

Feng Tay Group

2016 Corporate Social Responsibility Report



Stepping up to a sustainable community

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Letter from President

Our vision is to foster a group of people who are committed to the value of work, supported by family, and proud of the company; to create a corporate culture based on the quest for innovation and quality; to manage Feng Tay to be an everlasting manufacturer steadily making reasonable profits; and to constantly engage in environmental protection and give back to society.

Improve Operational Performance

Since the establishment, Feng Tay has operated on four intrinsic values: Integrity, Discipline, Diligence and Craftsmanship. Because of the efforts from our employees, our consolidated revenues reached NTD 58.1 billion (USD 1.82 billion) in 2016, 4.3% higher than in 2015, and earnings per share after tax reached NTD 6.67 (USD 0.21).

Provide Safe and Fair Workplace

At Feng Tay, employees are our essential partners to help us move forward. We strive to provide a safe and friendly workplace to our employees. The occupational injury frequency rate was 44% lower than in 2015, and the occupational injury severity rate substantially decreased by 73%. To provide attentive care for employees' children, we established our fifth nursery school in Vietnam. We strive to cultivate local talents and help them develop leadership and management capabilities in every region. As of the end of 2016, over 50% of Factory General Manager positions were held by local employees. To empower female employees in India, we continued to carry out SAKHI program, which has helped 29 female employees to earn college degrees since 2012. In Vietnam, we received recognition from UN Women for outstanding performance in promoting workplace gender equality.

Strengthen Community Partnerships

As our operational performance has improved, we also continue to support social welfare activities and fulfill our responsibilities as a corporate citizen through the programs of the foundations we established, as well as the efforts of our factories in each region. The Feng Tay Cultural and Educational Foundation in Taiwan has provided financial aids to less privileged students, helping them to enjoy equal educational opportunity. In China, the Da Feng Cultural Foundation and factories are dedicated to improving local medical and educational resources. The factory in Indonesia continues to make its onsite clinic available to the local community. In Vietnam, the factories have provided free health examinations and medical clinic to local residents. Through the "Beyond" program in India, we have offered free after-

school tutoring programs and built public toilet blocks in neighboring villages to help improve community hygiene and educational resources.

Engage in Environmental Protection

Feng Tay is committed to sustainable development of the company and the environment. We have set up specific environmental impact reduction targets for our major footwear factories. To cut down energy consumption and greenhouse gas emissions, a plan was initiated to replace all oil-fired boilers with electric heating systems by 2018. We have also planned to install additional solar power systems in China and India, as a part of our program to increase use of renewable energy. For every pair of shoes our major footwear factories made in 2016, the greenhouse gas emissions were 23% lower than in 2013, and the energy usage was reduced by 13%.

Between 1992 and 1996, the Group Headquarters established a landfill site in compliance with government regulations. In recent years, the riverbank that borders the closed landfill site was eroded by typhoons and heavy rains and, as a consequence, some buried waste was washed away. Guided by our business philosophy and corporate social responsibility, we initiated a cleanup plan in 2014. Since then a total of 19,281 metric tons of buried waste has been removed at a cost of NTD 180 million (USD 5.6 million). In the future, we aim to reduce waste at the source through following measures: monitoring the volume of waste to cut down production waste, working with suppliers to minimize the amount of packaging materials and non-recyclable containers, and actively searching for better waste recycle techniques to further reduce manufacturing waste.

Looking ahead, we will continue to uphold our vision, to persist in our belief - "care for the community and give back to society," and to move toward a sustainable future.

