has stipulated the following safety, health, and environment policies:

- Ensure compliance with relevant safety, health, and environment regulations and other reasonable demands of stakeholders.
- Make good use of the Safety, Health, and Environment Administration System to strengthen pollution prevention and reduce hazardous impacts.
- Promote hazard identification, risk evaluation, and risk control to prevent damage and health hazards.
- Promote energy conservation and reduction to reduce the impacts of environmental damage and hazards to health and safety.
- Strengthen neighboring relationships, establish good communication channels, enforce routine inspections, ensure reviews, and seek continuous improvements.

2. **Occupational Safety and Health Management Plans**

In accordance with the "Occupational Safety and Health Act", both the main plant and the 2nd plant of FTC have established the Occupational Safety and Health Committee, both of which are headed by the vice chairman, while the labor representatives assisting in the supervision and proposal of relevant plans account for 40% (the main plant) and 44.4% (the 2nd plant), respectively. Each plant conforms to the legal regulation, which stipulates that labor representatives must account for one-third of the committee. For many years, we have adhered to our management philosophy of "Balancing Environmental Safety and Health with Economic Development" and established Occupational Safety and Health Management Plans that comply with relevant regulations. Through the effective operation of the Occupational Safety and Health Committee and risk evaluation, the Company has incorporated hazard identification and risk management strategies for implementation. Through constant inspection and issue identification, prompt corrective measures can be taken to ensure continuous improvements and increase Safety and Health Management performance.

3. **Hazard Identification, Risk Evaluation, and Stipulating Control Measures**

In order to identify potential hazard factors in the environment, as well as the potential impacts of such hazards to the operations, facilities, products, and services, the Company (Taiwan Plants) has conducted evaluations to identify and classify potential risks and has stipulated response control mechanisms/measures for the various types of risks. In order to ensure that risk management can be improved with time and appropriately adjusted, the Company will not only conduct full-scale risk evaluations before the annual internal audit, but will also conduct irregular inspections on the changes in production processes, activities, equipment, raw materials, and operating environments to evaluate whether any new risks should be included in the hazard factor list and then shall stipulate corresponding measures.

Hazard Identification, Risk Evaluation, and Control Measures of the Taiwan Plant in 2017:

Number of hazard identification and risk evaluation cases implemented	Number of Unacceptable (High) Risk Cases Evaluated	Number of Targets Stipulated and Case Improvements	Amendments and Stipulations of Management Documents
5,170	17	17	35

List of Objectives, Targets, and Improvements of Unacceptable (High) Risks in Taiwan Plants in 2017

Item	Objective	Target	Improvement/management program	Progress
1	Hazard prevention for the dismantling of a compressors Weaving Plant 1	The prevention of injuries from scratching, pressing, and collision 0 time/year	Safety management for the hazards from the dismantling of air compressors at Weaving Plant 1	Completed
2	Prevention of cutting injuries from switch of yarn set to yarn-cutting operation	Prevention of cutting injuries 0 time/year	Change of management program and education/training for the warp finishing section	Completed
3	Prevention of injury for handling broken yarn at warp doubling machine	Prevention of pressing injury 0 time/year	Management program and education/training for handling broken yarn at warp doubling machine	Completed
4	Management of collision prevention for the moving the aforementioned machine	Prevention of injury from transport operation 0 case/year	Management program for the operation of the aforementioned machine	Completed
5	Prevention of indrawn injury for the operation of equipment	Indrawn accident for workers 0 time/year	Management program for the prevision of indrawn accident for operators of BO equipment	Completed
6	Improvement in the prevention of falling accident at dyeing plant	Employee falling accident 0 case/year	Program for installation of railing preventing falling from platform	Completed
7	Program for prevention of leakage accident at dyeing plant	Injury from leakage of acetic acid 0 case/year	Improvement for prevention of leakage of barrels storing iced acetic acid	Completed
8	Prevention of hazard from contact of chemicals by employees at Printing Plant	Prevention of contact hazard for employees 0 time/year	Selection, wearing, and training for chemical protective gear	Completed
9	Prevention of pressing injury in the maintenance of Printing Plant	Pressing-injury accident 0 case/year	Improvement of fallen cover of filter barrel of laser plate-making machine	Completed
10	Prevention of indrawn accident at Tyre Cord Plant	Indrawn accident 0 case/year	Addition of optical switch to the fallen-fabric drawing base of impregnator	Completed
11	Prevention of hazard in the dry-ice cleaning operation for impregnator	Injury of dry-ice cleaner 0 case/year	Safety analysis for cleaning JSA in CO_2 impregnation of cord fabric	Completed
12	Prevention of pinching injury by packing machine at Spinning Plant	Prevention of pinching injury by packing machine at Spinning Plant	Improvement of program for prevention of pinching injury by pressing device of manual packing machine	Completed
13	Utilization and safety upholding/maintenance of yarn cutter	Cutting injury by yarn cutter 0 case/year	Improvement of prevention of cutting injury by yarn-cutter of fine spinning frame	Completed
14	Prevention of collision by back-up of vertical forklift	Prevention of collision injury 0 case/year	Improvement by furnishing vertical forklift with rearview mirror	Completed
15	Prevention of cutting injury during film-cutting operation of blow-print machine at PE. Bag Plant	Cutting injury 0 case/year	Program preventing cutting injury during film-cutting operation of blow-print machine	Completed
16	Prevention of goods transported by forklift from falling	Prevention of falling of transported goods caused by pits or holes 0 case/year	Improvement by filling of pits and holes on the pathways of the plant premises	Completed
17	Prevention of head injuries	Head injuries 0 case/year	Improvement by installing fixed pillars for iron frames by Engineering Department	Completed

4. Management of Operating Environment

Before monitoring the work environment, hazardous factors should first be identified. Depending on the actual conditions of the work environment and the evaluation of the exposure of the employees, after conducting sample strategic planning, specialized third-party monitoring companies will be commissioned to conduct regular monitoring of the work environment to understand the actual work environment and protect the safety and health of the operation personnel. Analysis of the monitored results shows that, due to the characteristics of the industry, the work environment is subject to excessive noise hazards. The Company has already procured appropriate and effective soundproof protective gear (earmuffs and earplugs) and will continue to conduct training and inspection to enforce the wearing of protective gear by the workers, as well as request all departments to strengthen the isolation of the noise sources to prevent noise hazards. Furthermore, in monitoring carbon dioxide, dust particles, organic solvents, and specific Chemical in the work environment, the monitored results of 2017 show that the detected levels of the monitored items are lower than the detectable limits, about 1/2 of PEL (permissible exposure level). The Company will continue to enhance equipment automation and preventive equipment to improve the operating environment and ensure that workers are educated in the correct operation methods, gearing of protective equipment, and management methods in order to protect the health and safety of operation personnel.

Summary of Environmental Monitoring Items in Each Plant of FTC in 2017

Plant	Site of Monitoring Operation	Monitored Item	Monitoring Cycle	Number of Monitoring Sites for the Whole Year	Results
Douliu Plant (Taiwan)	Indoor central air-conditioned operating site	CO_2	Once/half year	34	Lower than 1/5 tolerance for standard value
	Noisy operating site	Noise (dB)	Once/half year	78	85(dB)~98(dB) Outfitted with soundproof gear (earmuff, earplug)
	Dusty operating site	4^{th} Category Dust, 4^{th} Category Respirable Dust	Once/half year	20	Lower than 1/10 tolerance for standard value
	Operating site for organic solvent	Organic Solvents	Once/half year	58	Lower than detectable limit-1/2 tolerance for standard value
	Operating site for specific chemical	Specific chemical	Once/half year	38	Lower than detectable limit-1/2 tolerance for standard value
Chang-shu Plant (China)	Noisy operating site	Noise (dB)	Once / year	8	85(dB)~98(dB) Outfitted with soundproof gear (earmuff, earplug)
	Dusty operating site	4^{th} Category Dust, 4^{th} Category Respirable Dust	Once / year	9	Lower than 1/4 tolerance for standard value

Summary of Environmental Monitoring Items in Each Plant of FTC in 2017 (continued)

