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1 Fostering Robust Governance

Target Readers

- Employee / Labor Union
- Direct Customer
- Government
- Community
- Business Partner (Supplier / Contractor)
- External Audit Agency
- Shareholder / Investor / Financial Institution

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE AND JUSTICE STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

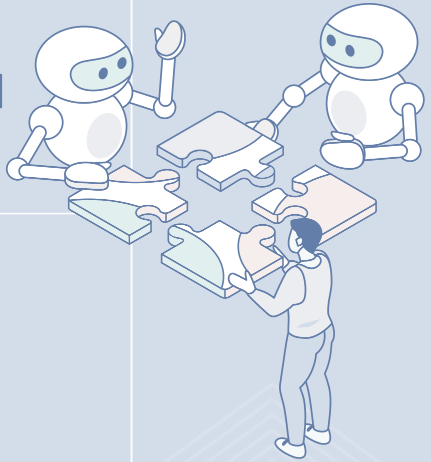
2025 Highlight

TWSE and TPEx
Corporate Governance Evaluation Top 5%

Sole Inductee in the Industry
Top 100 Taiwan Companies Selected by Foreign Investors

Power Up^{TW} Program
Inductee of **Exemplary Case for Promoting Corporate Value**

58 Years on TWSE
Uninterrupted Profiting and Dividend Sharing Streak



Expanding Operational Scale and Extending Vertical Integration
Malaysia: Growing rPET Production Capacity
Mainland China: Branching into Air Bag Production
Vietnam: Beginning Polyester Filament and rPET production

Integrating **Big Data** and **AI**
Enhancing **Credit Management**
Achieving **Zero Defaults**

AI Innovation Awards
From Ministry of Economic Affairs, Ministry of Digital Affairs and Business Weekly

Bolstering Sustainable Governance
With ESG-linked Board Remuneration

Information Security Training
43 Sessions
3,288 Participants

Issuing Taiwan's First Sustainable Commercial Paper
With Subsidiaries

Multi-year Winning Streak from International Financial Awards
Treasury Today
The Asset
FinanceAsia

Issuing **51 Sustainable Financial Products**
Raising over **NT$90.2 Billion**

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Target and Progress

	Industry Leading Status	Corporate Governance Evaluation	Risk Management System	Management of Information Security	Exemplary Sustainable Corporation
2035 Target	Maintaining industry leading status with key products	Reaching top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	Create a more robust management mechanism for information security awareness to reduce the risk of social engineering attacks and ensure operational security	Implementing 3 annual sustainable projects, Taking part in 3 annual sustainable conferences or awards
2030 Target	Maintaining industry leading status with key products	Reaching top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	Continuously optimize social engineering drills and information security training to enhance security awareness among employees and ensure operational security	Implementing 3 annual sustainable projects, Taking part in 3 annual sustainable conferences or awards
2027 Target	Maintaining industry leading status with key products	Reaching top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	A minimum of 3 social engineering drills and 10 training sessions annually to enhance overall security awareness	Implementing 3 annual sustainable projects, Taking part in 3 annual sustainable conferences or awards
2026 Target	Maintaining industry leading status with key products	Reaching top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	A minimum of 3 social engineering drills and 10 training sessions annually to enhance overall security awareness	Implementing 3 annual sustainable projects, Taking part in 3 annual sustainable conferences or awards
2025 Target	Maintaining industry leading status with key products	Reaching top 5%	Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value	A minimum of 3 social engineering drills and 3 training sessions annually to enhance overall security awareness	Implementing 3 annual sustainable projects, Taking part in 3 annual sustainable conferences or awards
2025 Progress	**Maintaining industry eading status with key products** Achieved	**Reaching top 5%** Achieved	**Conducting at least 3 risk control projects yearly to ensure sound growth and enhance corporate value** Achieved	**Social engineering drills：3** **Training courses：43** Achieved	**For details on implementation, please refer to the 2025 Sustainability Report** Achieved
Action Plan	• Expand production capacity and diverse production base • Research and develop innovative products • Elevate employee competency	• Learn from the results of Corporate Governance Evaluation and best practices around the world • Make continuous improvements based on corporate conditions	• Continue to expand the scope of risk management systems • Optimize the risk management system and make adjustments accordingly • Construct a risk management system platform • Conduct regular reviews of risk exposure regarding material risk projects and track the effectiveness of mitigating actions • Present the status of risk management implementation to the Board	• Update the email templates for phishing drills annually and develop the platform for AI social engineering drills in-house • Conduct regular information security training using the most current training materials	• Continue stakeholder dialogue, engagement and feedback • Engage heavily in sustainability campaigns and stay on top of current trends • Strive for domestic and international sustainability awards • Improve international ESG ratings

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Sustainability Issues

	Operational Performance and Strategies (Material)	Corporate Governance (Material)	Risk Management (Material)	Digital Resilience	Corporate Sustainability (Material)
Significance and Purpose of Management for FENC	Aiming for sustainability, FENC takes steady strides toward refining industry strategies. We maintain our industry leading status, spearhead industry growth and promote economic development.	With integrity as the highest guiding principle, FENC constructs a sound framework to balance corporate governance and stakeholders' interests and protect stakeholders' rights by strengthening corporate performance and management.	Identify risks factors posing major impact to corporate activities, establish assessment approach or improvement measures to reduce operational risks and to avoid financial loss or damage to reputation.	With the potential of posing direct influence on business performance, customer trust and corporate reputation, information security is an indispensable element in corporate operation. FENC should adopt proactive and aggressive approaches for effective information security management and minimize the impact caused by cybersecurity incidents and support the enterprise's stable operation and sustainable development.	In the spirit of sustainable development, FENC creates diverse values for stakeholders and aspires to set the paradigm of the sustainable corporation through non-stop refinement in the perpetual pursuit of perfection.
Management Approaches and Effectiveness Evaluation Mechanisms	• Continue to expand production capacity and establish a diverse production base and products. • Regularly conduct management review meetings, track business performance, and require improvements from applicable units. • Conduct quarterly Board Meetings to ensure continuation and adequacy of strategic directions.	• Designate corporate governance staff and Corporate Governance Task Force to implement tasks targeting business integrity, regulatory compliance, rules of procedures, and public information. • Establish rules and regulations governing Board Meetings and conduct annual self-evaluations , and commission an external professional institution to conduct a Board performance evaluation every three years. • Incorporate external Corporate Governance Evaluation and internal control system to evaluate the effectiveness of operational procedures.	• Establish Risk Management Policies. • Establish a risk control system to make dynamic adjustments and optimization and ensure system effectiveness. • Implement staff training to increase risk awareness. • Conduct monthly Risk Management Meetings to monitor risk indicators and regulatory compliance. • Regularly conduct plant risk ranking projects to reduce operational risks. • Conduct multiple monthly meetings to ensure management of and focus on risk issues from the highest governing entity.	• Develop information security policies. • Establish a robust information security management system (ISMS). • Establish information security management mechanisms and standards that govern all aspects, including the organization, staff, physical security, technology and compliance. • Conduct training to improve the awareness of cybersecurity risks among employees. • Track all information security indicators at FENC and compliance with the Supply Chain Information Security Agreement among its supply chain partners. • Report to the Board regularly to ensure the supervision and management of risk issues by the highest governing entity. by the highest governing entity.	• Establish the Sustainability Committee at the Board level. Meeting resolutions are presented to the Board by the convenor of the Sustainability Committee. • Establish the Sustainability Policy and FENC Sustainability Strategic Blueprint to implement various sustainable projects and report to the Board. • Take part in domestic and international sustainability evaluation, forums and conferences, interact with stakeholders, and review and modify directions for corporate sustainability.
Authority	• Presidents of Corporate Management • Presidents of Petrochemical Business • Presidents of Polyester Business • Presidents of Textile Business	• Corporate Governance Officer • Corporate Governance Task Force	• Corporate Management • FENC sites	• Information Security Department • Production and Operation Sites	• Sustainability Implementation Committee

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1.1 Refining Operational Performance and Strategies

Sincerity, diligence, thrift, prudence and innovation are the founding principles of FENC. Initially established as a textile company, FENC has integrated vertically to encompass the entire spectrum of the textile industry, which streamlines the process from manufacturing to sales. FENC also spans horizontally into land development and reinvestment through diversified management strategies and highly efficient asset mobilization. FENC has been listed on the Taiwan Stock Exchange since 1967 and maintaining a 58-year streak of delivering profits and stock dividends. With sound governance, the Company continues to pursue sustainability and long-term performance, creating diverse values for stakeholders and building a best practice for environmental, social and corporate governance. FENC will keep delivering exceptional results in environmental protection, social inclusion and corporate governance.

FENC's Organization Chart

Mission Statement

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

Core Value

誠

Sincerity

Customers, the general public, and colleagues must all be treated with sincerity; cooperation and teamwork must be based on mutual trust.

勤

Diligence

Everyone must always work diligently to renew themselves and the company. With diligence we may make up for our inadequacies and overcome hardships.

樸

Thrift

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

慎

Prudence

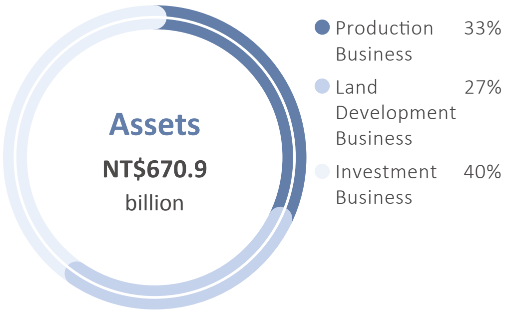
Always make a careful assessment before undertaking any task; those who plan ahead are those who will succeed.

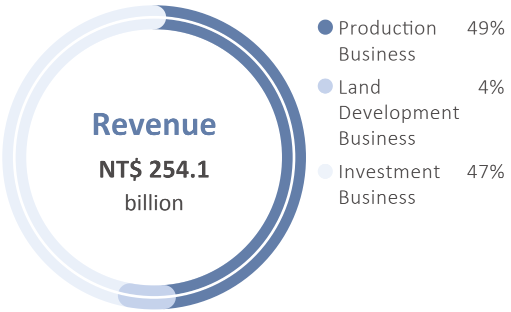
創新

Innovation

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

Assets and Revenue in 2025





1.1.1 Financial Performance

Healthy financial performance is the cradle of success for sustainability projects. It is also the key to sustainable corporate development. Each year, FENC sets the annual operating and capital expenditure budgets. Once the budgets are approved by the Board of Directors, the Accounting Department presents the Company's financial performance during each Board meeting. The presidents of each business reports on the state of operation at the Board meetings and the monthly operation review meetings, which enables the highest governing entity to monitor budget status. FENC chooses professional, accountable and independent certified accountants to audit the Company's finance and internal control. The accountants' independence and qualification are evaluated and reported to the Board annually based on The Norm of Professional Ethics for Certified Public Accountant of the Republic of China issued by CPA Association R.O.C. (Taiwan) and FENC's Corporate Governance Principle. The certified public accountants selected for 2025 were evaluated and approved by the Board on March 11, 2026.

twA
Taiwan Ratings
(2025)

Financial Performance

Unit: NT$ Million

	2022	2023	2024	2025
Total Assets	657,957	671,488	682,070	670,915
Total Liabilities	386,265	361,846	362,635	355,874
Shareholders' Equity	271,692	309,642	319,435	315,041
Operating Revenues	263,945	257,204	270,954	254,056
Net Income (Attributable to Parent Company)	8,166	8,229	10,032	7,831

Note: FENC consolidated financial statement.

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Economic Values Distributed to Stakeholders

Unit: NT$ Million

	2022	2023	2024	2025
Operating Cost	213,924	210,143	217,016	202,271
Employee Wages and Benefits	24,745	24,566	26,328	25,933
Payments to Investors (Interest Expense and Dividends)	18,124	18,705	20,058	22,209
Payments to Government (Income Tax)	3,803	3,439	5,000	4,713
Investments in Community	106	76	61	220

Note:
1. FENC consolidated financial statement includes business locations in Taiwan, Mainland China, Vietnam, Japan, and the U.S.
2. The 2025 social engagement includes a donation of NT$151 million to the College of Medicine and Nursing of Yuan Ze University.