Richard Wang
President
Feng Tay Group



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Overview



1.1 Reporting Boundary

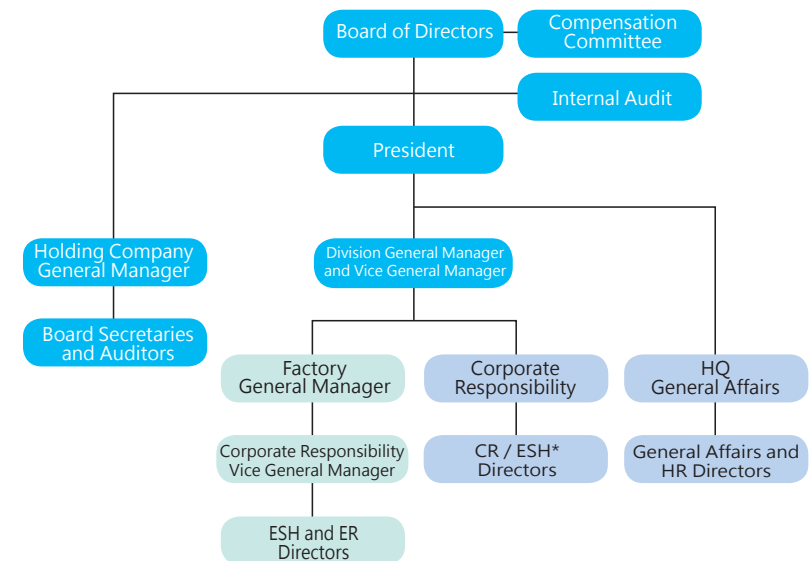
Overview	This report discloses Feng Tay Enterprises Co., Ltd.'s social responsibility performance in 2016. The reporting boundary includes Feng Tay Group headquarters in Taiwan and all footwear factories, but excludes the holding, retail, trading and miscellaneous companies. The financial data are the consolidated financial statements of Feng Tay Enterprises Co., Ltd. and its subsidiaries.
Reporting Period	From January 1, 2016 to December 31, 2016
Reporting Entities	<p>Taiwan</p> <ul style="list-style-type: none"> Feng Tay Enterprises Co., Ltd. <p>China</p> <ul style="list-style-type: none"> Fujian San Feng Footwear Co., Ltd. Fujian Xiefeng Footwear Co., Ltd. Fujian Lifeng Footwear Ind. Dev. Co., Ltd. Fujian Great Hope Footwear Co., Ltd. Xie Feng Mold Co., Ltd. Putian, Fujian Suzhou Yufeng Plastics Technology Co., Ltd. <p>Vietnam</p> <ul style="list-style-type: none"> Dona Victor Footwear Co., Ltd. Dona Pacific (Vietnam) Co., Ltd. Vietnam Dona Orient Co., Ltd. Vietnam Dona Standard Footwear Co., Ltd. Vietnam Shoe Majesty Co., Ltd. Vung Tau Orient Co., Ltd. Dona Victor Molds MFG Co., Ltd. <p>Indonesia</p> <ul style="list-style-type: none"> P. T. Feng Tay Indonesia Enterprises <p>India</p> <ul style="list-style-type: none"> Lotus Footwear Enterprises Ltd. (India Branch) East Wind Footwear Co., Ltd. (India Branch)
Editorial Guidelines	The statistical data and information disclosed in this report are on an annual basis. The end-of-year exchange rate reported by U.S. Treasury Department's Bureau of Fiscal Services was used to convert local currency financial data to U.S. dollars. This report was prepared using the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (Core Level) and the Apparel and Footwear Sector Supplement (AFSS) (pilot version). GRI and AFSS Content Index is provided in the Appendix.
Publication	Feng Tay Enterprises Co. Ltd. publishes its corporate social responsibility reports every year. An electronic copy of this report is available at http://www.fengtay.com . Current Issue: April 2017 Last Issue: May 2016

Contact Information

Any questions or suggestions regarding this report or our practices in corporate social responsibility are welcome and may be sent to:
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Telephone: +886-5-537-9100
Fax: +886-5-537-9105
Website: www.fengtay.com

1.2 Organizational Structure of Corporate Responsibility

Feng Tay established a Corporate Responsibility (CR) Department in January 2010. The Department has the responsibility to oversee the management of environment, safety and health (ESH) conditions and employee relations (ER) at factories. The corporate responsibility program at the Headquarters is jointly carried out by the General Affairs and Human Resources departments, which also help the Company's highest governance body respond to stakeholders' concerns.



- Corporate Governance
- Headquarters
- Factories

*CR / ESH : Corporate Responsibility / Environment, Safety and Health

1.3 Stakeholder Identification and Communication

Identifying and responding to the stakeholders' needs are the keys to improve performance in corporate social responsibility. The stakeholders of Feng Tay include shareholders, customers, employees, communities, suppliers, governments, media and advocacy organizations. Feng Tay values our stakeholders and provides various channels for communication

and information disclosure. "Stakeholder's section" is set up on our website to maintain open dialogue and communication with the stakeholders, helping us to better understand the interests and concerns of stakeholders. Through these practices, we hope to continue improving our performance in social responsibility, as well as earning recognition and trust from the stakeholders.