Plant	Site of Monitoring Operation	Monitored Item	Monitoring Cycle	Number of Monitoring Sites for the Whole Yearr	Results
Zhong-shan Plant (China)	Operating site for organic solvent	Organic Solvents	Once / year	12	Lower than 1/4 tolerance for standard value
	Operating site for specific chemical	Specific Chemical	Once / year	3	Lower than 1/5 tolerance for standard value
	Dusty operating site	4^{th} Category Dust, 4^{th} Category Respirable Dust	Once / year	2	Lower than 1/10 tolerance for standard value
	Noisy operating site	Noise (dB)	Once / year	8	85(dB)~98(dB) Outfitted with soundproof gear (earmuff, earplug))
	High-temperature operating site	High temperature (℃)	Once / year	8	Standard 31℃, measured temperature in summer 28.1℃
Long-an Plant (Vietnam)	Noisy operating site	Noise (dB)	Once / year	32	85(dB)~98(dB) Outfitted with soundproof gear (earmuff, earplug)
	Dusty operating site	4^{th} Category Dust, 4^{th} Category Respirable Dust	Once / year	32	Lower than 1/4 tolerance for standard value
	Operating site for organic solvent	Organic Solvents	Once / year	1	Lower than the lowest detectable limit ~ 1/3 of PEL
Dong-nai Plant (Vietnam)	Noisy operating site	Noise (dB)	Once / year	95	85(dB)~98(dB) Outfitted with soundproof gear (earmuff, earplug))
	Operating site for organic solvent	Organic Solvents	Once / year	10	Lower than the lowest detectable limit ~ 1/3 of PEL
	Hazardous Gases	CO_2、SO_2、NH_3	Once / year	10	Lower than the lowest detectable limit ~ 1/3 of PEL
	Dusty operating site	4^{th} Category Dust, 4^{th} Category Respirable Dust	Once / year	80	Lower than 1/4 of PEL

5. Health Management and Health Promotion

(1) General Health (Physique) Inspection

Before new employees report for work, they must proceed to designated certified hospitals or medical institutions for general health inspection and complete the “Employee Health Inspection Booklet”. Employees and workers should comply with the following regulations to regularly undergo general health inspections.

Summary of General Health Inspections Conducted in each Plant of FTC in 2017

Plant	Age Groups of Employees	Physical Examination Period	Number of Examined Employees
Taiwan Plant	Under 40 years old	Once every 5 years	1097 employees in 2015
	Between 40 and 65 years old	Once every 3 years	1789 employees in 2017
	Above 65 years old	Once every year	2 employees in 2017
Zhong-shan Plant in China	New and existing operators	Once every 2 years	362 employees in 2015
Chang-shu Plant in China	New and existing operators	Once every year	169 employees in 2017
Long-an Plant in Vietnam	Workers in common environment	Once every year	925 employees in 2017
Dong-nai Plant in Vietnam	Workers in common environment	Once every year	916 employees in 2017

The company arranged general physical examination for employees according to their age groups, in line with the "regulation on protection of labor health." The results should that the top three health problems are, in descending order, overweight (BMI>24), eyesight, and cholesterol. Return outpatient visits were arranged for those with abnormal results, plus follow-up concern and provision of health education. The company also integrated internal and external resources in holding various health-promotion events, in the hope of encouraging employees to embrace healthy diet and exercise habit.

(2) Special Health (Physique) Inspection

For new employees working in especially hazardous operations, they should undergo a Special Health (Physique) Inspection at designated certified hospitals for inspection items stipulated by the regulations of the special hazard workplace within one week of reporting for work. The results of the inspection will be used for comparison with the “Diseases Deemed Unfit for Operation” as the basis for dispatching work. For current employees working in especially hazardous workplaces, the Company will implement the Special Health (Physique) Inspection annually in accordance with regulations.

Unit: headcount

Summary of Special Health Examination Results in each Plant in 2017

Plant	Special Health Inspection Items	Grade 1	Grade 2	Grade 4	Number of Inspected Personnel
Douliu Plant (Taiwan)	Noise (Hearing)	468	222	9	699
	Dust	25	23	0	48
	Dimethylformamide	90	17	0	107
	Diisocyanate	13	2	0	15
	Hyperthyroidism	14	0	0	14
	Nickel and its compounds	8	0	0	8
	Subtotal	618	264	9	891
Zhong-shan Plant (China)	Noise (Hearing)	178	0	0	178
	Dust	3	0	0	3
	Chemicals + Dust	13	0	0	13
	Noise + Chemicals + Dust	1	0	0	1
	Noise + Chemicals	1	0	0	1
	Noise + Dust	8	0	0	8
	Chemicals	9	0	0	9
	Subtotal	216	0	0	216
Chang-shu Plant (China)	Other Dust	11	0	0	11
	Toluene, Dimethylformamide	17	0	0	17
	Subtotal	28	0	0	28
Long-an Plant (Vietnam)	Noise (Hearing)	238	0	0	238
	Dust	238	0	0	238
	Subtotal	476	0	0	476
Dong-nai Plant (Vietnam)	Noise (Hearing)	364	0	0	364
	Subtotal	364	0	0	364
Each Plant	Total	1,702	264	9	1,975

※ Explanation for special graded physical examination

- grade 1 management:
  For those with normal result for all items of special physical examination or follow-up examination, or judged by doctors as normal, despite abnormal result for some items
- grade 2 management
  For those with abnormal result for all or some items of special physical examination or follow-up examination, or judged by doctors as abnormal, without being related to works.
- grade 3 management
  For those with abnormal result for all or some items of special physical examination or follow-up examination, which are not certain to be related to works and need evaluation by doctors specialized in occupational medicine
- grade 4 management
  For those with abnormal result for some or all items of special physical examination or follow-up examination, which are determined by doctors via general judgment as abnormal and related to works.

In 2017, for special health examination results that need Class 2 Health Management, the infirmary will interpret the health report and arrange an interview advise these employees to regularly visit outpatient clinics for continuous treatment or to take medicine as therapy. There are nine staffers working in noising environment the Taiwan Plant premises found in audition exam as ones needing grade 4 management. In line with the advice of doctors specialized in occupational medicine, eight of them have been transferred to works in low-noise sites. In the case of the foreman of the throwing-silk section at No. 1 cord-fabric factory, whose major responsibility is process arrangement, arrangement was made lowering daily exposure to noise volume less than the standard value, via the control of "registration form for employees under grade-4 audition management," plus provision of other audition-protective measures.

(3) Labor Health Protection Measures

In conjunction with the provisions of the laborers' physical and mental health protection measures of the "Occupational Safety and Health Act", the Infirmary and Industrial Safety Office promoted the following protection plans in 2017:

① For upholding the health of maternal laborers, the company held "lecture on pregnancy, childbirth, and breastfeeding of female laborers" on May 31, 2017, covering principles on pregnancy diet, basic knowledge on the health of pregnant women, pregnancy-induced diabetes, preparation for childbirth, labor, breastfeeding, post-childbirth diet, post-childbirth exercise, prevention of post-childbirth depression, and consumption of supplements.

② "Lecture on prevention of blood- and body fluid-transmitted diseases": In order to cut the chance of contraction of contagious blood- and body fluid-transmitted diseases via effective preventive measures, the company held the lecture on April 27, 2017, which attracted 80 attendees.

③ "Program for first-aid education and training": To spread first-aid knowledge and save precious lives, the company has installed one automated external defibrillator (AED) at the main and second factory premises each, in addition to holding CRP+AED training on March 23, 2017, attended by 93 employees, all of whom passed the test on the knowledge afterwards.

6. Emergency Response and Rescue

(1) Emergency Response

In accordance with the "Fire Services Act", the implementation of firefighting, report, and evacuation training should periodically conducted as the local authorities require with every employee's attendances, and the local fire department authorities must be informed in advance. In order to strengthen the management of emergency response operations and provide a guiding basis for the departments to handle emergency responses, the Company has stipulated the "Emergency Response Administration" to establish an emergency response organization system, form task groups, stipulate emergency response plans, stipulate rescue specifications, and manage emergency response drills. Through regular drills and personnel training, emergencies and accidents can be dealt swiftly to prevent the spread of disasters and reduce their damage.

Summary of Emergency Response Drill in each Plant of FTC in 2017

Plant	Times of Emergency Drills Simulated	Drill Cycle	Drill Duration	Number of Participants
Taiwan Plants	44 times	Twice / Year	4 Hr / Drill	3397
Zhongshan Plant (China)	17 times	Twice / Year	4 Hr / Drill	620
Changshu Plant (China)	4 times	Twice / Year	4 Hr / Drill	290
Long-an Plant (Vietnam)	In conjunction with fire-fighting and industrial-safety drill in Vietnam	Once / Year	16 Hr / Drill	922
Dong-nai Plant (Vietnam)	In conjunction with fire-fighting and industrial-safety drill in Vietnam	Once / Year	16 Hr / Drill	931
Equipment Used in the Response Drills	Wireless radio, broadcast equipment, fire engines, firefighting turrets, fire extinguishers, portable smoke removal fans, emergency generators, torchlights, fire suits, respirators, stretchers, first-aid kits, ambulances, etc.			