Accrued Income Tax Expense

Unit: NT$ Million

	2022	2023	2024	2025
Taiwan	2,932	2,765	3,999	4,211
Mainland China	405	342	449	416
Malaysia	10	7	15	21
Hong Kong	18	53	6	0
U.S	201	115	107	(183)
Bermuda	(5)	(1)	(6)	(3)
Vietnam	53	96	182	113
Singapore	6	9	9	24
Japan	184	46	233	83
Thailand	-	8	6	32
Income Tax	3,803	3,439	5,000	4,713
Ratio of Income Tax to Revenue	1.4%	1.3%	1.9%	1.9%

Tax Governance

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

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

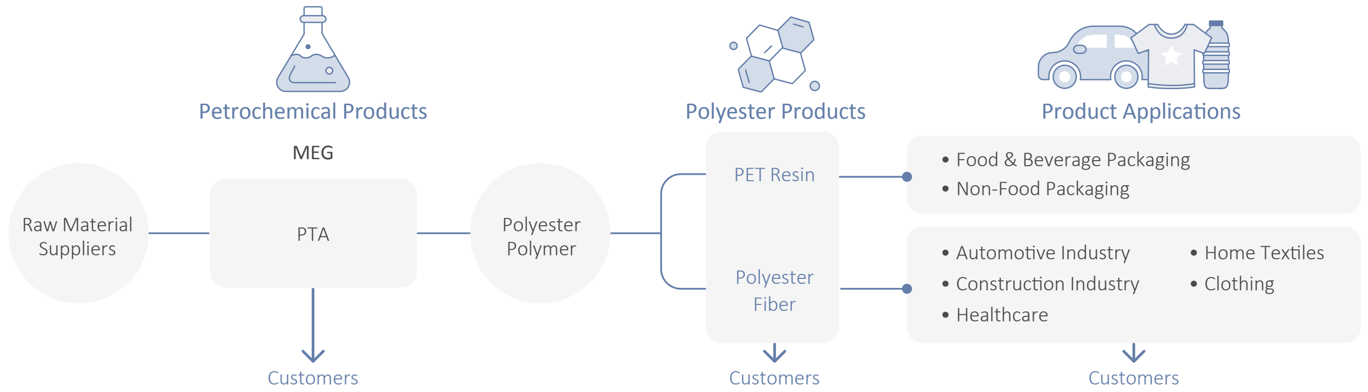
To avoid risks associated with regulatory changes, the Company established tax risk identification mechanism. When tax laws are amended, the mechanism facilitates assessment, prepares necessary response and considers gaps in tax obligations in a timely fashion. FENC also designated a tax affairs team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

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

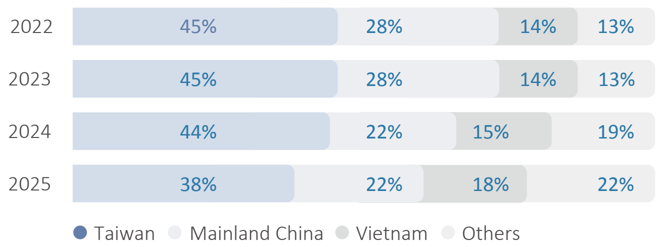
FENC Annual Report | Financial Report | Tax Governance Policy

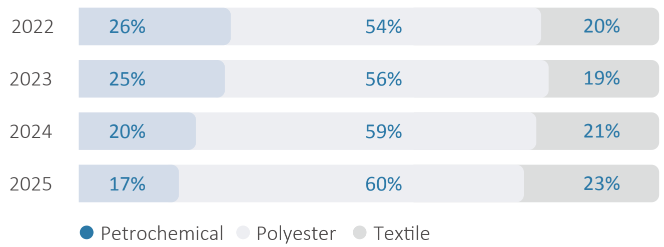
1.1.2 Production Business

Main Products and Value Chain



Sales Ratio





Note: Please refer to the FENC Annual Report for production and sales volumes.

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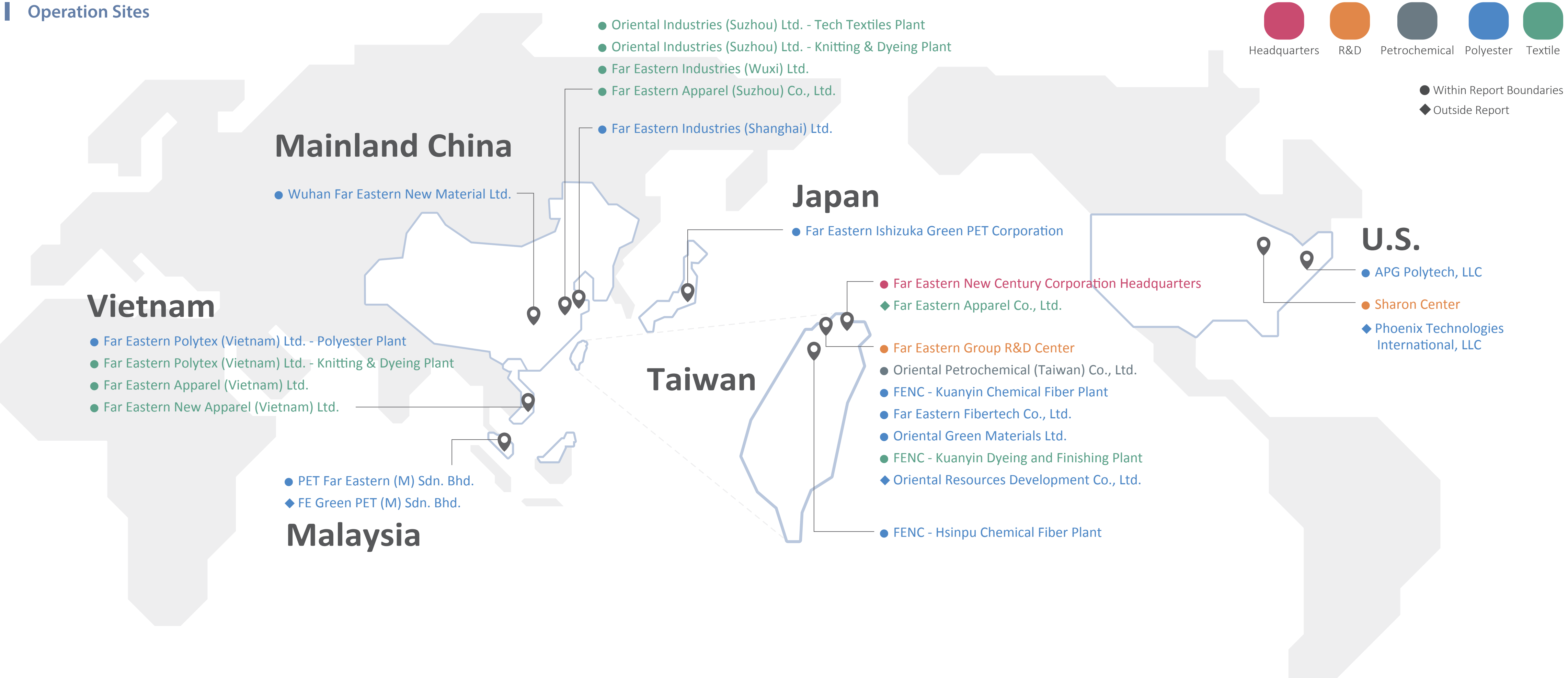
Operation Sites



Internal and External Analysis for Production Business and Industry Overview

As lingering uncertainty loomed over the 2025 global economy, geopolitical tensions and trade policy shifts thrusted the world into an increasingly perplexing restructuring phase. According to the International Monetary Fund, the GDP growth leveled with that of 2024 at 3.3%. However, rising protectionism, policy uncertainty and vulnerabilities in the financial market remain major downside risks. The Organisation for Economic Co-operation and Development pointed out that despite the gradual leveling off of inflation, global recovery still lacks momentum, and regional disparities are widening. Countries must strike a balance between stability and risk in monetary and fiscal policies, while supply chains, pushed by geopolitical and tariff volatility, are accelerating the pace of recalibration. The global economy is stepping towards fragmentation.

This is the external setup that compels FENC to launch expansion projects in multiple fronts, delving deeply into recycling technologies and promoting low-carbon manufacturing by leveraging its innovative R&D and solid position in manufacturing. The Company also buttresses its competitiveness by increasing downstream rPET applications. With tremendous efforts in strengthening partnerships with international brands, FENC is building the resilience of its global supply chain and elevating the efficiency of cross-regional production scheduling and logistics, poised to maintain capacity maximization and revenue performance amid market fluctuations.

Growing pressure from accelerating technological advancement and green transformation are reshaping the global industry. With sustainability as a core belief, FENC is sharpening its competitive edge using artificial intelligence (AI) and decarbonization technologies, ready to embrace new challenges presented by the new industry structure. Meanwhile, the Company continues to lead the industry with resolve and resilience.

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Industry's Sole Representative: FENC Recognized in the 2025 Taiwan FINI 100

FENC has always placed transparent stakeholder communication at the heart of its governance, dedicated to converting sustainability strategies into tangible capital market value. In the recently unveiled "2025 Taiwan FINI 100", FENC distinguished itself among over 2,000 companies to rank 22nd, notably standing as the only company in its industry to be selected. This achievement is further evidenced by a significant NT$7.7 billion increase in foreign investment during 2024. Such growth serves as a powerful endorsement from international institutional investors, reflecting their high regard for our market resilience, operational health, and commitment to sustainable governance.

The key to our inclusion in this prestigious list lies in meeting the capital market's rigorous four-layer screening: Market Criteria requiring a market capitalization exceeding US$500 million and a net increase in foreign institutional holdings; Fundamental Criteria necessitating three consecutive years of profitability with a positive revenue CAGR; Sustainability Criteria excluding the bottom 20% of corporate governance evaluations and companies with major governance flaws; and a Final Ranking based on the magnitude of foreign investment growth. This recognition serves as a powerful testament to the capital market's confidence in our long-term value transformation.

Looking ahead, we will drive value growth through our three core business segments by focusing on global expansion and green, low-carbon R&D within the Production Business to bolster operational resilience through smart transformation, prioritizing land revitalization and development efficiency in the Property Development Business alongside the strategic disposal of non-core assets to optimize resource allocation, and optimizing investment structures to promote deep integration across our Investment Business portfolio. Through these strategic pillars, FENC remains dedicated to deepening stakeholder trust and co-creating a resilient, value-driven, and sustainable future.

Operational Expansion and Vertical Integration: Deploying a Resilient and Sustainable Global Operation

While slowing global demand, geopolitical instability and trade policy changes have rendered an uncertain outlook, FENC remains steadfast with resilience as the anchor of its operation and business strategies. Backed by an expansive and vertically integrated network of production sites bolstered with stability and sustainability, its global supply chain is retaining competitiveness. In addition to the existing production sites in Taiwan, mainland China, Vietnam, Japan and the U.S., FENC continues to expand the production capacity and scale of operation in multiple ways.

Deploying Food-grade rPET Production in Malacca, Malaysia: Expanding Circular Economy Practices

FENC has invested in a food-grade rPET plant in Malacca, Malaysia. With it, FENC created a vertically integrated production deployment with synergistic effects by incorporating the existing local PET bottle production lines. The strategic move gives FENC the advantage of higher infiltration into the Malaysian market and the ability to offer local supply to markets within the Association of Southeast Asian Nations. The new plant has a planned annual capacity of 50,000 metric tons of food-grade rPET, and production is expected to commence in the second half of 2026.

Integrating Automotive Industrial Yarns as Airbag Components: Strengthening Value-added Product Portfolio

The automotive industry continues to gravitate towards safety and high-performance materials, which promoted FENC to further develop the vertical integration of fiber production for the sector. Its supply chain was extended further downstream in 2024. With the airbag yarn production at its Suzhou plant as the base, the Company expanded the production capacity of airbag fabrics and airbags. Production officially began in 2025, creating a strongly competitive supply network of automotive materials. As its major global customers in the sector have expanded their production capacity in Vietnam, FENC is also ramping up the deployment of industrial fiber production in the country.

Commencing Filament Production in Vietnam: Constructing an Integrated Sustainable Regional Supply Chain

FENC's new filament plant in Vietnam inaugurated in the second quarter of 2025 amid shifting sourcing focus to Vietnam and rest of Southeast Asia among its brand customers. With an annual capacity of approximately 60,000 metric tons, the emphasis is on high-performance and environmentally friendly filaments. The new plant is equipped with high-efficiency facilities, leveraging local energy sources and competitive labor costs to gain pricing advantages. Additionally, FENC is maximizing synergistic effects of its production structure by adding flexibility to the scheduling and capacity of production, distribution and sales in Taiwan, mainland China and Vietnam. In recent years, FENC sites in Vietnam have expanded upon garment production to include the manufacturing of polyester resins, staple fiber and filament as well as dyeing and finishing. Facilities for PET bottle recycling were also added, creating the complete integration of PET recycling, spinning, weaving, dyeing, finishing and garment manufacturing. Since Vietnam is a partner of several multilateral and regional trade agreements, such as Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RECP) and European Union–Vietnam Free Trade Agreement (EVFTA), the advantage of trading tariff-free has positioned this plant as one of FENC's most significant production sites overseas.