Stakeholders	Major Concerns		Communication Channels and Measures	
Shareholders	<ul style="list-style-type: none"> Information disclosure Operating performance Risk management 	<ul style="list-style-type: none"> Corporate governance Sustainability 	<ul style="list-style-type: none"> Disclose monthly revenues, monthly earnings and shoe production and sales volumes Disclose quarterly financial report and estimates of shoe production and sales volumes Disclose corporate governance and material information on the website of the Market Observation Post System Publish the company profile and CSR report 	<ul style="list-style-type: none"> Hold the annual shareholders meeting and publish the Annual Reports Participate in the investor conference and investor forum The investor relations section of the company website Spokesperson and contact information for shareholders
Customers	<ul style="list-style-type: none"> Human resources development Labor safety and health Code of conduct Research, development and innovation 	<ul style="list-style-type: none"> Product pricing, security, quality and delivery Sustainability 	<ul style="list-style-type: none"> Maintain intensive and extensive contacts through emails Present monthly score cards Participate in the quarterly business review Make improvements according to the feedbacks from customers 	<ul style="list-style-type: none"> Accompany customers to production plants for walk-through and trial production Participate in training sessions arranged by the customers Release the DVD featuring Feng Tay Publish the company profile and CSR report
Employees	<ul style="list-style-type: none"> Salary and welfare Occupational safety and health On-the-job education and training 	<ul style="list-style-type: none"> Career development Employee-employer relationship 	<ul style="list-style-type: none"> Support the Labor Association Support the Employees Welfare Committee Hold the ESH meetings Set up the General Manager Mail Box and "Grievance and Suggestion System" 	<ul style="list-style-type: none"> Publish the corporate culture book and release the DVD featuring Feng Tay Announcements of internal regulations, personnel changes, as well as rewards and punishments Internal website and newsletter
Communities	<ul style="list-style-type: none"> Environmental protection Care for the community Give back to society 	<ul style="list-style-type: none"> Human resource cultivation 	<ul style="list-style-type: none"> Employees participate in the activities of public welfare Regularly conduct environmental testing Sponsor community activities 	<ul style="list-style-type: none"> Sponsor public welfare activities The CSR section of the company website
Suppliers	<ul style="list-style-type: none"> Environmental regulations Quality and pricing 	<ul style="list-style-type: none"> Supply chain management 	<ul style="list-style-type: none"> Contact through email Conduct supplier audits 	<ul style="list-style-type: none"> Feedback for further improvement Host supplier exhibitions
Governments	<ul style="list-style-type: none"> Corporate governance Labor rights Environmental protection 	<ul style="list-style-type: none"> Occupational safety and health 	<ul style="list-style-type: none"> Official documents Set up internal regulations according to the law Disclose corporate governance and material information on the website of the Market Observation Post System 	<ul style="list-style-type: none"> File periodic reports required by governments The CSR section of the company website
Media and Advocacy Organizations	<ul style="list-style-type: none"> Corporate governance Operating performance Expansion and investment plans Community involvement Environmental protection 	<ul style="list-style-type: none"> Employee-employer relationship Occupational safety and health 	<ul style="list-style-type: none"> Media interview Appoint a spokesperson for public communication Disclose monthly earnings and shoe production and sales volumes Disclose quarterly estimates of shoe production and sales volumes 	<ul style="list-style-type: none"> Disclose corporate governance and material information on the website of the Market Observation Post System. Set up internal regulations according to the law Sponsor public welfare activities The company website

1.4 Material Aspects and Boundaries

In order to assure that the report contents meet the stakeholders' expectations, Feng Tay compiles stakeholders' major concerns and identifies the major issues.