(2) Medical Care

Due to the increasing threat of cardiovascular diseases to human health in recent years, the 1st and 2nd Plant in Taiwan have established Automated External Defibrillators (AED) in the Security Offices of both plants to strengthen emergency medical care. When the Security Office receives an emergency report, they will immediately notify medical and industrial safety personnel and then dispatch an ambulance to the location of the report for emergency patient transport. The ambulance will be equipped with an AED and other necessary medical equipment in order to be prepared for other unexpected situations. Currently, 37 personnel in Taiwan Plants have obtained AED certification. The Plant infirmary is responsible for the maintenance of the AED, as well as organizing regular AED operation training sessions.

(3) Onsite Physician Services

In accordance with the onsite service frequency and staffing requirements of the "Staffing and Onsite Service Frequency of Physicians Conducting Labor Health Services" and "Staffing of Nurses Conducting Labor Health Services" stipulated in the "Labor Health Protection Regulations", the Company has employed or commissioned physicians and nursing personnel to offer onsite labor health services.

Staffing of Physicians and Nurses Offering Labor Health Services and Onsite Health Service Frequency in Taiwan Plant:

(4) Health Promotion Campaigns

With regard to conducting workplace health promotion campaigns, the Company will plan and organize activities, such as health education and health guidance, and other related health promotion activities every year.

Lecture on prevention of blood- and body fluid-transmitted diseases on April 27, 2017

AED + first-aid education and training on 2017/3/23

2017 Subsidies for various employee clubs in holding outdoor activities

Staffing of Physicians and Nurses Offering Labor Health Services and Onsite Health Service Frequency in Taiwan Plant:

Plant	Number of Laborers	Nurse Staffing	Physician Onsite Service Frequency
1st Plant	2854	2 Full-time Nurses	6 Visits / Month
2nd Plant	543	1 Full-time Nurse	1 Visit / Month

※ "Number of Laborers" does not include regular contract-based employees.

Summary of Health Promotion Activities Organized in Taiwan Plant in 2017

Event Date	Event	Number of Participants
2017/05/31	Lecture on pregnancy, childbirth, and breastfeeding of female laborers	23
2017/04/27	Lecture on prevention of blood- and body fluid-transmitted diseases	80
2017/03/23	AED + first-aid education and training	93 qualified trainees
2017/01/01-12/31	Guidance for employee health	138 attendances/year
2017/03/03	Badminton Competition	43
2017/06/08	Basketball Competition	25
2017/05/12	Volleyball Competition	50
2017/07/20	Table Tennis Competition	49
2017/06/08	Sepak Takraw Competition	25
2017/04/10	Billiard Competition	12
Irregular	Subsidies for various employee clubs in holding outdoor activities	19 clubs, including mountaineering clubs outing club, cycling club, and dance club

7. Occupational Disaster Statistics and Prevention

The Company has a sound Safety, Health, and Environment Management and Promotion Department responsible for the implementation of safety and health management, so the Company has had no incidents of occupational diseases that arose due to work-related reasons. Regarding potential occupational disasters, the Company will plan and organize activities, such as health education, health guidance, General/Special Health (Physique) Inspections, Physician Onsite services, Emergency Rescue, and other health promotion activities every year. The occupational disaster statistics of the Formosa Taffeta Plants in the past three years are summarized below:

Occupational Disaster Statistics between 2015-2017_Taiwan

Item \ Year / Male/Female/Total	2015			2016			2017		
	M	F	T	M	F	T	M	F	T
Number of Fatalities (People)	0	0	0	0	0	0	0	0	0
Number of Disabling Injury Incidents (Cases)	13	0	13	4	3	7	15	0	7
Disabling Injury Frequency Rate (%) (FR)	1.72	0	1.72	0.53	0.39	0.92	2.01	0	2.01
Lost Days (Day) (LD)	309	0	309	40	21	61	168	0	168
Disabling Injury Severity Rate (%) (SR)	47	0	47	5	3	8	23	0	23
Absenteeism rate (%) (AR)	0.31	0.14	0.45	0.39	0.19	0.58	0.34	0.14	0.48

Occupational Disaster Statistics between 2015-2017_China

Item \ Year / Male/Female/Total	2015			2016			2017		
	M	F	T	M	F	T	M	F	T
Number of Fatalities (People)	0	0	0	0	0	0	0	0	0
Number of Disabling Injury Incidents (Cases)	5	1	6	8	1	9	6	0	6
Disabling Injury Frequency Rate (%) (FR)	2.06	0.41	2.47	2.98	0.37	3.36	2.31	0	2.31
Lost Days (Day) (LD)	196	6	202	339	40	379	185	0	185
Disabling Injury Severity Rate (%) (SR)	81	2	83	126	15	141	71	0	71
Absenteeism rate (%) (AR)	0.96	0.91	1.87	0.67	0.79	1.46	0.43	0.43	0.86

Occupational Disaster Statistics between 2015-2017_Vitenam

Item \ Year / Male/Female/Total	2015			2016			2017		
	M	F	T	M	F	T	M	F	T
Number of Fatalities (People)	0	0	0	0	0	0	0	0	0
Number of Disabling Injury Incidents (Cases)	3	2	5	3	0	3	2	1	3
Disabling Injury Frequency Rate (%) (FR)	0.74	0.49	1.23	0.73	0	0.73	0.42	0.21	0.63
Lost Days (Day) (LD)	81	36	117	140	0	140	75	4	79
Disabling Injury Severity Rate (%) (SR)	20	9	29	34	0	34	15	1	16
Absenteeism rate (%) (AR)	0.74	0.58	1.32	1.04	0.69	1.73	0.92	0.67	1.59

- Disabling Injury Frequency Rate (%): Number of disabling injuries per million hours of exposure; FR = Number of disabling injuries * 106 Work hours / Total hours of exposure
- Lost Days: Number of days that the affected person was unable to resume work temporarily (or permanently), excluding the day the incident occurred and the day the person returned to work, but it does include all intervening days (including Sundays, days off, and plant shut-down), as well as the number of days unable to work subsequent to the affected person's return to work.
- Disabling Injury Severity Rate: Number of work days lost per million work hours; SR = Number of work days lost *106 / Total work hours
- Absenteeism Rate: Percentage of absent work days (personal leave, sick leave, hospitalized, absent from work) to number of work days; AR = Total hours of absent hours / total number of work hours * 100%

With regard to occupational disaster prevention and management, the Company has established mechanisms for the reporting, investigation, analysis, and statistics of occupational disasters and accidents. All safety and health incidents and false alarms in the Company are reported through the computer system, and the department of the incident and the President Office will be responsible for conducting investigations into the incident within 14 days to submit a detailed report of the underlying factors to the Industrial Safety Office. After being reviewed, it will be organized into a case study example and propagate the findings to supervisors of each unit during routine meetings. To encourage spontaneous exploration of abnormalities and further improvements, operation personnel will be rewarded in accordance with the "Regulations for the Management of Work Improvement Plans" if they submit improvement proposals against the potential hazards (including false alarms).

According to the analysis of the occupational accident statistics of the Company in 2017, the incidence of accidents was mostly due to personnel engaging in unsafe behavior. By providing safety and health education, the Company can train and develop operation personnel to use correct work habits and operation standards, as well as plan for the regular implementation of emergency response drills to increase the emergency response capacities of the plants. In 2017, given multiple indrawn accidents, various units carried out, 194 cases of improvement on equipment with higher chance for indrawn accidents under the requirement of industrial safety office, including installation of optical switch (optical shutter) or protective fence at various possible indrawn-accident spots, to avoid or reduce such injuries, plus intensified inspection and promotion by various unit chiefs, in the hope of lowering occupational accidents.

Statistical Analysis of Occupational Accidents in Each Plant of FTC in 2017

Plant	Accident Type	Num of Accidents	Reasons		
			Unsafe Behavior and Activities	Unsafe Operating Equipment / Environment	Personal Health Factors
Taiwan	Pinching, indrawn	8	7	1	-
	Collision, falling	3	2	1	-
	Slicing, cutting, scratching	2	2	-	-
	Other	2	2	-	-
China	Slicing, cutting	2	2	-	-
	Collision, falling	2	2	-	-
	Pinching, indrawn	1	1	-	-
	Contact with hazardous objects	1	1	-	-
Vietnam	Pinching, indrawn	3	3	-	-
Total		24	22	2	0

8. Personnel Training

In addition to obtaining certifications in accordance with regulations, the Industrial Safety Office has also drawn up the "Safety, Health, and Environment Personnel Training Schedule / Timetable," which requires the relevant departments to comply with the company regulations of "Personnel Training Administration" (100-20-P007) and develop a Safety, Health, and Environment Personnel Training Plan in line with the actual training requirements for the following year prior to November each year. The plan will be registered in the Formosa Taffeta Training System (TN1), and then the "Annual Training Schedule" will be printed out for the approval of the business unit managers, after which the schedule will be submitted to the Industrial Safety Office for review and used as the basis for organizing and supervising annual safety, health, and environmental protection and firefighting training.