1.2 Governing With Steady Pace

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

Performance in Corporate Governance Evaluation

TOP 5% Highest Rating

FENC refined its management system based on the result of the corporate governance evaluation in 2025. Key projects include:

1. Establishing plans to enhance the corporate value and promote investor dialogue, which was openly encouraged by the Taiwan Stock Exchange Corporation as an exemplary company with better disclosure practices.
2. Moving the annual shareholder meeting up to May and improving shareholder engagement.
3. Adopting e-counter for shareholder affairs, which facilitates electronic submission of shareholder matters and improves administrative efficiency.
4. Amending the Articles of Incorporation to clearly define the percentage of profit allocated as the compensation for rank-and-file employees, sharing with them FENC's business performance.
5. Conducting privacy protection training on a regular basis and establishing the Privacy Protection Strategy.
6. Establishing the Customer Rights Protection Policy to reduce operational risks and strengthen customer loyalty.

Strengthening External Dialogue through Our First Systematic Mid-to-Long-Term Plan Disclosure

FENC regards transparent and comparable disclosure as the foundation of effective stakeholder engagement. Since the Taiwan Stock Exchange (TWSE) launched the "Power UpTW Program" (Corporate Value Enhancement Plan), listed companies have actively responded. As of December 31, 2025, 487 listed companies had announced their plans, underscoring the capital market's growing consensus that stronger governance can drive corporate value enhancement.

In TWSE's preliminary review of disclosed plans under the Power UpTW Program, FENC was included on the best-practice exemplar list. TWSE highlighted three key attributes of our plan: measurable metrics (enabling consistent assessment), enhanced transparency (reducing information gaps), and a clearer structure (improving readability and reviewability). Together, these features strengthen external communication efficiency and reinforce market confidence.

For FENC, the Corporate Value Enhancement Plan carries additional significance: for the first time, we have adopted a systematic approach to consolidate our mid-to-long-term planning and management logic into an externally communicable, understandable, and trackable disclosure framework. This supports more effective dialogue between regulators and capital market participants, and provides institutional investors with a more consistent information basis to assess our governance practices and value creation pathway—further reinforcing a positive cycle of trust and value enhancement among regulators, institutional investors, and the Company.

1.2.1 Integrity and Anti-corruption

Corruption and unethical conducts are detrimental to corporate reputation and stakeholder rights. To minimize the risk of corrupt conducts, FENC established an integrity and anti-corruption system with annual implementation of special projects.

Integrity and Anti-corruption System

Code of Conduct	Best Practice Principles of Ethical Corporation Management and Code of Ethics approved by the Board
System	1. Conflict of interest stipulated in the Rules of Procedure for Board of Directors – Donations from stakeholders or major donations to non-stakeholders: Rules of Procedure for Board of Directors stipulates that such conduct shall be reported to the Board; 2. The whistle-blowing and disciplinary method of violating ethical conduct and ethical management; 3. Remuneration system; 4. Internal control system and provisions governing its implementation, including management policy, authorization system and segregation of duties; 5. Anti-bribery clauses included in procurement contracts to strictly forbid the acceptance of kickbacks, handling charges or financial gains in any form
Scope	Corrupt conducts subject to FENC anti-corruption policy include unlawful conducts that cause embezzlement of corporate assets or infringement of shareholder rights, such as corruption, money laundering, bribery, kickback, commission, facilitating payment, illegal political donation, inappropriate charitable donation, unreasonable presents, improper conduct and unfair trade.
Audit System	1. Integrity and anti-corruption practice are listed under mandatory audit in the internal audit system. 2. Self Evaluation on Corporate Corruption is conducted quarterly based on the scope of anti-corruption policy. The result is presented to the Board for review to ensure the implementation of the anti-corruption policy. 3. FENC shall conduct investigation in the presence of the likelihood that suppliers and subcontractors, including agents and trade companies, violate integrity practice. Once verified, said company will be removed from FENC's list of eligible suppliers.
Training and Promotion	1. A minimum of one anti-corruption training for Board members and all employees to promote the scope of FENC anti-corruption policy and possible effects at the individual and corporate levels. 2. Prior to being included in FENC's list of eligible suppliers or engaging in business transaction with FENC, suppliers and subcontractors, including agents and trade companies, must undergo anti-corruption training or education. 3. Internal publication, meetings, signage at the plants.

2025 Implementation

Quarterly compliance audits were conducted at all FENC sites, including the completion of self-assessment forms and on-site audits, to ensure a full understanding of FENC's ethical corporate management and anti-corruption policies across all production and operation sites.

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2025 Results

1. The implementation of ethical management was presented to the Board, including online self-evaluation on regulatory compliance and training outcomes to fulfill the Company's belief in corporate integrity.
2. All 15 Board members completed the anti-corruption training, representing 100%.
3. A total of 19,454 employees, including permanent and temporary, in Taiwan, mainland China, Vietnam and Japan have completed the anti-corruption communication and training, representing 100%; 64 permanent employees from the U.S. completed the anti-corruption training, representing 38%.
4. Among the new employee hires, 100% have signed the declaration pledging to abide by the FENC Best Practice Principles of Ethical Corporate Management and Code of Ethics.
5. FENC promotes anti-corruption among suppliers and contractors through the Supplier Code of Conduct and Corporate Social Responsibility Commitment Statement. A total of 6,422 suppliers, which account for 98%, have signed the statement.

Statistics on the Number of Breaches of the Code of Ethics Conduct

	Number of Breaches in 2025
Corruption or Bribery	0
Discrimination or Harassment	0
Breaches of Customer Privacy Data	0
Conflicts of Interest	0
Money Laundering or Insider Trading	0
Total	0

Code of Ethics
Articles of Incorporation
Corporate Governance Principles
Best Practice Principles of Ethical Corporation Management
Legal Compliance Execution Report
The Whistle-blowing and Disciplinary Method of Violating Ethical Conduct and Ethical Management

Note: The disclosed data represent grievance claims received through comment boxes such as email accounts designated for grievances and workplace sexual harassment as well as those for the Audit Committee, Audit Department and Human Resources Department.

1.2.2 Board Structure and Remuneration

The Board serves as the highest governing entity at FENC. The 25th Board election was held in 2024, and the result has strengthened Board diversity and succession. All Board members bring a wealth of knowledge and experience to FENC. Equipped with backgrounds in law, finance, economy and sales as well as management expertise, decision-making skills and industry insights, the Board is able to lead the Company to navigate through and respond to various impacts.

FENC's Board diversity policies are established in accordance with the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers with corporate governance evaluation indicators as the reference. Details of the implementation in 2025 are as follows:

Target	2025 Implementation
At least one-third of the Board shall be constituted by independent Board members	After the 2024 Board election, five seats on the Board are held by independent members, which satisfies the requirement.
The Board shall consist of at least one female member	The Board consists of two female members, which satisfies the requirement.
The Board shall consist of at least one non-native member	The Board consists of members from multiple nationalities, which satisfies the requirement.

Board Regulations
Profile of Board Direct
The Board diversity policy and current implementation status

Four Board meetings were held during the reporting year with a director attendance rate of 95%, and a total of 81 resolutions discussed regarding management strategies, risk control, product innovation, carbon reduction, talent incubation and sustainable development. The Board continues to thrive under a robust system.

Functional Committees

Remuneration Committee Established in 2011 Number of Seats: Three, two of which are held by independent Board members Convener: Raymond R. M. Tai, independent Board member	Independent Board members serve as the convening body of the Remuneration Committee, which provides assistance to the Board in the establishment of performance review policies governing Board members and managers. The Committee is also responsible for establishing remuneration policy, system, standards and structure. FENC conducts regular performance reviews of employees, managers and Board members through the Remuneration Committee and determines salary, bonus and other forms of compensation. The Committee conducts industry payroll survey and provides recommendation to the Board for discussion. In 2025, the Remuneration Committee convened 3 times, with an attendance rate of 100%. Remuneration Committee
Audit Committee Established in 2015 Number of Seats: Five, all of which are held by independent Board members Convener: Shu-Chieh Huang, independent Board member	Audit Committee is composed of all independent Board members and convenes quarterly. The objective of this committee is to monitor the appropriateness of financial reporting, implementation of internal control, compliance with company regulations, management of potential or existing risks, as well as selection and evaluation of the independence and performance of certified public accountants. The Audit Committee convened 4 times in 2025, with an attendance rate of 100%. Audit Committee
Sustainability Committee Established in 2020 Number of Seats: Three, two of which are held by independent members Convener: Sy-Ming Guu, independent Board member	Independent Board members serve as the convening body of the Sustainability Committee, which actively fulfill the following responsibilities granted by the board of directors, including "Promote and strengthen the corporate governance and integrity", "Implement and develop matters related to corporate sustainability" and "Supervise other matters related to corporate sustainability approved by the Board". In 2025 the Sustainability Committee convened 4 times, with an attendance rate of 100%. Sustainability Committee

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Board Management and Performance Review

1 Nomination

Board nominations are made in accordance with Election Procedures of Director and Corporate Governance Principles, while comments from the independent Board members as well as the candidates' experience and education are also taken into account. Other considerations include diversity, independence, ability to respond to corporate impacts and stakeholder feedbacks. Board member elections are held during the shareholder meetings after Board review. In accordance with Company Law, shareholders with over 1% of the issued shares of FENC may nominate candidates for the Board in writing.

2 Independent Supervision

The Board exercises its power and fulfills its duties in accordance with the Articles of Incorporations, Rules of Procedures for Board of Directors and all applicable regulations. Based on the provisions regarding conflicts of interest in Meeting Rules of Board of Directors, Board members or the juristic persons they represent with conflicts of interest regarding agenda items shall explain to the Board the essential contents of such interest. In the presence of potential damages to the Company's interest, said Board members shall recuse themselves from discussing or voting on the agenda item in question, and from voting on behalf of another Board member. There were no incidences of conflicts of interest among the Board members in 2025.

3 Board Training

Each year, FENC holds two training sessions for the Board members with external experts as the lecturers. The two 2025 lectures emphasized risk control, specifically, geopolitical and supply chain risks as well as emerging technological risks:

Geopolitical risks: Professor Yun-Peng Chu of the Department of Economics at National Taiwan University spoke on "Corporate Strategies for U.S. Tariff Policy and Supply Chain Restructuring." Professor Chu provided his analysis on setting the course of corporate strategies amid the U.S. tariff policy to cope with risks resulted from changes in the global political and economic landscape as well as supply chain restructuring.

Emerging technological risks: Director Yung-Hui Li of the Artificial Intelligence Research Center under Hon Hai Research Institute shared his insights during the lecture, "Risks of Corporate AI Transformation." He explored potential information risks and governance during the industrial application of generative AI and autonomous training of large language models.

All Board members completed a minimum of six training hours in the reporting year, maintaining professional capabilities of FENC's highest governing entity in managing, identifying and responding to risks.

In addition, to enhance the understanding and decision-making capabilities regarding sustainability management among the Sustainability Committee members, Dr. Je-Liang Liou of the Chung-Hua Institution for Economic Research was invited to the committee meeting on October 21, 2025, during which, he gave the keynote speech, "From Incentives to Responsibilities: The Development of Carbon Pricing in Taiwan."

4 Board Remuneration and Performance Review

FENC self-evaluates the performance of the Board, Board members and functional committees annually in accordance with the FENC Board Performance Evaluation Rules. All 2025 results reached "exceed expectation," which is the highest level. Additionally, a Board performance evaluation is conducted at least once every three years by an independent external agency or a team of experts and scholars. The last evaluation was conducted in 2023 by EY Transaction Advisory Services Inc. The Board was evaluated for its performance in "structure," "people" and "process and information." The ratings the Board received are "advanced," "advanced" and "benchmark," respectively.

Actual percentages and dollar amount in compensations provided for the Board members are determined by the Remuneration Committee based on the Articles of Incorporations. Compensation for the Board members in 2025 account for 1.85% of the net profit after tax.

To add momentum for the promotion of sustainability, remuneration for sustainability governance units and senior executives is linked to their performance of reaching sustainability goals.

The Sustainability Committee, which is governed by the Board, is composed of two independent and one non-executive director. Remuneration for the committee members is linked to the sustainability performance. Bonuses are awarded based on the progress of reaching sustainability goals to emphasize the responsibility and commitment to promoting sustainable development at the governance level.

With internal approval, the model has been presented to the Remuneration Committee. Through a systematic design connecting sustainability performance with remuneration and bonuses, the mechanism has helped FENC promote the culture of sustainability from the top down and fulfill its commitment to sustainable corporate governance.