Summary of Safety, Health, and Environmental Protection Training Implemented in Taiwan Plants in 2017

Type	Main Training Course	Target Groups (Hours)	Training Hours / Participants
Safety and Health	Safety and health education and training (including the use of protective equipment)	All employees	1382 hours / 17603 participants
	Hazardous chemical substance labels and general knowledge training	Chemical substance operation departments	
Environ-mental Protection	Operation personnel environmental protection training	All employees	
	Chemical substance (including wastewater) leakage and handling training	Public works department, chemical substance operation departments	
	Air pollution, water pollution, waste and toxic operations training	All environmental protection operation departments	
Firefighting	Firefighting education and training (including the use of protective equipment)	All employees	

ii. Employees' Rights and Benefits

(i) Employee Remuneration

The Company has stipulated the "Employee Promotion Scheme" to regulate the promotion of new employees and ensure talent development so that employees can develop their potential and increase the performance of their departments. Furthermore, the "Employee Treatment Administration" has been stipulated to regulate the corresponding salary standards for different employee positions and academic qualifications. ◦

(ii) Job Security

In response to rapidly changing business environments and constant technological innovations, the Company has continued to streamline its business operations. However, based on the priority of protecting employees' labor rights, the Company has insisted on overcoming difficulties together with its employees, even in difficult times or poor economic environments. By establishing a human resource integration mechanism, the Company has managed to use employee transfers as a replacement for severance. In the past few years, no incidents of severance or dismissal disputes have been reported. When transferring employees to different departments or positions, the department supervisor will first communicate with the employee and then conduct the transfer in accordance with relevant regulations. The transfer procedures take an average of seven days to be completed.

Minimum notice periods regarding substantial operational changes :

According to Labor Standards Act, an employer shall govern the minimum period of advance notice on termination of a labor contract as following:

- Where a worker has worked continuously for more than three months but less than one year, the notice shall be given ten days in advance.
- Where a worker has worked continuously for more than one year but less than three years, the notice shall be given twenty days in advance.
- Where a worker has worked continuously for more than three years, the notice shall be given thirty days in advance.

(iii) Maintaining Employee Resignation at Appropriate and Reasonable Levels

Age-group Analysis of Formal Employee Resignation in 2017_Taiwan, China and Vietnam Plants Unit: %

Group	Taiwan Plant (excluding Oil Product Business Division)						Oil Product Business Division of Taiwan Plant						Zhong-shan Plant in China					
	Female		Male		Total		Female		Male		Total		Female		Male		Total	
	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate
Under 29	37	32.7	57	27.3	94	29.2	31	62.0	31	72.1	62	66.7	75	54.0	141	49.6	216	51.1
30 to 39	31	27.4	51	24.4	82	25.5	17	34.0	7	16.3	24	25.8	50	36.0	92	32.4	142	33.5
40 to 49	29	25.7	22	10.5	51	15.8	2	4.0	4	9.3	6	6.4	9	6.4	46	16.2	55	13
50 to 59	15	13.3	59	28.2	74	23.0	0	0.0	0	0.0.	0	0.0	5	3.6	5	1.8	10	2.4
Over 60	1	0.9	20	9.6	21	6.5	0	0.0	1	2.3	1	1.1	0	0.0	0	0.0	0	0.0
Sub-total	113	100.0	209	100.0	322	100.0	50	100.0	43	100.0	93	100.0	139	100.0	284	100.0	423	100.0
Total number of employees	905		2,009		2,914		277		305		582		276		308		584	
Turnover Rate (Annual Accumulated)	12.5		10.4		11.1		18.1		14.1		16.0		50.3		92.2		72.4	

Age-group Analysis of Formal Employee Resignation in 2017_Taiwan, China and Vietnam Plants Unit: %

Group	Chang-shu Plant in China						Long-an Plant in Vietnam						Dong-nai Plant in Vietnam					
	Female		Male		Total		Female		Male		Total		Female		Male		Total	
	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate	Number of resignations	Rate
Under 29	24	75.0	61	78.2	85	77.3	49	77.8	58	65.9	107	70.9	119	82.0	207	83.5	326	82.9
30 to 39	7	21.9	15	19.2	22	20.0	11	17.4	25	28.4	36	23.8	24	16.6	41	16.5	65	16.5
40 to 49	0	0.0	1	1.3	1	0.9	2	3.2	4	4.5	6	4.0	1	0.7	0	0.0	1	0.3
50 to 59	1	3.1	1	1.3	2	1.8	1	1.6	1	1.1	2	1.3	1	0.7	0	0.0	1	0.3
Over 60	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Sub-total	32	100.0	78	100.0	110	100.0	63	100.0	88	100.0	151	100.0	145	100.0	248	100.0	393	100.0
Total number of employees	115		177		292		425		551		976		476		543		1,019	
Turnover Rate (Annual Accumulated)	27.8		44.1		37.7		14.8		16.0		15.5		30.5		45.7		38.6	

Notes:

- Statistics of male to female employment ratio, average years of service, and resignation rates are based on formal employees. (Informal employees are not included.)
- Formula for employee resignation: Total number of employee resignations for the year/Year-end (December) formal employee population * 100% (excluding retirement, severance, death, and dismissal)
- Given higher turnover for labor-intensive traditional industries, the turnover of the Taiwan Plant premises, at 11.1% in 2017, is still reasonable.
- Reasons for high employee resignation in China Plants (Zhongshan, Changshu) in 2017: The shortage of human resources in the coastal provinces of China has caused a high labor mobility rate. Reasons for a greater hiring rate than resignation rate in Vietnamese Plants (Long-an, Dong -nai) in 2017: Due to the expansion of the Vietnamese Plants, the human resource recruitment has continued to increase, thus leading to the higher employment rate.

(iv) Employee Welfare Benefits

So that every employee can work with ease of mind and fully develop their talents, the Company adheres to the philosophy of "Treating Employees like Family". During the initial construction of every plant, comprehensive food, accommodations, and recreational facilities must be constructed. Considering the long-term welfare of our employees, various welfare policies have been planned. Taking into account government regulations, company culture, public sentiment, and international trends, Formosa Taffeta has addressed the needs of its employees with regard to food, clothing, accommodations, transportation, education, and entertainment and has also extended the benefits to their families so that the employees can work without worries. Furthermore, the plants have established Occupational Welfare Committees in accordance with the law to organize trips, festival allowances, birthday gifts, and recreational activities, as well as provide related associations with subsidies. The Taiwan Plants have also established the Employee cum Children Education Scholarship and kindergartens.

- **Employee Welfare Measures Implemented in Accordance with Relevant Regulations:**
  1. Established the Employee Welfare Committee
  2. Regular Employee Health Inspections (Once every five years for employees under the age of 40, once every three years for employees between 40~65 years old, once every year for employees above 65 years old)
  3. Half pay for sick leave of six months or less for outpatient and inpatient sick leave every year (According to the law, half pay only has to be given for sick leave within 30 days, but sick leave exceeding 30 days would not be entitled to pay.)
  4. In reference to the Labor Standards Act, employee deaths in the line of duty are entitled to bereavement pay of five months of average monthly salary and compensation pay of 40 months of average monthly salary. Employee deaths not attributable to work duties are also eligible to receive consolation payment of six months of average monthly salary.
  5. Employees suffering from death, disabilities, injuries, or diseases as a result of occupational accidents are entitled to compensation in accordance with the law.
  6. Employees are provided with work jumpsuits and protective leather footwear.
  7. Employees are provided with health education and information.
  8. Employees are entitled to apply for parental leave. (In 2017, a total of 14 employees, 1 male and 13 female, applied for parental leave.)
  9. Employees are provided with a sound retirement plan to safeguard their retirement life in accordance with the law.
  10. Employees are provided with labor insurance and health insurance.