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Sustainability Targets Linked to Remuneration for Sustainability Committee

1. Reduction in energy consumption per unit of production
2. Reduction in GHG emissions
3. Percentage of revenues from sustainable products
4. Reduction in air pollutant emissions
5. Reduction in water withdrawal per unit of production
6. Zero fires and chemical spills
7. Number of community events, engagement, exchanges or non-profit activities organized or with FENC participation

1.2.3 Shareholder Benefits

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

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

Meeting Rules of Stockholders

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1.3 Perfecting Risk Management

Risks and opportunities are often two sides of the same coin. When one comes, the other follows. The same applies to corporate development. The world was not devoid of challenges in 2025. The U.S. rattled the world with reciprocal tariffs; exchange rates grew increasingly volatile; the Russo-Ukrainian War and conflicts in the Middle East were yet to subside; domestic demand weakened in mainland China. At a time like this, the presence of a robust risk control mechanism is of vital importance, and only through such a mechanism can operational risks be minimized, growth opportunities fostered and corporate sustainability fulfilled.

1.3.1 Risk Control Policy

To reinforce corporate governance and establish sound risk control to reach corporate targets, the Board approved Risk Control Policy on November 12, 2020. The objective is to ensure sustainable management, reduce damages and enhance corporate profit. Risks and opportunities should be evaluated accordingly for all business conducts to identify, evaluate, monitor and control risks, keeping risks within manageable range to rationalize risks and benefits.

FENC established a three-tiered organizational structure for risk control. From the first to third are all Businesses, administrative departments and applicable units; the Risk Management Team; internal audit, and their duties and responsibilities are stated in the Risk Management Policies. An emergency response team is to be established to form immediate responses to sudden material risk events, ensure regulatory compliance and minimize potential losses and impacts. Monthly briefings covering issues such as management, sales, industrial operations, energy conservation and carbon reduction are held to keep the Board and senior executives informed and maintain sound decision-making, and risk control indicators have been incorporated as part of the performance review.

FENC has adopted the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures to identify sustainability- and climate-related risks and opportunities that can reasonably be expected to affect the Company's outlook. The procedures follow the framework of FENC's Risk Management Policies.

Risk Management Policies

Structure of Risk Control Organization

The Board acts as the highest decision-making entity for risk control, which oversees the operation of risk control policies and management mechanisms to ensure the effectiveness. All business units, administrative departments and applicable units shall determine whether the risks exposed for achieving goals are acceptable given pre-defined risk appetite. The Risk Management Team shall establish qualitative and quantitative criteria for management, review risk control issues and present risk control reports to the Board at least once a year.

1. First line of defense: All Businesses, administrative departments and applicable units

All Businesses, administrative departments and applicable units shall clearly identify major risks associated with their operations, conduct risk management and implement appropriate risk assessments in response to factors such as changes in the internal, external and regulatory environments. Regular reports on the risk management status shall be presented to the Risk Management Team under Corporate Management.

2. Second line of defense: Risk Management Team

The Risk Management Team under Corporate Management oversees the entire risk management practices at FENC. The team is responsible for developing risk management policies, frameworks and mechanisms as well as qualitative and quantitative management standards. The team also conducts monthly reviews over risk control measures reported by various units in line with their assigned responsibilities. Additional tasks include examining issues related to risk management, monitoring the implementation and coordination of overall risk management initiatives, and presenting the risk management report to the Board at least once a year.

The team presented the 2025 risk management operation to the Audit Committee and the Board on November 5 and 7, 2025, respectively.

3. Third line of defense: Internal audit

FENC's internal audit units conduct operational risk assessments and audits through the internal control system and provide improvement recommendations in the audit report.

The audit units reported on the audit operation to the Audit Committee and the Board quarterly in 2025, providing details on the quarterly audit reports and the implementation of the annual audit plan. Improvements yet to be completed shall be tracked on a continuous basis.

In addition to the three lines of defense, an emergency response team shall be established in the event of a sudden material risk event with the potential of major impacts on the Company. The response team shall address risk situations immediately and communicate with internal and external stakeholders to ensure regulatory compliance and minimize potential losses and impacts.

1.3.2 Identification and Management of Material Risks

Material Risks

FENC identifies potential risks through a systematic risk assessment mechanism. Potential risks and sources relevant to operation are identified by each department, followed by prioritization and evaluation by the senior management. The likelihood of each risk event and its magnitude of impact on FENC's operation are assessed during the process. Based on this assessment framework, the followings are identified as areas with significant risk exposure during the reporting year:

(1) Financial Risk (Exchange Rate Fluctuation): Potential financial impact resulting from exchange losses due to international political and economic conditions.

(2) Emerging Risk (Information Security): Potential impact resulting from business interruption and pecuniary penalties caused by ransomware attacks. For details on measures established and mitigation actions, please refer to the corresponding chapters in the FENC Sustainability Report or FENC Annual Report.

Material Risk and Response

Risk Type	Detail	Potential Impact If Unaddressed	Strategy
Financial Risk	Risks affecting financial targets caused by fluctuations in domestic and foreign interest rates, exchange rates and customer credit	• Liquidity issues caused by insufficient cash positions • Profit decline caused by exchange losses • Increase in capital costs due to high borrowing rates	• Maintain a sound financial structure through flexible fund allocation. • Track daily changes in exchange rates and adjust foreign exchange positions accordingly. • Maintain a good credit rating and strive for preferential borrowing rates.
Strategic and Operational Risk	Risks caused by business strategies, domestic and international market competition, industry cooperation and changes in policies and regulations	• Misplaced resources and decline in competitiveness caused by wrongful investment decisions • Interrupted production and delivery as well as uncollectable accounts due to possible supply chain disruption caused by geopolitical conflicts • Increase in operational costs resulting from regulatory changes, such as the Carbon Border Adjustment Mechanism (CBAM) in the EU and rising minimum wages	• Conduct regular business review meetings and discussions on industry strategies to address changes in the external environment by adjusting operational strategies. • Closely monitor international political and economic development and evaluate the need to suspend or discontinue direct credit transactions or trade in high-risk countries. • Stay updated on and prepared for regulatory changes applicable to the markets and production sites.
Environmental, Carbon Reduction and Energy Risk	Risks caused by climate change, geographical resources, global carbon-reduction progress, energy and applicable fiscal and tax policies	Fines, lawsuits, protests, boycotts, market pressure or competitive disadvantages due to inadequate management of GHG as well as energy and resource consumption, damage to ecosystems and violations of environmental regulations	• Promote carbon reduction and energy conservation programs. • Develop green products and reduce carbon emissions during production. • Strengthen pollution management and comply with regulatory requirements.
ESG Risks	Risks caused by the inability to meet stakeholder expectations in ESG performance	• Rise in capital costs due to capital withdrawal, downgraded credit rating, price increase or refusal made by capital sources, such as investors and banking institutions • Loss of employees, partners and customers due to impacts on profitability and competitiveness caused by damages to the corporate image and reputation	• Value stakeholder communication, engagement and response. • Participate in sustainability programs and keep abreast of issues and trends. • Strive for domestic and international corporate sustainability awards and improve performance in international ESG evaluation.

Emerging Material Risk

Emerging Risk	Detail	Impact	Mitigating Actions
Geopolitical Risk	The geopolitical climate has been clouded with uncertainties in recent years. The trade war between U.S. and China has not subsided since 2018, triggering the tech war that followed. The tipping geopolitical balance is exacerbated by the nuclear crises in Iran and North Korea as well as the war between Ukraine and Russia and the Israeli-Hamas conflict. The free flow of goods and technologies have been severely impeded, upending the order that had supported the globalized economy and international trade. These geopolitical risks are clogging market efficiency. While posing profound influence on the overall economy and the security of Taiwan, they have also been hammering the stability of conventional business models, resulting in burdening costs.	• Supply chain disruption: In the past, corporations relied on international supply chains to operate in a globalized economy. Geopolitical conflicts may lead to shortages of raw materials, production delays and the inability to make on-time delivery, which increase market uncertainties, impacting investment decisions and financial planning at the corporate level. • Trade policy changes: Geopolitical tensions may alter the course of international trade policies, such as tariffs and export restrictions, which would affect FENC's cost structures and competitiveness. • Higher investment risks: Geopolitical instability would affect direct investments in high-risk areas. FENC must seek insurance protection or adjust investment and network strategies. • Currency Fluctuations: Geopolitical events may cause volatility in currency values, affecting risk management regarding foreign exchange rates and international transaction costs.	• Mitigate geopolitical risks through dispersed global growth by expanding business and production sites from Taiwan and mainland China to global locations such as Vietnam, Japan and the U.S. • Develop operating strategies accordingly and strengthen risk management, including establishing diversified production and sales models as well as building supply chain resilience and agility. • Implement measures to reinforce regulatory compliance and avert the impact of fluctuating exchange rates.
Information Security Risk	Network technology is progressing at an expeditious rate. With the prevalence of remote work and cloud computing, the corporate world is facing cybersecurity threats that are growing in diversity and complexity. Common threats such as ransomware, phishing and social engineering attacks are also striking wider targets with more sophistication , adding hurdles when it comes to defending corporate operations and data security.	• Business interruption and higher operating costs: Ransomware attacks or accidental clicks on phishing links may lead to the leakage of confidential information, affect the routine system operation or even interrupt production and marketing activities, which may require considerable manpower and costs to formulate a response. • Risks of non-compliance and pecuniary penalties: As information security regulations grow stringent, government authorities may impose heavy pecuniary penalties for leaking personal data and other serious violations. • Damages to brand image and market confidence: When mishandled, information security incidents may draw negative press coverage that harms the corporate image and market confidence. Consequently, such incidents may lead to the loss of customer trust and weaken market competitiveness.	FENC has a strong information security management system in place. In 2022, the Company created the Information Security Department and appointed the Chief Information Security Officer to oversee measures aiming to safeguard information security. To tackle information security risks, FENC has implemented the following five mitigating actions: • Establish standard procedures for handling information security incidents. • Fully implement the reporting and handling of information security incidents. • Reinforce information security management training among staff. • Establish response mechanisms to guard the information security protection system. • Implement supply chain information security management.

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

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

6 Principles

1. Considering the uncertainty of risk factors and collecting the best information to develop prioritized action plans
2. Achieving optimal resource allocation and utilization
3. Establishing necessary preventive mechanisms and emergency action plans
4. Constantly identifying and responding to changes
5. Complying with laws and regulation
6. Strengthening trust and communication with stakeholders

7 Processes

1.3.3 Risk Control Mechanism

Regular Meetings

● Environment ▲ Social ■ Governance

	Important Meeting	Interval	Corresponding Issue	Highest Ranking Attendee
Board Meeting	Board Meeting	Quarterly	● ▲ ■	Chairman
	Audit Committee	Quarterly	■	Independent Directors and Directors
	Remuneration Committee	Semi-Annual	■	
	Sustainability Committee	Semi-Annual	● ▲ ■	
Themed Meeting	Management Meeting	Annual	● ▲ ■	Chairman / Vice Chairman
	Human Resources Management and Development	Annual	▲ ■	
	Special Report on R&D	Semi-Annual	● ■	
	Budget Review	Annual	■	
	Environment Sustainability	Annual	●	
Regular Meeting	Operation Review Meeting / Business Group Strategy Meeting	Monthly	● ▲ ■	
	Sales Meeting	Semi-Monthly	■	Presidents of Petrochemical Business, Polyester Business and Textile Business
	Risk Management Meeting	Monthly	● ▲ ■	President of Corporate Management

Risk Alert System: Advanced Response with Regular Tracking

FENC established Risk Alert System in 2015. The administrative units conduct monthly follow-ups and examine corporate risks. In 2025, the Company held 12 risk control meetings, establishing advanced indicators and responses to avert risks, and address irregularities in the indicators with corresponding measures, improvements and optimization for prevention.

Process of Risk Alert System

Coverage Areas of Risk Alert System

Risk Category	Detail	Measure
Human Resources	Continuing staff employability; employee benefits and wellbeing; employee turnover and hiring procedure; labor relations; performance review.	• Conduct salary surveys for appropriate salary adjustments. • Establish communication channels between the labor union and employer to assess employee needs. • Include written exams and interviews during recruitment and implement a probation system.
External Environment	Geopolitics; trade liberalization; corruption; non-tariff barriers.	• Calculate dumping margins quarterly and review the sales structure. • Establish the code of conduct for antitrust compliance. • Create the National Intelligence Sharing Platform to focus on the geopolitical risks in global regions.
Corporate Assets	Maintenance of Intangible Assets (Intellectual Property Rights); Preservation of Physical Assets and Business Continuity; Financial Asset Management.	• Monitor fluctuations in housing prices and the progress of land development monthly. • Set safety stock levels for products with monthly review.
Legal Affairs	Legal training, anti-fraud and anti-corruption; documentation and information management; regulatory monitoring and compliance; contractual agreement and subsequent management; litigation and dispute resolution.	• Complete the online self-evaluation for regulatory compliance monthly at all units. • Announce regulatory changes periodically and notify applicable units.
Finance and Accounting	Fair presentation of financial reports; compliance and completeness of information disclosure; customer credit and account receivable management; tax audit; financing and capital management; capital expenditure procedure and control; investment management; insurance and hedging.	• Establish the Global Customer Credit Management Platform and Credit Customer Information Management Platform to review real-time credit conditions. • Review the ratio of financing sources and examine the performance of individual reinvestment on a quarterly basis, and provide improvement recommendations when appropriate.
Information Security	Internal information security, supply chain information security, digital vulnerability management	• Establish robust defense systems and operating procedures for reporting information security incidents. • Provide 24-hour information security monitoring through an outsourced security operations center. • Monitor press coverage and precautions from experts on information security incidents.

Digital Transformation in Credit Management and Investigation

2023	Established the Global Overdue Information Platform with optimization underway for the Global Credit Management Platform and Credit Customer Information Management Platform.
2024	Completed the National Intelligence Sharing Platform, which minimizes geopolitical risks by pairing real-time risk monitoring with appropriate risk control measures based on the Directions for National Risk and Crisis Monitoring, Management and Handling.
2025	• Created an automated early warning and notification system, which sends alert when material information is released by listed companies in Taiwan or when the risk indicators are marked red, enabling real-time monitoring of material customer events and potential credit risks, hence improving the efficiency of risk identification and response. • Incorporated an AI module platform to generate credit reports regarding domestic and international customers, which improves the efficiency and quality of the analysis while strengthening credit decisions and management.

Achieving Zero Defaults and Coping with U.S. Reciprocal Tariffs with Dynamic Credit Management

The world was met with a shifting economic and trade environment with greater volatility in market demand in 2025. The U.S. implemented reciprocal tariffs on imported goods from most countries, sending shockwaves with direct and indirect impacts on the global supply chain. The effect was especially potent for export-oriented enterprises. Conditions of customers' financial health became murky due to sharper fluctuations in external market demand, sending surges that drove credit risks to a higher level. FENC is tackling these challenges with a robust set of risk control strategies, strengthening loan management guidelines, reviewing credit terms with caution and increasing the percentage of secured loans to ensure fund recovery and maintain the stability and resilience of corporate operation.

Tightening Credit Terms with Periodic Credit Customer Evaluation

A comprehensive assessment identified customers with unusual credit activities or increased risks over the past year, and each was reviewed and examined. Credit terms were modified based on risk exposure and the customers were listed under continuous watch. The measures have helped FENC lower the ratio of accounts in arrears from 2% to 1.5% and enhanced the overall quality of credit operations.

Increasing Secured Loans to over 80%

The creditworthiness of all domestic and international credit customers was assessed. Credit insurance and an array of risk diversification measures were also adopted to protect accounts receivable. FENC leveraged multiple credit guarantee resources in 2025 to continue optimizing the credit procedures. The approach led to a steady rise in secured loans to over 80% across the Company, successfully minimizing financial impacts caused by any individual customers or market changes.

Fine-tuning the Global Overdue Information Platform with Reinforced Risk Warning and Collection Mechanisms

FENC monitors customer payment status in real time on a daily basis through an integrated inter-departmental platform, making sure debt collection is completed within the critical 90-day mark. Measures for collection and risk response are activated according to established protocols, which have been shortening days sales outstanding and boosting the efficiency of cash flow management.

Additionally, FENC applies its time-tested credit management expertise to affiliated companies under the Far Eastern Group (FEG), providing assistance with implementing credit management systems and risk control procedures to improve credit quality and management across FEG. The established systems and training have substantially enhanced the credit risk control capabilities of FEG affiliates, demonstrating synergy across the group in protecting financial stability and perfecting risk management.

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

In 2014, the President of Administrative Headquarters served as the chief supervisor and established Company-wide Regulatory Compliance System.

1. Objective
   (1) Enhance employees' legal awareness to avoid illegality.
   (2) Protect corporate interests and image.
   (3) Reduce operational risks for the Board and management team.
   (4) Improve corporate efficiency.

2 .Target
   Confirm key regulations concerning corporate operation. Regulations governing penalty for Board members and managers; damages to corporate image; major civil offense; administrative liability are given priority status for implementation. Areas prone to deficiency are listed as the focus for annual audit. Given the above criteria, 90 regulations and 608 control points are identified.

To help overseas operations delve further into regulatory compliance, FENC launched the plan for phased implementation of its regulatory compliance system at subsidiaries in mainland China and Vietnam in 2025. Assistance was provided to the legal staff in the two countries to review key regulations enacted by local governments concerning the subsidiaries' production and operation activities, such as foreign investment, business registration, accounting and taxation, labor conditions, intellectual property, occupational safety, environmental protection and sustainable development. Implementation is prioritized when specific regulatory violations could lead to damages to FENC's corporate image and interests; criminal liability for the Board members and managers; major civil and administrative liabilities. Based on these considerations, self-assessment forms for regulatory compliance have been prepared for each region, and the self-assessment is scheduled to commence in 2026 at FENC's overseas subsidiaries depending on the progress of regulatory reviews and the development of the cross-border regulatory compliance system.

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Coverage Areas of Regulatory Audit

Target	Compliance Detail
Shareholder	Financial report, internal control, issuance of credit and endorsement/ guarantee, acquisition and disposal of assets, convening of meeting
Customer and Competitor	Fair trade, import/export
Corporate Asset	Business accounting, tax management, patent and trademark, Copyright Act, trade secret, personal data protection
Employee	Labor condition, welfare and insurance, labor relations, labor retirement, health and safety
Society	Corporate corruption, political donation
Environment	Environmental protection

Major Violations in the Past Two Years

Year	Company	Violation	Penalties	Improvement Plan
2024 (Three Cases)	OTIZ	The plant was cited for two violations against the exhaust and testing standards.	NT$1.45 million	• Additional exhaust treatment facilities were installed to reduce waste gas emissions • The plant renewed the pollutant discharge permit. • Tested exhaust emissions in accordance with the permit requirement and has reinforced staff training.
	APG Polytech	The plant was cited for not meeting the workplace safety requirements.	NT$1.03 million	• The plant has strengthened employee training and enhanced the workplace cleanup. • Staff's flame-retardant clothing was replaced.
2025 (Two Cases)	Hsinpu Chemical Fiber Plant	As instructed by the regulatory authority, due to the gas explosion, the plant suspended operations related to heat transfer and at affected sites for improvements.	Authority temporarily suspended accident-related operations for comprehensive safety inspection and cause investigation.	• Commissioned external experts to investigate the root cause and conduct reviews using the most stringent standards to ensure the completion of all improvements and safety at all affected facilities. • Reinforced process safety/machine integrity and work permit management. • Incorporated current state of fire safety system and progress of deficiency improvements in the internal audit. • Conducted joint drills with the fire bureau to elevate inter-unit emergency response capabilities. For details, please refer to Special Report 3. Response and Prevention Mechanism in the Wake of the Gas Explosion Incident at Hsinpu Chemical Fiber Plant.
	Tech Textiles Plant of OTIZ	The plant was cited for occupational injuries caused by faulty machine operation.	NT$2.37 million	• Installed protective equipment, such as guardrails, safety ropes and warning signs. • Implemented video surveillance for monitoring. • Revised the operating procedures. • Reinforced safety training among staff.

Note: Based on the list of "material information" referenced in the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, a single event accruing more than NT$1 million in pecuniary penalties shall be disclosed. Non-pecuniary penalties resulting in governmental orders of the suspension of work, suspension of business, termination of business, or the revocation or voidance of a permit pertaining to pollution shall be disclosed.

Detail of Regulatory Compliance System

Category	Focus	Task	2025 Performance
Establish Communication	• Establish a clear system for regulatory communication, consultation, and reporting. • Implement violation SOPs and grievance channels including the email for reporting regulatory compliance issues and for the Audit Committee and Audit Department.	• Designate regulatory compliance personnel. • Report violations and penalty immediately.	• The compliance staff from all departments report monthly on violations and penalty.
Regulatory Update	• Track the latest regulatory amendments and updates on a regular basis and convey the changes to all units immediately. • Provide advanced risk alert on violations for all units.	• Convey regulatory updates to relevant units and staff. • Update Company regulations in per regulatory changes.	• Utilized robotic process automation (RPA) to extract regulatory updates from the Executive Yuan Gazette Online and the Financial Supervisory Commission (FSC) as well as sources related to the economy, health and safety, labor affairs and fire safety, and send updates to applicable personnel. • Created a Q&A wizard in support of promoting the digital employee program to provide the latest regulatory updates, including laws promulgated by the President and regulations posted on the Executive Yuan Gazette Online within the last three years, bringing employees insights into regulatory amendments through direct dialogues with the large language model. • Amended FENC's Corporate Governance Principle in response to the additional provisions in the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
Regulatory Training	• Publish information on regulatory enactment, case studies and regulatory education. • Conduct training on key regulatory amendments. • Provide in-person and online training on regulatory compliance for new employees (intellectual property/copyright/Criminal Code and corporate corruption/labor conditions/trade secret).	• Designate appropriate staff to undergo training	• Raised awareness of key amendments in the Fire Services Act at all production sites in Taiwan in January. • Promoted regulations related to chemical and hazardous substances at all production sites in Taiwan, including the Occupational Safety and Health Act, the Fire Services Act, the Factory Management and Counseling Act and the Toxic and Concerned Chemical Substances Control Act. • Shared key amendments made to the Directions for Labor Inspection Agencies Implementing Shutdown and Resumption of Work by the Ministry of Labor at all production sites in Taiwan in July.
Compliance Evaluation	• Quarterly compliance status reported to the Board. • Created self-evaluation checklists for regulatory control points. • The Legal Department collaborated with the Human Resources Department, Labor Safety and Health Department and Audit Department to complete on-site inspections, provide guidance for all departments on improvements and follow up. • Ensure that suppliers and contractors of all FENC production sites comply with FENC's corporate social responsibility policies regarding labor and human rights, health and safety, environmental protection and business ethics.	• All departments implement improvement plans for deficiencies identified in self-evaluations. • Require suppliers and contractors to sign the FENC Supplier Code of Conduct and Corporate Social Responsibility Commitment Statement or add relevant clauses to transaction documents.	• Conducted monthly self-evaluation to monitor regulatory compliance across all units. • Completed the optimization of the regulatory compliance system in September: a. Added functions to compile and track non-compliance identified during self-evaluation at all units to monitor improvement progress and strengthen compliance risk management. b. Added unit non-compliance tracking to monitor improvement progress and risk control. • Conducted on-site compliance audits at the Corporate Management in January and at all production sites in January, July and October. • Promoted the Workplace Violence Prevention Plan in January and examined the implementation at all production sites and subsidiaries. • Assisted the U.S. subsidiary to fulfill its agreement with the state government and brought its emissions up to code.

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Risk Ranking Project

FENC has a worldwide presence with production sites spanning across Taiwan, mainland China, Japan, Vietnam, Malaysia, the Philippines and the U.S. To support corporate growth and ensure workplace safety, the Company commissions risk ranking consultants periodically to identify risks and weaknesses at all production sites. Deficiencies are improved upon with monthly tracking until completion.

In January 2026, the fifth risk ranking project kicked off with a scope encompassing 21 production sites in the countries listed above. The project evaluates 44 international risk indicators concerning software, hardware and emergency response, while examining improvements addressing deficiencies identified during the 2023 risk ranking. The current project is expected to conclude by the end of 2026.

Strengthening Risk Management Training

To ensure corporate sustainability, minimize damages and advance business interests, FENC offers regulatory compliance training targeting the human rights policy, ethical management, anti-corruption and risk management, and a total of 19,518 employees completed the training and exam in 2025. As to the training regarding occupational safety and health risks, details are provided in 4.3 Reinforcing Operational and Occupational Safety.

Oversight and Management of Internal Control System

1. Operation of Internal Audit

Aside from conducting annual audits mandated by governmental regulations, the audit staff evaluates operational risks and develops the annual audit plan for the coming year with details listed. The plan is implemented upon the approval of the Audit Committee and the Board. After the audit, the audit unit discusses deficiencies and unusual occurrences with the audited unit, which is required to propose improvement measures and monitored until the shortcomings are addressed.

The audit report, once completed, is forwarded to independent Board members for review prior to the end of the subsequent month. Quarterly progress reports on improvements made are presented to the Audit Committee and the Board for review. Major violations or potential damages to the Company are reported immediately to the President of each Business, the Audit Committee and the Board.

2. 2025 Implementation

FENC conducted 52 audit projects in 2025 and identified minor internal control risks. The majority of the improvement projects have been completed. As of the end of December 2025, deficiencies identified in 2 audit projects remained outstanding with improvement measures in progress.