- **Employee Welfare Measures Better than Regulation Standards:**
  1. Established the Mutual Aid Committee
  2. When employees and their families seek medical services at Chang Gung Memorial Hospital, they are entitled to discounts for the medical expenses unsubsidized by the health insurance policy, as well as discounts for health inspections.
  3. Outstanding employees are nominated each year and awarded with prizes and rewards.
  4. Employee Travel Allowance
  5. Staff Fitness Equipment
  6. Employees are provided with comprehensive education and training, as well as enrichment opportunities.
  7. Daily Meal Allowances and Bonus for year-end dining party
  8. Birthday Gifts, Labor Day and Moon Festival Allowances, and Employee cum Children Education Scholarship
  9. Established recreational buildings, canteens, hostels, single dormitories, and family dormitories
  10. Provide air tickets to employees stationed in overseas plants or their families for visiting

iii. Respecting Employees' Suggestions and Creating a Harmonious Labor Relationship

Employees (human resources) and performance growth are closely connected. The Company has always pursued a harmonious employment relationship, has respected the rights of its employees to express their views, and has established a variety of clear communication channels to encourage employees to propose innovative ideas.

All of our employees (100%) have entered organizations, such as enterprise unions, labor conferences, and well-being committees. Through regular meetings, the employees can propose their suggestions for negotiations. The regular council meetings convened by the union are attended by the department supervisors of the Company to facilitate idea sharing with labor representatives. In 2017, the union convened four council meetings and one membership meeting. Regarding major labor issues, the Company will first listen to the views of the union and appoint the highest management levels to negotiate for a consensus with the union representatives in order to ensure a harmonious labor relationship. Employees will also be able to propose well-being suggestions through regular well-being committees. Furthermore, suggestion boxes have been installed at locations with frequent employee activities, and dedicated personnel have been appointed to handle and organize the suggestions to facilitate employee suggestion communication and arrive at solutions.

The Company has been pushing for a long time "system for proposals on work improvement by employees" (IE proposal), encouraging employees to present innovative ideas and suggestions on management improvement issues, to inspire them uncovering problems and offering innovative solutions. Employees will be awarded with bonus for proposals which are evaluated to be feasible. Those proposals will be handed over to units in charge to formulate concrete measures and push their execution, in line with the management concept "thorough probe of problems and relentless quest for perfection." In order to assure actual execution of feasible proposals, the Company plans to revise measures for incentives for proposals in 2018, which will be doled out according to their actual effects, thereby enhancing the quality of IE proposals.

Statistics of Work Improvement Proposals in the Past Five Years (Unit: New Taiwan Dollars)

Year		2013	2014	2015	2016	2017
Year		4,697	4,476	4,738	4,297	3,218
Number of Proposals		435,750	404,100	413,750	377,000	347,300
Reward Amount		23	6	4	2	3
Achievement Rewards	Number of Improvements	90,309	25,512	27,646	13,551	18,431
	Rewards	23,971,003	4,949,208	13,140,369	1,351,992	3,054,856

iv. Talent Development

Employees are one of the most important assets in enterprise management. To ensure the strong growth of the Company, high quality talents are necessary to serve as the backbone of the Company and support its sustainable development. In order to nurture such high-quality talents, the Company not only has to seek external cooperation and conduct self-organized educational training to enhance employees' professional capabilities, but more importantly, it has to establish a code of moral ethics to prevent employees from engaging in such activities as bribery, collusion, and unauthorized information disclosure with other stakeholders.

(i) Main Classifications of Educational Training held by the 5 Plants in 3 countries:

Training Classification	New Employee Orientation Training	Basic Training of Work Duties	On-job Professional Training	Management Staff Reserve Training	Project Training
Target Group	New employees	New employees and staff mobilization management staff under the position of Foremen / Team Chiefs	Plant Directors, Directors, and the employees below them	Foremen / Team Chiefs / Section Managers / Plant Directors, and Directors / Managers	All business-related employees
Implementation Timing	Before new employees are assigned to their work positions	Within three months of starting work	When work conditions or the department needs to stipulate a training plan	Conducted in accordance with the management needs of the Company.	Irregularly conducted in accordance with operation strategies

In addition, in line with management strategy, the company has held various training courses for various projects, via assistance of academic institutions or professional consulting firms, so as to cultivate industrial talents in need, manifest the training results in the shortest time possible, and enable trainees to gain actual operating experience. Those education and training programs are carried out via the computerized "education and training management system," under which various units have to put forth education and training plan for next year by the end of Dec. every year. After the plan is approved, the courses and schedules will be input into the operating system, which will issue notices according to the schedule, reminding persons in charge to hold the scheduled courses. Afterwards, related data on execution of the courses will be input into the system. Insistence on the inheritance of culture, technology, and experience, the company take into account, in conducting education and training, individual development of employees, inspiring their potential and helping them develop plural interests, so that they could constantly improve their knowledge and skills according to their interests. The goal is to help them develop independent occupational skills, capable of meeting any challenge at workplace and seeking career development to the fullest of their potential.

(ii) Implementation of Educational Training

1. Implementation of Educational Training Hours in 2017

(1) Taiwan Plant

	Classification	Total courses	Total trainees	Total training hours	Training costs (NT$)	Average training hours per trainees	Average training cost per trainees (NT$)
Taiwan Plant	Common Courses (HQ)	126	917	13,775	1,237,000	15.0	1,349.0
	Weaving Business Division	213	5,291	17,694	1,142,474	3.3	215.9
	D & F Business Division	368	14,361	38,356	6,434,304	2.7	448.0
	Tyre Cord Business Division	180	4,084	12,188	1,747,497	3.0	427.9
	Ind. Material Business Division	162	3,156	9,180	1,294,091	2.9	410.0
	Offsite training	91	386	5,103	868,630	13.2	2,250.3
	Engineering Division	31	727	2,145	358,284	3.0	492.8
	Oil Product Business Division	9	10,800	63,600	6,636,000	5.9	614.4
	Total	1,192	41,096	170,457	24,188,356	4.2	588.6
	Average of Taiwan Plant Statistics	Total employees of Taiwan Plant	3,646 (including 433 foreign workers)			46. 8 hours /per employee	NT$ 6,634.2 /per employee

(2) China Plants

	Classification	Total courses	Total trainees	Total training hours	Training costs (NT$)	Average training hours per trainees	Average training cost per trainees (NT$)
Zhong-shan Plant	Admin. Division	32	369	505	70,580	1.4	191.3
	Weaving	173	2,000	1,708	203,695	0.9	101.8
	Dyeing & Finishing	52	676	1,318	164,653	2.0	243.6
	Engineering	10	93	186	24,364	2.0	262.0
	Umbrella Ribs	6	191	191	23,800	1.0	124.6
	Total	273	3,329	3,908	487,092	1.2	146.3
Chang-shu Plant	Admin. Division	47	271	1,037	141,724	3.8	523.0
	Dyeing	60	626	1,560	176,351	2.5	281.7
	Engineering	12	125	446	60,716	3.6	485.7
	Total	119	1,022	3,043	378,791	3.0	370.6
	Average of China Plant Statistics	Total employees of China Plant	876			7.9 hours /per employee	NT$ 988.5 /per employee

(3) Vietnam Plants

	Classification	Total courses	Total trainees	Total training hours	Training costs (NT$)	Average hours of training per trainee	Average cost of training per trainee (NT$)
Long-an Plant	Admin. Division	25	129	209	27,930	1.6	216.5
	Weaving	43	1,854	4,574	583,435	2.5	314.7
	D & F	50	2,417	4,411	538,674	1.8	222.9
	Engineering	11	167	339	42,837	2.0	256.5
	Total	129	4,567	9,533	1,192,876	2.1	261.2
Dong-nai Plant	Admin. Division	258	310	2,274	295,134	7.3	952.1
	Weaving	26	192	655	77,402	3.4	403.1
	D & F	24	777	1,149	116,930	1.5	150.5
	Tyre cord fabric	74	1,471	5,517	509,470	3.8	346.3
	Total	382	2,750	9,593	998,963	3.5	363.3
	Average of Vietnam Plant Statistics	Total employees of Vietnam Plant		1,995		9.6 hours /per employee	NT$ 1,098.7 /per employee

(4) Statistics of All Plants

Plant	Total employees of each Plant	Total trainees	Total training hours	Training costs (NT$)	Average training times per employee	Average hours of training per employee	Average cost of training per employee (NT$)
Taiwan Plant	3,646	41,096	170,457	24,188,356	11.3	46.8	6,634.2
China Plant	876	4,351	6,951	865,883	5.0	7.9	988.5
Vietnam Plant	1,995	7,317	19,126	2,191,839	3.7	9.6	1,098.7
Total	6,517	52,764	196,534	27,246,078	8.1	30.2	4,180.8

2. In 2017, the company's education and training covered on-the-job basic training for rank-and-file operators (including orientation training for newcomers), occupational training, multi-tasking training, SOP (standard operating procedure) training, and job rotation, in addition to such items as industrial safety/environmental protection, energy management, information security, training for Taiwanese cadres dispatched abroad, and managerial training at various levels. In 2018, several new items will be added, including employee rights and rights of underprivileged groups, in the hope of enabling employees to share fruits of corporate growth and attaining a harmonious relationship between management and labor.
3. The company's various existing training courses are mostly job-related ones, without difference between males and females, manifesting gender equality. Meanwhile, effort has been made to distinguish education and training for employees in different business divisions, to facilitate evaluation of the relationship between the performance and training of various units, as a reference for improving education and training at the five factors in three places, to realize more complete training for employees and improve expertise of employees, leading to better production quality and continuing passing on of corporate culture.