3. 2025 Priority Tasks

- Internal Control Self-Evaluation

A total of 56 subsidiaries on the consolidated statement self-evaluate the internal control practice through an electronic management platform to optimize the flow, efficiency, consistency and transparency of the internal audit operation at all FENC units and subsidiaries. Once reviewed by the audit units, results, deficiencies identified and improvement progress are presented to the Board and Presidents as the basis for evaluating the effectiveness of the internal control system and issuing the Internal Control System Statement. The outcome is also disclosed in the FENC Annual Report and on the Market Observation Post System as a means of showing FENC's resolve to implement effective internal control.

- Auditing With Digital Tools

Implementing digital internal audit is an ongoing task for the audit unit. Specific approaches include optimizing the data platform and introducing dashboard analytics to strengthen risk warning mechanisms and maximize the benefits of corporate governance. Key projects include:

(1) Increasing the level of audit automation: Internal and external information are integrated through data concatenation technologies to provide continuous monitoring of complex transaction cycles, and repetitive tasks are replaced with process automation, releasing audit capacity for in-depth analysis on high-risk cases and improving operational accuracy and efficiency.

(2) Establishing a monitoring system for critical risks: A data-driven monitoring system has been established to target operating assets and the Investment Business, two major risk areas. The system generates structured asset operation data using advanced analytics and flag anomalies in real time through visualized indicators. Another capability is the systematic integration of financial supervisory information from subsidiaries to track operational health over the long term. Monitoring indicators across multiple dimensions enables the management to promptly identify and assess potential risks and issue early warning for asset preservation and governance purposes.

(3) Optimizing the audit control platform: The audit operation management system has undergone a complete upgrade to improve transparency when providing updates of audit projects while ensuring information security and clear division of responsibilities. Systematic tracking is built in to accelerate, monitor and ensure internal audit improvement with effectiveness.

4. Subsidiary Supervision

FENC conducts regular reviews over subsidiary operations and management, examining documents such as the financial report, inventory status and credit recovery. When anomalies are detected, the subsidiary is notified in the form of a work report to facilitate immediate adjustments and improvements.

5. Training for Audit Personnel

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

Internal Audit Organization and Internal Control Approaches

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1.4 Fortifying Digital Resilience

The business world is progressing further with digitalization, ushering in growing complexity and sophistication in business activities and supply chain operations. Cybersecurity threats hence evolved as one of the critical risks that could hinder corporate stability and sustainable competitiveness, leaving the global community to ponder ways of upholding business continuity and risk controllability amid capricious times, which has become a crucial task in corporate governance.

Driven by the urgency of information security governance, FENC established the Information Security Department in 2022 based on the Regulations Governing Establishment of Internal Control Systems by Public Companies and Information Security Control Guidelines for TWSE/TPEx Listed Companies. Headed by the Chief Information Security Officer, the department oversees organizational and systematic implementation of information security and risk control tasks, internalizing information security as part of the corporate governance and internal control framework, adding reinforcement to digital resilience and highlighting FENC's deliberate attention and lasting commitment to safeguard information security.

Building a Resilient Information Security Organization

1. Information Security Department

On November 9, 2022, the Board approved the establishment of the Information Security Department to spearhead the implementation of information security tasks, such as indicator setting, performance tracking and information security protection and training, working in tandem with the Information and Technology Center on information security management.

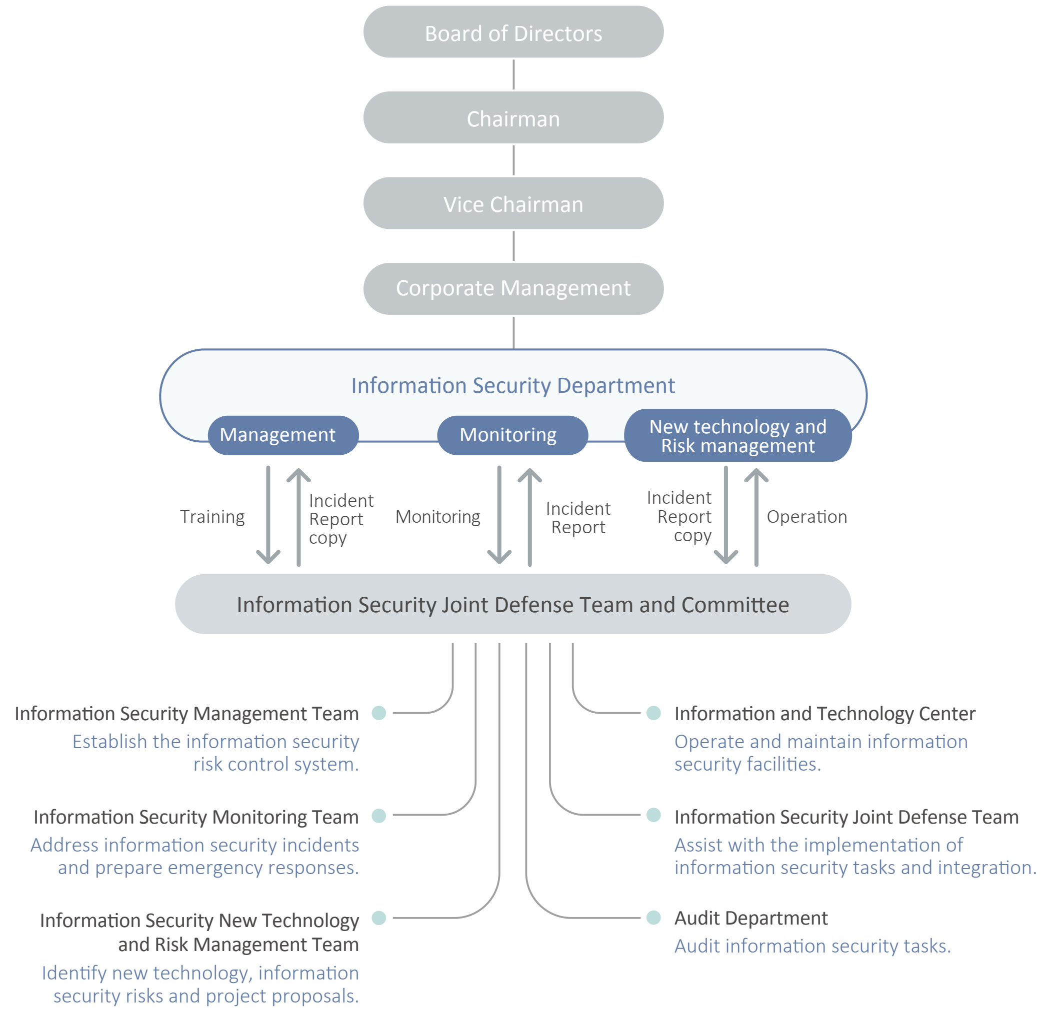
2. Information Security Joint Defense Team and Committee

To implement and bolster information security, FENC established the Information Security Joint Defense Team and Committee. While the Information Security Department is in charge of the implementation and monitoring of information security as well as applications of new technology, an information security defense team is established under each unit to reinforce the defense shield. Units with such a team in place include the Corporate Staff Office as well as the Human Resources, Accounting, Finance, Legal, Secretarial, Shipping, Labor Safety and Health Departments under Corporate Management. Information security staff from each unit provide assistance in implementing information security tasks, creating an integrated interdepartmental shield against cyber threats. The Audit Department conducts internal audits over information security undertakings to ensure compliance with the internal control system as well as governmental regulations. The Information and Technology Center is in charge of the maintenance and repair of the information security facilities.

3. Establishing Information Security Sub-Committee of Far Eastern Group

In December 2023, FENC formed the Information Security Sub-Committee (ISSC) with multiple affiliates under Far Eastern Group (FEG), including Far EasTone Telecommunications Co. Ltd., Asia Cement Corporation and Far Eastern International Bank. Initiating its operation in 2024, ISSC is tasked with coordinating the joint defense of information security and resource allocation within FEG. ISSC also improves the overall defense by leveraging synergistic effects through policy exchanges, emergency support, incorporation of technologies and equipment as well as talent development.

Information Security Governance Framework



Content

Strengthening Information Security Management Mechanisms

1. Information Security Management System and Business Continuity Management

FENC and its overseas subsidiaries started incorporating the ISO 27001 Information Security Management System (ISMS) in 2014, establishing concrete management schemes regarding information authorization, data backup, system development, supplier management, and intellectual property rights. Since 2016, external third-party verifications have been conducted every three years. Given the rapid changes in the information security landscape, the Company proactively aligns with the latest international standards and completed the transition to the ISO 27001:2022 certification ahead of schedule in July 2024. The certificate remains effective until September 2028, demonstrating a high level of commitment to information security protection. The Company continues to implement the PDCA (Plan-Do-Check-Act) objective-based management cycle to advance its ISMS, while also striving to learn and adopt the NIST (National Institute of Standards and Technology) Cybersecurity Framework to strengthen network security.

Additionally, FENC has been implementing the ISO 22301 business continuity management system. In December 2023, FENC's subsidiary, Shanghai Far Eastern IT Company, obtained the ISO 22301:2019 certification, which is valid until December 2026. Obtaining the certification requires the integration of the ISMS and business continuity management to create a comprehensive security and operational shield, which is a testament to FENC's commitment to business continuity and information security.

2. Establish Information Security SOP

FENC joined Taiwan CERT / CSIRT Alliance (see note1), SP-ISAC and Taiwan Chief Information Security Officer Alliance, and established the SOP for dealing with information security incidents. The SOP delineates applicable procedures and measures, including reporting proceedings and staff accountability. The goal is to eliminate information security incidents within the least amount of time and establish correction and prevention plans accordingly.

In 2025, there were no major information security incidents (see note2) at FENC and no financial losses caused by information security incidents. Meanwhile, FENC strengthened password management for employees and enhanced mechanisms for protecting confidential corporate information, ensuring the security of customer privacy data. Throughout the year, there were no incidents of customer data breaches.

In January 2025, FENC was notified by a key supplier in the information and communications technology sector of concerns over data leakage from systems involved in collaborative projects. Emergency response procedures kicked in immediately and shielded FENC's operation with protective measures. The incident did not result in any operational or financial impacts on the Company.

Note:
1. CERT / CSIRT refers to Computer Emergency Response Team (CERT) and Computer Security Incident Response Team (CSIRT). SP-ISAC refers to Science Park Information Sharing and Analysis Center.
2. A material information security incident is defined based on the frequently asked questions regarding the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.

Upgrading Supply Chain Cybersecurity Governance with Machine Learning

Supply chain cybersecurity governance is a top priority among FENC's brand customers, and the Company has responded by introducing a dual-rating system in 2025, incorporating SecurityScorecard and Bitsight to safeguard information security. In 2026, FENC is giving its domain and supply chain cybersecurity management a complete upgrade by layering machine learning (ML) and automated analysis upon the existing FE Attack Surface Management Platform (FEASM). The upgrade marks a departure from passive stocktakes. Instead, FENC is moving towards preemptive warning and smart decision-making. By combining the in-house platform with ML models, FENC is constructing an intelligent joint defense architecture, linking internal and external forces from subsidiaries and supply chain partners to strengthen digital resilience across FENC.

Intelligent external attack surface governance (visualized risk control from the inside out)

AI-driven continuous monitoring facilitates systematic stocktakes of risk exposure from external domains and digital assets. FENC has reinforced the firewalls and implemented a real-name access and exit requirement for the Domain Name System to detect high-risk factors and potential misuses in advance. Instead of passive disclosure, FENC is taking a preemptive approach with proactive and controllable management of external attack surface risks, thus reducing human-induced or legacy system risks.

AI-driven joint defense platform for attack surface and supply chain

The in-house platform, FEASM, automatically integrates threat intelligence, supply chain risks and internal knowledge base to conduct automatic cybersecurity stocktakes focusing on the attack surface, perform risk classification and issue real-time warning. The joint defense and reporting framework covers over 20 of FENC's worldwide subsidiaries. Its monitoring and smart analysis functions operate 24 hours a day, 365 days a year, providing non-stop assistance to frontline and risk control units with identifying irregularities in advance and upgrading cybersecurity management from post-incident reporting to pre-incident warning with inter-departmental collaboration and response.

Dual information security ratings X intelligent risk insight and governance mechanism

FENC has implemented a dual rating system armed with SecurityScorecard and Bitsight. By integrating external ratings, attack surface visualization and observations of supply chain risks, the system forms a set of consistent risk monitoring standards that applies internally to the subsidiaries and externally to suppliers and partners. While Bitsight excels in third-party and supply chain risk control, SecurityScorecard provides real-time risk ratings and attack surface insights, creating a complementary security infrastructure that facilitates risk classification, decision-making management and governance tracking. FENC and its main subsidiaries are currently maintaining an "A" from SecurityScorecard and "Advance," the highest rating from Bitsight, continuing to surpass customers' requirements and international standards.