(II) Sustainable Social Care

i. Social Responsibility Philosophies and Policies

(i) Local Communities

Guided by the founder's teachings of "Honesty and Integrity", the Company strives to achieve the management philosophies of "Harmony, Innovation, Service, and Contribution", which includes honestly paying taxes, valuing environmental safety, and showing concern for employees. Furthermore, the Company has always strived to maintain a good public image and corporate reputation in order to fulfill our corporate social responsibility and give back to the community.

As the Plants are located in rural areas, the Company has always maintained good neighboring relations with nearby local residents, established clear communication channels, and offered them assistance in various forms. The Company has also contributed to many local charity events to promote the common development and prosperity of both the employees and the local community. Through the long-term and sustained care of the community by the Company and its employees, humanitarian care and concern can be expanded to protect and ensure a harmonious relationship.

(ii) Legal Compliance and Ethics

The Code of Ethics, Integrity Management Principles, Code of Work, and other rules and regulations stipulated by the Company shall all comply with the relevant laws and regulations. The Company has also established higher moral and ethical standards by which employees must abide, including rejecting dinner invitations, gifts, and trips offered by stakeholders in the Company.

ii. Social Charity Measures

Through the organization of related activities, such as adopting roads for maintenance and bare lands for greenification, the 19 clubs and associations established by the Company and its employees have played a significant role in community development and charitable events. Through the continuous promotion of "Good Neighbor Relations", the Company has cared for the local communities and maintained good interaction with them, through "road adoption" and cleanup activities within a three-mile radius (Chinese mile).

Over the years, the Company has continued to offer social care, provide assistance to vulnerable groups, and donate to impoverished families and other vulnerable groups. The Company has also contributed to education and charity events.

(i) Education：

The Company has supported Formosa Taffeta Kindergarten since its beginning, which was established 38 years ago. Offering education at subsidized costs (employees' children are entitled to a 50% discount), the kindergarten provides education for employees' children, thus allowing employees to work with ease of mind, while also offering education to the children living in the neighborhood, thus contributing to the community. In 2017, 55 children attended the kindergarten.

(ii) Enterprise Road Adoption

Since 2005, the Company has adopted 9.5 km of road in the surrounding vicinity for maintenance and conducted road cleanup activities every Friday to establish good neighboring ties with the community and ensure the cleanliness of the community by reducing the amount of dust and particulates spreading. In 2017, 8,112 hours of community service have been devoted to his project. (Every week, two employees from each of the 26 departments are appointed to conduct three hours of cleanup operations.) According to the "Principles of Tradeoff of Air Pollutant Emission Increment of Development Activities Reviewed by the EPA, Executive Yuan" promulgated on July 28th 2009, the annual reduction of particulate and dust has been calculated to be 13.634 tons.

(iii) Adoption of Bare Lands for Greenification

The Company began adopting bare lands in September 2010. Currently, the Company maintains 0.6620 hectares of land annually for planting and greenification to give back to society, beautify the community environment, and reduce dust in the bare lands.

(iv) Giving back to Local Communities – Participation in Social Charitable Events

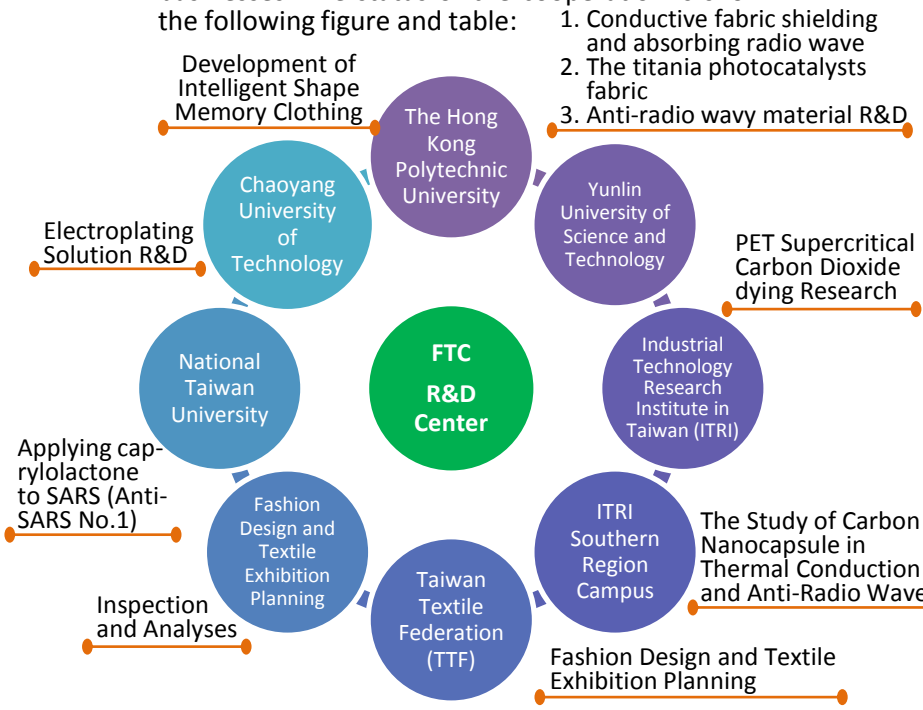
No.	Type of Donation	Number of Events
1	Temple and festival activities in neighboring communities	13
2	Consultation for the neighborhood volunteer civil defense force	5
3	Welfare activities and celebrations organized by the Longevity Club of the Development Associations in the neighboring communities	12
4	Activities organized by community vulnerable group foundations	15
5	Donations to charitable activities and events of neighboring schools and organizations	3
6	Sponsoring other environmental protection activities and events in neighboring communities	18
Total number of donations made in 2017		**66**

Certificates of appreciation/merit for, in 2017, sponsoring or participating in the following:

- Happy Angel Camp for parents-child & teacher-student
- Summer camp held by World Peace
- Mother's Day campaign held by Yunlin County Government
- Father's Day campaign held by Yunlin County Government
- Donations to Fire Department
- Taiwanese Lantern Festival
- Award Program of issuance of e-Invoice held by Ministry of Finance (certificates of merit)
- Live a year with happiness (Douliu Light Festival)

iii. External Industry, Academic, and Research Cooperation Projects in Previous Years

We engage in joint planning with some academic institutions and industrial associations to enhance our performance of techniques, production capacity, and management, strengthen our innovation capability, develop potentially high value-added products (or state-of-the-art products), and advance strategic businesses. The status of the cooperation is shown in the following figure and table:



iv. Participation in External Associations

In addition to effort for upgrading technology and competitiveness, the Company has also joined several industrial associations and taken part in major domestic and overseas seminars, in order to keep up with latest global development and engage in exchanges and cooperation with peers.

Participating Associations	Qualification
Chinese Association for Industrial Technology Advancement	Member
Taiwan Technical Textiles Association	Member
Taiwan Silk & Filament Weaving Industrial Association	Member
Textile Net in Taiwan	Member
Society for the Advancement of Material and Process Engineering	Member
Textile information association	Member
Cradle to Cradle Platform	Member

Cooperative Partners	Project	Amount (NT$)	Number of Participants	Duration
Department of Applied Chemistry, Chaoyang University of Technology	Composition analysis of stabilizer and chelating agents in the electroless nickel plating formula and the development of other formulas	450,000	25	2014~2017
Department of Chemical and Materials Engineering, National Yunlin University of Science and Technology	Research on high functionality fabric coating technology and optimum production processes	500,000	25	2014~2015
Department of Chemical and Materials Engineering, National Yunlin University of Science and Technology	Research on water-repellent functionality of fabric processed by normal pressure plasma and fluorine-free water-repellent finishing technology	500,000	30	2015~2017
Department and Graduate School of Visual Communication Design, National Yunlin University of Science and Technology	Application design of woven fabrics	350,000	20	2014~2016
Taiwan Textile Federation	Planning of garment design and textile exhibition	6,000,000	55	2014~2016
Taiwan Textile Research Institute	Testing and development of functional fabrics and protective fabrics	1,800,000	50	2014~2016