3. Implement Information Security Incident Reporting and Handling

Services for the monitoring and surveillance of information security incidents have been incorporated to consolidate security logs from multiple sources, including the firewall, intrusion-detection system, anti-virus software system and end-point detection and response. The incidents are detected, collected, analyzed and managed to effectively avert potential cybersecurity threats. Information concerning data security is consolidated and managed to effectively provide alerts before, real-time warnings during and analysis after the incident. The services ensure a proper protocol to be followed in the case of such incidents and minimize the harm and damages to the key information systems, assets and operations.

4. Implement Supply Chain Information Security Management

To strengthen cyber resilience across the supply chain and build a safe and reliable cybersecurity network, FENC created the FENC Supplier Information Security Agreement based on the Cyber Security Guidelines for TWSE/TPEx-Listed Companies. The Company also performed a stocktake for its core systems and designed a rating matrix, classifying suppliers' information security maturity according to the management, defense, detection and response capabilities as a reference for supplier management and risk control.

A monitoring system has also been adopted to observe supply chain information security, including risk rating and external exposure among external suppliers and partners, which enables the visualization and quantification of supply chain risks. Information security incidents or anomalies occurring at the supplier's end would trigger FENC's information security defense immediately, which activates emergency response and monitoring through the entire duration to safeguard operational stability and cybersecurity.

Information Security Management and Training

1. Information Security Training

FENC actively invests in information security training to strengthen employee awareness. At the same time, system developers and managers are required to adhere to the standards governing system establishment and security management to reduce cybersecurity risks. To enhance the awareness and risk response capabilities among all employees, in 2025, FENC's Human Resources Development Center and dedicated information security units hosted 43 professional training sessions domestically and overseas. A total of 3,288 participations were recorded through diverse channels, including in-person, online streaming, and digital sessions. The information security courses are designed based on different organizational levels and business needs, offering customized content and case studies. Topics include cloud service security management, information security risks for emerging technologies, IoT information security controls, as well as information security risks at the operational level, effectively cultivating information security awareness among all employees.

2. Social Engineering Drills

As a measure to enhance employees' ability to safeguard information security, FENC conducted phishing drills for 2,085 employees in 2025. The drills simulate actual network attacks to enhance risk response towards social engineering threats. The majority of the participating employees stayed alert towards the phishing emails and did not respond. However, a few did click on the link and provided personal information. Enhanced training was provided to improve their information security awareness.

Honing Cybersecurity Capabilities with Responsible AI

While ramping up the application of AI in operational and innovative initiatives, FENC also underscores the importance of responsible AI and governance among employees. On June 5, 2024, FENC enacted the Rules Governing the Use of Generative AI, specifying the principles for application as well as risk control and ethical requirements in order to keep the development of AI at FENC in line with corporate governance, regulatory compliance and sustainability goals.

Enhancing Cybersecurity Management and Operational Efficiency with AI

FENC has become a frequent award recipient for its AI applications in recent years. In May 2025, its in-house cybersecurity intelligence management platform, Catcher AI, was shortlisted as a finalist and awarded Honorable Mention in the Best AI Awards organized by the Ministry of Economic Affairs. Being the largest AI competition in Taiwan, the 2025 competition drew 1,253 teams from 36 countries. With a mere 7.4% of winning, FENC was chosen as one of the awardees, the only winner representing the traditional industry in the 2025 competition.

In November, FENC received the Rising Star Award in the GenAI Stars competition held by the Ministry of Digital Affairs for its Smart Outgoing Quality Control System, which was showcased during the Information Technology Month at the exhibition booth of the Administration for Digital Industries. With integrated AI modules, the system gives the order-to-cash process higher efficiency and accuracy and shortens the duration of manual operation significantly, improving overall performance and transparency of the cross-border supply chain.


2025 Best AI Awards
AI 智慧創新大賞
入圍證明
Finalist Certificate
The certificate is presented to
Category: AI Application/Corporate
Project Title: AI Cyber Defense Team Taiwan : Catcher AI
Institution: Far Eastern New Century Corporation
for being shortlisted as a finalist at the 2025 Best AI Awards
經濟部


Certificate
GenAI Stars
潛力之星獎
智能出貨品質檢核系統
AIFE 3.0
Far Eastern New Century
moda
林宜敬

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AIFE 3.0, the 24/7 Digital Guardian

FENC has been building an extensive network of AI applications across multiple disciplines. With AIFE 3.0, the Company now has an enterprise AI platform capable of integrating multiple models as well as internal and external data, democratizing AI and empowering employees without experience in information technology with abilities to develop applications independently. Robust cybersecurity and governance are assured through the hybrid cloud. A built-in billing system and risk warning module track the cost of AI compute and potential operational risks in real time, ensuring resource optimization and data security. With AIFE 3.0, FENC has enhanced operational efficiency, inter-departmental collaboration and digital savviness among its talent.

In January 2026, FENC became the winner of the inaugural AI Innovation Top 100 Awards held by Business Weekly, which focuses on practical AI applications in the corporate setting. A total of 445 entries underwent 120 days of review by 36 jury members from the industry, government and academia, and 98 remained as award recipients. FENC won the honor for the development of AIFE 3.0, an innovative platform for internal control and sustainability risk governance, collecting its third AI award following two wins at national competitions in 2025.

AIFE 3.0 is essentially an AI-powered cybersecurity staff who operates 24/7. The platform integrates global cybersecurity intelligence, provides automatic early warning and supports social engineering drills. To date, it has elevated cybersecurity defense for more than 20 subsidiaries and supply chain partners. With its know-how, FENC also created FEASM. Armed with Microsoft Sentinel, FEASM acts as an AI cybersecurity intelligence center. With the ability to detect irregularities, the platform has reduced the overall response time to cyber threats by over 40%, which substantiates the value of AI in corporate practices.

1.5 Implementing Sustainable Development

FENC is in pursuit of sustainable development through its corporate influence. While balancing the quest for corporate profits and ESG performance, the Company strives to create higher values for all stakeholders.

1.5.1 Sustainability Governance

Guidance for Sustainability Governance

1. Sustainable Development Principles

FENC has a sustainable governance structure which combines corporate sustainability with its core strengths. In 2014, the Sustainable Development Principles was established as the highest governing principles for corporate sustainable development for FENC as well as its subsidiaries under the Production Business. In 2025, FENC amended the Sustainable Development Principles by referencing to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies issued by TWSE and TPEx, IFRS Sustainability Disclosure Standards and existing FENC policies. The amendment was approved by the Sustainability Committee on February 25 and the Board on March 11.

Sustainable Development Principles

2. Sustainability Strategy Blueprint

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

Sustainability Strategy Blueprint

Structure of Sustainability Governance

1. Board of Directors

The Board of Directors serves as the highest governing entity regarding ESG governance at FENC. The Presidents of all Businesses and highest-ranking executives of all units present corporate issues concerning sustainability at the quarterly Board meetings and regular briefings. ESG issues discussed during regular meetings of the Board, Audit Committee, and Remuneration Committee as well as additional regular meetings attended by the Board members in 2025 include:

- External Board evaluation
- Operational performance and market conditions
- Industry strategies
- Financial conditions
- Sales overview
- Human resources management and development
- Board and employee remuneration
- Risk control
- Integrity and anti-corruption
- Implementation of regulatory compliance
- Internal audit
- Environmental safety and health
- GHG and energy management
- Innovative R&D
- Annual Sustainability Report
- Stakeholder dialogues
- Social engagement

Content

2.Sustainability Committee

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

Sustainability Committee Charter

- Sustainability Committee Operations

The third session of the Committee was appointed by the Board of Directors on August 7, 2024. The three members possess the expertise and competencies required for the Committee, including corporate governance, business strategy planning, corporate risk management, supply chain management, energy strategy, and non-profit organization operation.

A total of four meetings were held in 2025 (dates listed in the table below). Humphrey Cheng, President of Corporate Management and Convener of the Sustainability Implementation Committee, reported to the three members on the company's sustainable development progress, ESG project execution, and performance.

Environmental Projects: Publishing the 2024 TCFD/TNFD Report; GHG inventory and verification progress; carbon reduction action plans; developing high-value, low-carbon, eco-friendly polyester materials; commercializing chemical recycling technology for waste fabrics; and developing waste recycling through cross-industry alliances.

Social Projects: Participating in the SDG ASIA EXPO; executing sustainable supply chain programs; strengthening workplace health and safety management; implementing environmental education courses and optimizing exhibition content; perfecting employee career planning; and engaging in ESG dialogues with various stakeholders.

Governance Projects: Publishing the 2024 Sustainability Report; adopting the IFRS Sustainability Disclosure Standards; planning the expansion of recycled polyester (rPET) production capacity; promoting sustainable finance; enhancing AI usage management; and improving sustainability awareness and stakeholder communication.

All resolutions were approved by all members present. The Committee Convener, Independent Director Sy-Ming Guu, reported the results of the meetings to the Board of Directors on March 12, May 9, August 8, and November 7, 2025.

3. Sustainability Implementation Committee

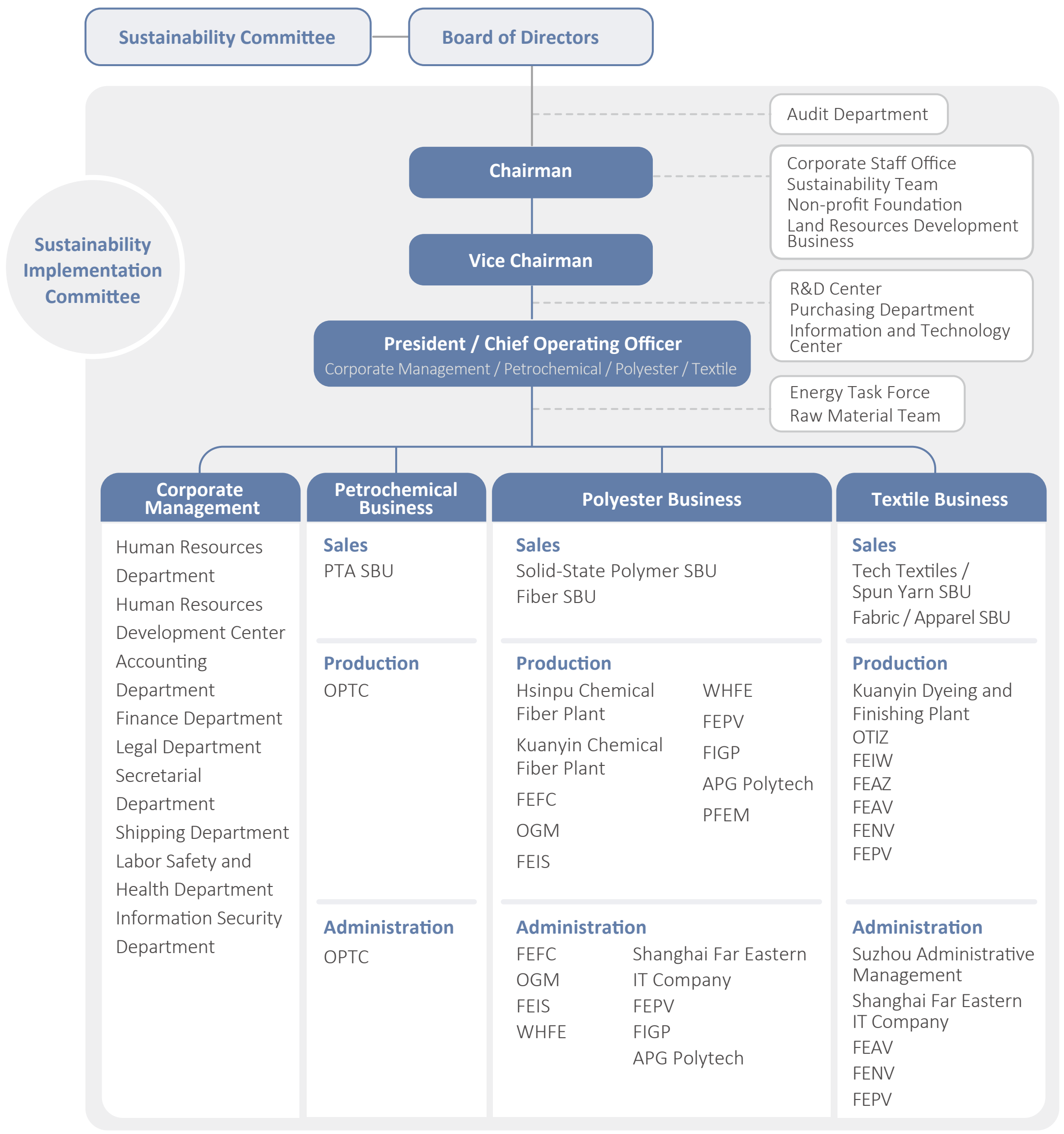
FENC established the Sustainability Implementation Committee in 2014 to facilitate corporate sustainable development. The President of Corporate Management serves as the convener. Specific tasks for the Sustainability Implementation Committee are as follows:

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

The Sustainability Implementation Committee consists of 318 members in 2025. The committee structure parallels the corporate structure. Among the members are Presidents and Chief Operating Officers from all Businesses, departmental managers at FENC operation sites worldwide and the 3 designated members of the Sustainability Team under Corporate Staff Office.