Appendix I GRI Content Index

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	Governance	102-18 Governance structure	21	
	Stakeholder engagement	102-40 List of stakeholder groups	8	
		102-41 Collective bargaining agreements	67	No such agreements in Plants in China and Vietnam
		102-42 Identifying and selecting stakeholders	8	
		102-43 Approach to stakeholder engagement	8	

GRI standard	Disclosure		Page number(s) and/or URL(s)	Omission
Universal standards				
GRI 102: General disclosures 2018	**Reporting practice**	102-44 Key topics and concerns raised	8	
		102-45 Entities included in the consolidated financial statements	7, 14-15	
		102-46 Defining report content and topic boundaries	9-10	
		102-47 List of material topics	10	
		102-48 Restatement of information	-	No restatement of information
		102-49 Changes in reporting	-	No significant changes in topics and boundaries
		102-50 Reporting period	7	
		102-51 Date of most recent previous report	7	
		102-52 Date of most recent previous report	7	
		102-53 Contact point for questions about the report	7	
		102-54 Claims if reporting in accordance with the GRI Standards	7	
		102-55 GRI content index	87-91	
		102-56 External assurance	93-94	
Topic specific standards				
GRI 200: Economic				
Economic performance				
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary		19	
	103-2 Management approach and components		19	
	103-3 Evaluation of the management approach		19	
GRI 201: Economic performance 2018	201-1 Direct economic value generated and distributed		19	
	201-3 Defined benefit plan obligations and other retirement plans		Annual report 194	
	201-4 Financial assistance received from government		19	

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission
Procurement practices			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	28	
	103-2 Management approach and components	31	
	103-3 Evaluation of the management approach	31	
GRI 204: Procurement practices 2018	204-1 Proportion of spending on local suppliers	28-31	
GRI 300: Environmental			
Materials			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	32	
	103-2 Management approach and components	32, 55-57	
	103-3 Evaluation of the management approach	55	
GRI 301: Materials 2018	301-2 Recycled input materials used	32	
Energy			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	42	
	103-2 Management approach and components	41-42	
	103-3 Evaluation of the management approach	47-48, 51	
GRI 302: Energy 2018	302-1 Energy consumption within the organization	47-48	
	302-3 Energy intensity	47	
Water			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	42	
	103-2 Management approach and components	41-42	
	103-3 Evaluation of the management approach	43, 51	
GRI 303: Water 2018	303-1 Water withdrawal by source	48	
	303-3 Water withdrawal	43	

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission
Emissions			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	45	
	103-2 Management approach and components	45	
	103-3 Evaluation of the management approach	49-50, 51	
GRI 305: Emissions 2018	305-1 Direct (Scope 1) GHG emissions	49	
	305-2 Energy indirect (Scope 2) GHG emissions	49	
	305-4 GHG emissions intensity	49	
	305-7 Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	50	
Effluents and waste			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	44	
	103-2 Management approach and components	44	
	103-3 Evaluation of the management approach	51	
GRI 306: Effluents and waste 2018	306-1 Water discharge by quality and destination	50	
	306-3 Significant spills	51	
Supplier environmental assessment			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	-	Major feedstock of the Company includes gasoline/diesel oil, filament-fiber polyamine/polyester, PE particles, carbon fiber, wafer, and coal, all purchased from affiliates of Formosa Plastics Group, such as Formosa Petrochemical Corp., Formosa Chemicals & Fibre Corp., Nan Ya Plastics Corp., Nanya Technology Corp., and Formosa Plastics Corp. Evaluation is skipped, since all of them are listed companies with large operational scale and release of CSR report, owning certain stakes in the Company. Indirect materials, mostly chemicals, are supplied by small- and medium-scale enterprises, which the Company plans to include in the environmental assessment in 2018.
	103-2 Management approach and components		
	103-3 Evaluation of the management approach		
GRI 308: Supplier environmental assessment 2018	308-1 New suppliers that were screened using environmental criteria		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission
GRI 400: Social			
Employment			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	65	
	103-2 Management approach and components	65	
	103-3 Evaluation of the management approach	66-67, 79-80	
GRI 401: Employment 2018	401-1 New employee hires and employee turnover	66, 79-80	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	80-81	
Occupational health and safety			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	69	
	103-2 Management approach and components	69	
	103-3 Evaluation of the management approach	69	
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	69	
	403-2 Hazard identification, risk assessment, and incident investigation	77	
	403-3 Occupational health services	74	
Customer health and safety			
GRI 103: Management approach 2018	103-1 Explanation and reporting boundary	25, 60	
	103-2 Management approach and components	25, 60	
	103-3 Evaluation of the management approach	60	
GRI 416: Customer health and safety 2018	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	-	No relevant event

Appendix II　FTC's Certificates of Eco-Friendly Processes & Products

- ◆ Oeko-Tex® Standard 100
- ◆ GOTS Organic Cotton (Control Union Certifications)
- ◆ OE Organic Cotton (Control Union Certifications)
- ◆ GRS Polyester Recycle Standards (Control Union Certifications)
- ◆ Greenhouse Gases Emissions Certification Opinion Statement (ISO 14064-1)
- ◆ Occupational Health and Safety, Assessment Series (OHSAS 18001:2007)
- ◆ Taiwan Occupational Safety and Health, Management System (TOHMAS Certificate)
- ◆ Environment Management System (ISO 14001:2004)
- ◆ Quality Management System (ISO 9001:2008)
- ◆ bluesign® Standard Certificate
- ◆ Energy Management System (ISO 50001)

Appendix III SGS Assurance Statement

SGS

ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FORMOSA TAFFETA CO., LTD.'s CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2017

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by FORMOSA TAFFETA CO., LTD. (hereinafter referred to as FORMOSA TAFFETA) to conduct an independent assurance of the Corporate Social Responsibility Report for 2017 (hereinafter referred to as CSR 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 this report.

The information in the FORMOSA TAFFETA's CSR Report of 2017 and its presentation are the responsibility of the management of FORMOSA TAFFETA. SGS has not been involved in the preparation of any of the material included in FORMOSA TAFFETA's CSR Report of 2017.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all FORMOSA TAFFETA's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008) at a moderate level of scrutiny; and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Standards (2016)

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts 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 FORMOSA TAFFETA, 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, EICC, QMS,

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EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within FORMOSA TAFFETA's CSR Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of FORMOSA TAFFETA sustainability activities in 01/01/2017 to 12/31/2017.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

FORMOSA TAFFETA 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, government agency, community and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, FORMOSA TAFFETA may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

Materiality

FORMOSA TAFFETA 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.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FORMOSA TAFFETA's CSR Report of 2017, is adequately in line with the GRI Standards in accordance with Core 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. For future reporting, it is recommended to have more descriptions of FORMOSA TAFFETA's involvement with the impacts for each material topic (103-1), and how efforts were given to mitigate the impacts. It is recommended to have more identifications and disclosures of other material topics in next report. When reporting on goals and targets for each material topic, the expected results are suggested to be set, if applicable, with quantitative objectives. Mapping, aligning and strengthen business strategies with UN SDGs are also recommended.

Signed:
For and on behalf of SGS Taiwan Ltd.

David Huang, Director
Taipei, Taiwan
07 June, 2018
WWW.SGS.COM

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Licensed Assurance Provider
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Appendix IV Main Brands

Product Name	Explanation of usage
abletex® Microporous Breathable Water-proof Fabric	Abletex® is a high-performance, breathable, and water-proof laminated fabric. Our Company uses the combination of high-tech micro-porous breathable water-proof PU membrane and various materials to create a durability that offers a new generation of high-performance, breathable, and water-proof fabric. The Abletex® collection has high water-proof rating of 10,000 mm H_20 and high breathability of 6000 g/m2/24hr (by JIS L1099-A1) or more. The fabric can keep you dry and comfortable under any weather conditions and thus is the best choice for cloth used in outdoor activities and leisurewear.
BOMETEX™ Next Generation of Green Products	Under globalization and resource depletion, the Company feels responsible for environmental protection and is thus committed to developing various eco-friendly fabrics with the concept of recycling and environmental protection. Using PET bottles or recycled polyester materials to make nylon and polyester fiber products helps reduce resource and energy consumption, as well as CO_2 emissions, and is regarded as the next generation of green eco-friendly products. The extreme delicate texture combined with various special rework processes, e.g. PFOA/PFOS Free water repellent, complies with EU 2006/122/EC standards, including functions like water-proof, wind-proof, down-proof, breathable, quick-dry, etc. Applications: Athletic and leisurewear, e.g. windbreakers, raincoats, and down jackets.
Caladans™ Cloudy Dyed Fabric	Caladans™ fabrics are produced via a special technique resulting in shadowy prints simulating a "cloud-dye" effect. They can be treated with a crinkle finish to enrich the texture and touch, thus rivaling expensive fabrics. Airy, soft, lightweight, and stylish, Caladans™ fabrics can be applied to diverse design styles, from high-end fashion to sportswear, acting like the icing on the cake.
FONEWR Nano® Super Durable Water Repellent Fabric	Produced by Nano technology, FONEWR Nano® fabric features super durable, water repellent, oil repellent, self-cleansing, and anti-staining properties with a Nano surface structure. The preliminary water repellent rating can reach 100(AATCC-22) and the oil repellent rating to 4 degrees (AATCC-118); even after 100 washes, the water repellent rating still reaches 80, and the oil repellent rating reaches 3 degrees, thus showing excellent dry-clean durability. The fabric can work with microfiber materials with a double weave to create an easy care feature. Regardless of the activity, users can stay clean, dry, and comfortable. It can even work with other processes, such as antibacterial or UV-protection processing, to further increase the fabric's value.
Microfeel® Microfeel Fabric	Microfeel® fabric is made from nylon or polyester microfibers. The thickness of such fiber is less than 1/100 of the diameter of a human hair, which provides a fine touch and soft texture thanks to the extremely fine thickness of the fabric. With the excellent capillary action of the microfiber, it is a superb breathable and quick-drying material when coordinated with the wicking process.
Nanodermis* Santiny and Skin Friendly Fabric	Made by the Company's latest special processing technology, Nanodermis* products can provide Nano-structure to fabric, creating a delicate and soft touch and a fabric surface that looks like natural materials. The processing technology can be applied to a variety of nylon and polyester fabrics – especially on ultra-fine fiber fabrics to provide a more delicate touch. Key applications: Jackets, down apparel, sleeping bags, clothing for dust-free/sterile room, etc.

Product Name	Explanation of usage
PERMACOOL™ Cooling Fabric	In recent years, we have all been facing worsening global warming and greenhouse effects with extreme cold and hot weather on the rise. Cooling and energy conservation fabrics have been widely promoted among eco-friendly fabrics, which provide wearers the full coolness and comfort of the fabric. Our cooling fabric is made from special cooling fiber materials with a textured design using high-level post-processing technology. This series of products will generate an instant cooling feeling (Q-max) of 0.17 W/m^2 or more when contacting the skin. The water-absorbing and quick-dry properties can transmit sweat quickly from the skin's surface to outside the fabric through capillary action and diffusion. It provides consumers with dry, comfortable, moisture-absorbing, and sweat-releasing functions even in scorching hot weather.
PERMADRY® Quick-drying Fabric	PERMADRY® adopts a special cross section synthetic fiber or ultra-fine fiber, which is made using high-level processing technology. This series of products can absorb moisture and dry quickly. It has high permeability and launderability, which is an excellent quick-drying and durable material. When doing sports or leisure activities, the water-absorbing and quick-dry properties can quickly transmit sweat from the skin's surface to outside the fabric through capillary action and diffusion. It provides consumers with dry, comfortable, moisture absorbing, and sweat releasing functions even in scorching hot weather.
SmarYa™ Memory Smart Fabric	SmarYa™ fabric is different from general fabrics in that SmarYa™ will maintain its shape even after being washed in hot water or dried by home dryers. Wrinkled fabrics will also be able to restore their original shape using the above method. If the fabric was originally creased, then the creases will also be maintained. Thanks to the Thermally Induced Shape Memory property of the product, the fabric offers the convenience of easy care. Product properties: 1. Form memory 2. Size invariability 3. Excellent touch and moisture absorption 1. Launderability 2. Pilling resistant 3. Shape retention (memory)
SUN-ECO® Nano Photocatalytic Antimicrobial & Deodorizing Fabric	SUN-ECO® is a special functional fabric resulting from the TiO_2 photocatalyst dual deodorant mechanism, which contains both deodorant and anti-bacteria effects. It can effectively absorb the odors of ammonia, hydrogen sulfide, ammonia trimethyl, methyl mercaptan, cigarettes, and 2-norenal and further decompose them into H_2O and CO_2 with more anti-bacteria effect. After multiple washes, the fabric will still maintain its antibacterial and deodorizing effects. SUN-ECO® is an eco-friendly fabric with the longest effectiveness and most safety.
Trans-Uno® One-way Moisture Transfer Fabric	The polyester/nylon one-way moisture transfer fabric can quickly diffuse sweat to outside of the fabric from the skin's surface and reduce the viscous sense between the wet clothes and skin, as well as the uncomfortable feeling of cold skin, so that the wearer can continuously feel dry and comfortable for a long time. Furthermore, the sweat is transmitted to outside of the fabric one-way so the air drying time can be shortened.
光熱寶 Warmth Retaining Fabric	Our Company has leveraged far infrared material to design and develop the lightweight far infrared functional fabric, with the emissivity of far infrared reaching as high as 80%. The fabric can absorb the energy of visible light and short waves emitted from the human body, convert it into the far infrared, emit the "living light" (4~14 μm in wavelength), which is the most beneficial light to the human body, and possess the warmth retaining function. Applications: Sports apparel, down apparel, sleeping bags, and lining cloth.

Product Name	Explanation of usage
绿活富 Eco-friendly Coating Fabric	Our water-soluble PU & Acryl coating fabrics do not include the organic solvent that may cause harm to the environment. Instead, it uses a C6 water repellent agent without PFOS or PFOA. It is an eco-friendly concept product that can be used in umbrellas, down-proof leisure apparel, and snow clothing.
光熱龍 PERMAWARM	Our Company uses forward-looking processing technology to develop new and soft thermal insulation fabric. Its compound structure (trace metal element + carbon material) will turn environmental energy and body temperature into heat energy to achieve real thermal insulation. It is the best new technological material for warm clothing in cold winters.
抑克電 e-decay™	Our Company uses advanced durable high-specialty anti-static fibers to develop fabric that can effectively reduce static accumulation. It can be coordinated with water repellent processing, and the friction voltage will still remain under 1000 Volt after multiple washes. The fabric does not easily absorb dust caused by static while being worn in dry weather, thus reducing that uncomfortable feeling while taking off the clothes. Major applications include sports and leisure clothing, down apparel, jackets, various garment linings, etc.
UVoutex®	Wearing the UVoutex® series of fabric can effectively protect the skin from harmful ultraviolet rays. The fabric has launderability properties, and its protection is not affected by color or times of washing. Its UPF rating can be as high as 30+ (AS/NZS 4399:1996). Applications: Sportswear, leisure jackets, sun umbrellas, hats, etc.
sans quito™	Sansquito™-Mosquito repellent processing fabrics are produced by special post processing technology. The natural pyrethrin extract can effectively repel mosquitoes. Sansquito™ fabric will not cause skin allergies or serious reactions and is a safe mosquito repellent processed fabric. Mosquito repellent effect remains even after being washed 25 times.
Hi-Sett+	Hi-Sett* refers to products where our Company uses microfibers with a high-end weaving process and excellent dyeing and finishing techniques to give the fabric high-performance waterproof functions without coating. The fabric contains soft, breathable, UV resistance, and windbreaker features. It is a high-quality and eco-friendly fabric.
M2PTEX® e	M2PTEX®e adopts electroless plating technology to deposit metals like copper and nickel on polyester and nylon fabrics. It is a metalized conductive fabric with excellent softness and flexibility and outstanding anti-electromagnetic interference capacity. The M2PTEXe conductive woven fabric line has passed RoHS (2002/95/EC) standard, and its shielding capacity of 50dB+ has been certified by an internationally recognized inspection organization.
	Product Series: • Conductive woven fabric with various plastic surface colors • Plastic-coated, colored conductive fabric • Thermal adhesive conductive fabrics • Single/double-sided fire retardant conductive fabric & flame-resistant thermal adhesive conductive fabric (UL-94V0) Applications • Anti-electromagnetic interference for precision instruments • PC EMI shielding material • Conductive gasket • Conductive tape • Anti-electro detection • OA work suit • Architectural shielding material/curtain • Anti-electromagnetic interference for communication equipment

Product Name	Explanation of usage
	To provide clients with products made from eco-friendly, energy conserving, low-carbon emission, and environmentally friendly production processes, the Company has introduced supercritical CO_2 water-free dyeing processes and procured relevant equipment and integrated it into the production process, which was officially utilized in 2014. The benefits of products made from the supercritical CO_2 water-free dyeing processes are: 1) Zero water resource consumption 2) Zero wastewater discharge 3) Reduced CO_2 emissions 4) Auxiliary agents are no longer required 5) Energy conservation (Reduced thermal consumption in dyeing and drying)

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