Profile and Duty of Sustainability Implementation Committee

Structure of Sustainable Governance



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Disclosure of Sustainability Data

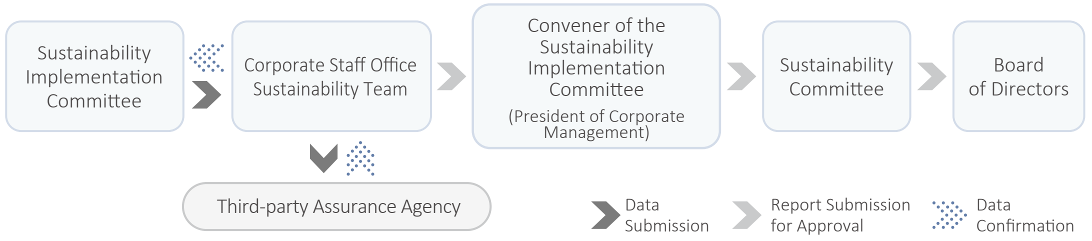
The annual sustainability performance disclosed in this report is first presented by the Sustainability Implementation Committee, which is then verified, analyzed and consolidated by the Sustainability Team at the Corporate Staff Office. The report is finalized and published after receiving third-party verification and approval from the President of Corporate Management. For the 2025 Sustainability Report, submissions for approval were made by the Sustainability Committee and the Board of Directors on April 29 and May 13, 2026.

The FSC released the Roadmap for Taiwan Listed Companies to Align with IFRS Sustainability Disclosure Standards on August 17, 2023. According to the roadmap, FENC is subject to the IFRS Sustainability Disclosure Standards in 2026 due to having a paid-in capital of more than NT$10 billion. Hence, FENC is making its 2026 disclosure in accordance with the IFRS Sustainability Disclosure Standards, and the disclosure will be released in 2027 in the dedicated section for sustainability-related financial information in the FENC Annual Report. The groundwork for phase 1: analysis and planning was laid in the fourth quarter of 2024 following the guidelines and regulations issued by the authority, which includes four major tasks. The tasks are establishing an inter-departmental task force; making preliminary identification of major discrepancies between current sustainability disclosure standards and the IFRS Sustainability Disclosure Standards as well as the impact; making preliminary identification of reporting bodies; formulating the implementation plan. Phase 2: design and implementation was completed in 2025, which encompasses identifying sustainability issues; sustainability-related risks and opportunities; scope of value chain; evaluation of material sustainability-related information; identification and collection of necessary information; establishing the procedures for collecting financial and non-financial information; calibrating information systems and internal control systems. Beginning in the first quarter of 2025, the implementation progress has been presented to the Board for management and control and reported to the government authority on a quarterly basis. The Audit Department implemented an audit project in 2025 to examine the implementation process of the IFRS Sustainability Disclosure Standards. After reviewing the meeting minutes, issues identified and documents submitted to the Sustainability Committee and the Board, the Audit Department confirmed that all procedures regarding the identification of sustainability issues, risks and opportunities identification, data collection, control mechanisms and reporting procedures are in compliance with the regulations set forth by the authorities. The FSC, Ministry of Environment, Ministry of Economic Affairs, Ministry of Transportation and Communications, Ministry of the Interior and Ministry of Agriculture released the second edition of the Taiwan Sustainable Taxonomy at the end of 2024. The scope of applicable economic activities has been expanded to include industries under which FENC falls, and the Company has started evaluating the disclosure involved.

Based on the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, FENC established the Operating Procedures for the Preparation and Assurance of Sustainability Reports, which was integrated into the internal control system to strengthen the reporting and verification mechanisms. The second edition of the operating procedure was completed in 2024 and implemented after the Board approval. The Audit Department has incorporated sustainability data management into the internal control system and annual audit plan as mandated for listed companies by the FSC and audited the operation of sustainability data management in 2025, confirming the compliance of the preparation, scheduling, data entry, information compilation and review of the FENC Sustainability Report with the Company's operational standards without deficiencies. In addition, to strengthen the management of sustainable information, the Company established the Operating Procedures for Sustainability Information Management in 2025, which governs the collection, documentation, processing, compilation, adjustment, approval, publication, storage and access of sustainability information. The regulation was approved by the Sustainability Committee on February 25, 2026 and the Board on March 11, 2026, superseding the Operating Procedures for the Preparation and Assurance of Sustainability Reports as it has been incorporated into the internal control system.

To facilitate data collection, digitization and preservation, FENC introduced the ESG Portal in 2022. Company forms, which used to be delivered only through emails, are now partly digitized to be completed, submitted and reviewed on the portal. The ESG Portal also sends reminders for overdue documents, which has improved the overall operational efficiency. The portal optimization continued in 2025, and AI was utilized to produce seven bilingual (Chinese and English) instructional videos, which were uploaded to the portal as learning tools for users.

Sustainability Report Preparation Process



1.5.2 Sustainable Finance

FENC is committed to building a sustainable business model that fosters harmonious coexistence with the environment. Its corporate development strategies are fully embodied through sustainable investments, and the fund raised is linked to its sustainable development goals. While striving to become the benchmark enterprise for innovation in sustainable finance, FENC will continue to create win-wins for the government corporations and stakeholders in Taiwan.

Integrating Sustainable Development With Diversified Financing Channels

Between 2018 and the end of 2025, FENC issued 51 sustainable financial products, many of which are the first in Taiwan or Asia. The products incorporate diverse financing channels to attract the market capital. Raising over NT$90.2 billion, the entirety is devoted to projects that advance sustainability.

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1. Capital Market Bonds

World's First 1

Corporation issuing four types of sustainable bonds listed on the Sustainable Bonds Database from the International Capital Market Association

Taiwan's Only 1

Corporation qualified for and being the first issuing four types of sustainable bonds

The sustainable bonds issued by FENC, such as green bonds, social bonds, sustainability bonds and sustainability-linked bonds (SLB), have raised over NT$26.6 billion from the capital market to date for funding ESG and sustainability projects. In 2025, FENC issued an additional NT$4.1 billion in sustainable bonds.

2. Green Financing

FENC has fully embraced the sustainable development goals through its business practice. Partnering with major banking institutions in Taiwan and the world, the Company established the equivalent of over NT$63.3 billion for ESG financing between 2018 and the end of 2025. FENC has also promoted the practice to its overseas subsidiaries in mainland China, Japan and Southeast Asia, adding approximately NT$6.5 billion in 2025.

3. Commercial Paper for Money Market

The World's First Sustainable Commercial Paper

Green Commercial Paper and Social Commercial Paper

On August 12, 2025, the Taiwan Depository & Clearing Corporation (TDCC) released Self-Regulatory Guidelines for Sustainable Commercial Paper, establishing the sustainable commercial paper system in Taiwan and making the money market part of the sustainable finance landscape. Once again, FENC trailblazes into the frontier of sustainable financial products. Joined by its subsidiaries, OGM and Far Eastern Apparel Co., Ltd., the Company fused operational characteristics of different business entities and issued the world's first sustainable commercial paper in October with a total denomination of NT$350 million. This is the embodiment of FENC's dual strategies, to drive financial innovation and decarbonization across the industry, which is leading sustainable finance in Taiwan to a new milestone.

Since 2020, FENC has been aligning with global trends in sustainable development with progressive measures. Guided by the Sustainability Strategy Blueprint and the United Nations Sustainable Development Goals (UNSDGs), FENC has internalized the sustainable financial products as part of its corporate business strategies. Its Framework for Sustainable Finance and Framework for Sustainability-linked Bond, which are verified by third-party assurance agencies, ensure the environmental and social benefits of the Company's investment projects and sustainability performance targets, laying a strong foundation for fulfilling core corporate values through sustainable finance.

As a measure to comply with Corporate Governance 3.0 and the recalibrated green financial policies from the FSC, FENC updated the Framework for Sustainable Finance in 2025. The update includes the expanded scope of funding applications and brings the framework on par with international practices and trends, making it the only framework of sustainable finance in Taiwan with a scope that encompasses the parent and subsidiary companies; fuses environmental and social benefits; leverages direct and indirect financial instruments. The core values and highlights of the framework are as follows:

- Setting Sustainable Development Directions

  The framework ensures effective fund utilization to fuel green investments projects, such as the development of circular products as well as renewable energy. The fund is also used to advance social benefits with programs that support local small and medium enterprises, independent recycling establishments and recycling operations run by disadvantaged groups. FENC is taking aggressive strides towards accomplishing the 15 UNSDGs.

- Diversified Financial Instruments

  In addition to green bonds, social bonds and sustainability-linked bonds for the capital market, FENC also includes bank-financed blue loans as well as an array of green and social loans among its diversified financial instruments, becoming the first corporation in the world to issue four types of sustainable bonds at the same time. With the establishment of the principle for sustainable commercial paper in the money market in 2025, FENC is adding green commercial paper, social commercial paper and sustainability commercial paper to its product portfolio, amplifying the influence of sustainable finance with short-term funding. While supporting business operation and industry upgrade, FENC is fostering the development of social and environmental sustainability.

- International Standards and External Verification

  Investment projects are evaluated and selected based on the principles established by the ICMA with funds earmarked to ensure proper management. The effectiveness of fund allocation is assured through third-party verification with regular disclosure on the Company website, Market Observation Post System and the ICMA database.

- Financial Innovation and Market Influence

  FENC's financial innovation has been praised repeatedly by international media, such as The Asset, Treasury Today and FinanceAsia, which is a recognition for the Company's leadership in the field of sustainable finance.

- Broadening Global Presence

  FENC has expanded the practice of sustainable finance to its subsidiaries, making sustainable financial strategies a main direction that will drive sustainable transformation throughout its entire supply chain.

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The Framework for Sustainable Finance is the accelerator of sustainable transformation within FENC. It is also attracting more funds from the capital market for sustainable development, which propels the industry and society forward to shape a more environmentally friendly and responsible future.

Framework for Sustainable Finance
Framework for Sustainability-Linked Bond

Building FENC's First Sustainable Finance Endeavor in Malaysia with a High-tech Recycling Plant in Malacca

PFEM, a wholly owned subsidiary of FENC, has secured a RM150 million green and sustainability-linked loan from HSBC Malaysia. For the first time, FENC applied its sustainable financing framework to an overseas subsidiary for plant construction and operation, a monumental moment in the Company's sustainable finance and industry investment. The funds will be applied towards the construction of a new plant, while the interest rate will be linked to sustainability performance indicators, such as the percentage of renewable power in the energy mix and water recycling rate, boasting financial support and environmental benefits.

The new high-tech rPET plant is located in Melaka with a planned annual capacity of 50,000 metric tons of food-grade rPET made of locally recycled PET bottles. The high-quality rPET will be utilized by international brands, forming a bottle-to-bottle circular economy and reducing carbon emissions. Advanced technologies such as automatic sorting, cleaning and granulation allow PFEM to be in full compliance with international food safety standards. Its location, which is close to major ports and infrastructure, is an advantage that positions the plant as the driver of regional economy as well as green and low-carbon transition in Malaysia.

Reaching New Heights in Sustainable Finance Alongside Subsidiaries with Taiwan's First Sustainable Commercial Paper

With circular economy and low-carbon transition at the heart of FENC's development strategies, the Company's operational, investment and financing decisions are grounded in sustainability. Such was the case when FENC issued the world's first sustainable commercial paper. The Company was invited to the Sustainable Commercial Paper Ceremony featuring Taiwan's first sustainable commercial paper, announcing the arrival of sustainable finance in the money market and affirming its leadership status in sustainable financing. FENC's efforts in advocating low-carbon manufacturing and the common good through financial innovation have been recognized home and abroad with multiple sustainability and financial awards.

Among FENC's subsidiaries, OGM focuses on the circular economy of rPET, issuing green commercial paper to fund the production of recycled products and incorporate green energy; Far Eastern Apparel Co., Ltd. issued social commercial paper to support micro, small and medium enterprises, maintaining their ability to offer employment opportunities. These financial innovations are the embodiment of social value, thus winning The Asset magazine's Triple A Sustainable Finance Award for Best Sustainable Commercial Paper, FENC's fifth back-to-back international award in the sustainable finance category. With green and digital prowess, FENC is chartering a path that leads further into this endeavor while putting sustainable finance in Taiwan under international spotlight. Along with supply chain partners, FENC is creating a low-carbon and prosperous future where economic benefits, social value and environmental responsibility coexist.