1.4.1 The Procedures for Identifying Major Issues:

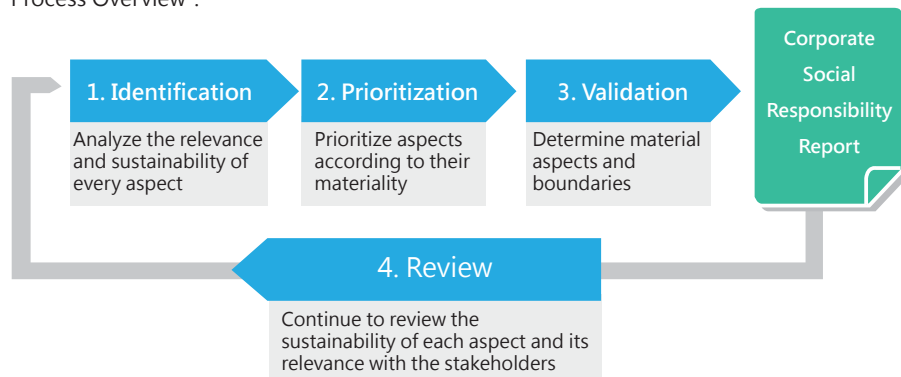
Explain the strategy and targets through communication channels



1.4.2 Process of Defining Material Aspects and Boundaries

Through analysis of major issues, we defined the material aspects and boundaries in accordance with G4 sustainability reporting guidelines, and thereby determined which information to disclose in the report.

Process Overview :



1.4.3 Material Aspects and Boundaries

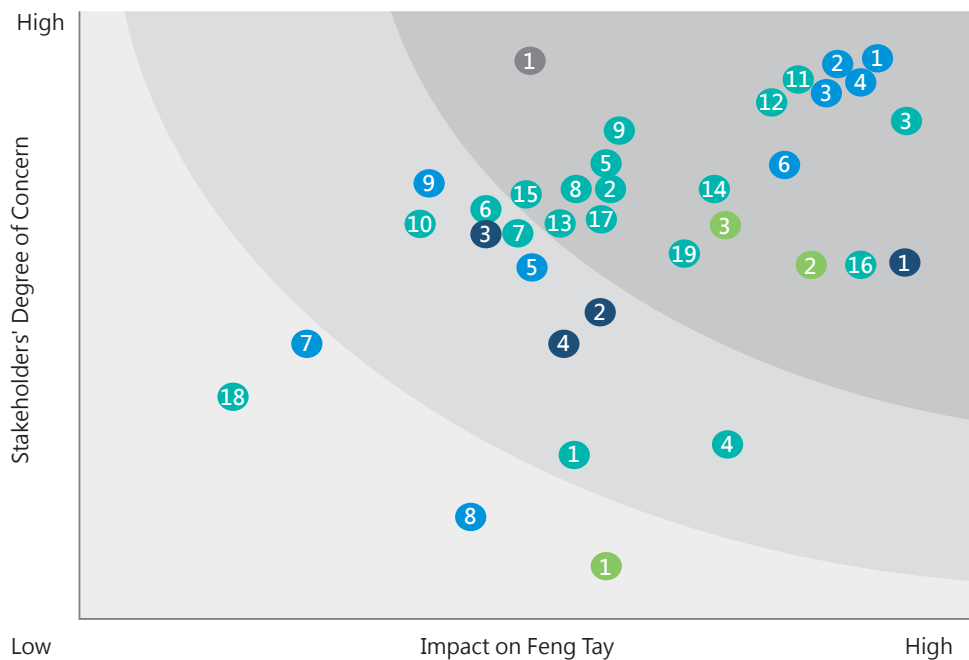
Our material aspects and boundaries of where impacts occur for each material aspect in 2016 are identified as follows:

● Significance

Category	Boundaries Material Aspects	Internal					External		
		Feng Tay	Factories				Suppliers	Customers	Community
Economic	Economic Performance	●	●	●	●	●			
	Market Presence	●	●	●	●	●			
	Indirect Economic Impacts	●	●	●	●	●			●
	Procurement Practices	●	●	●	●	●	●		
Environmental	Energy	●	●	●	●	●			
	Water	●	●	●	●	●			
	Emissions	●	●	●	●	●			●
	Effluents and Waste	●	●	●	●	●			●
	Products and Services	●	●	●	●	●			
	Compliance	●	●	●	●	●			
	Transportation	●	●	●	●	●			
	Overall	●	●	●	●	●			
	Environmental Grievance Mechanisms	●	●	●	●	●			●
Social	Labor Practices and Decent Work	Employment	●	●	●	●	●		
		Labor/Management Relations	●	●	●	●	●		
		Occupational Health and Safety	●	●	●	●	●		
		Training and Education	●	●	●	●	●		
		Diversity and Equal Opportunity	●	●	●	●	●		
		Equal Remuneration for Women and Men	●	●	●	●	●		
		Supplier Assessment for Labor Practices	●	●	●	●	●	●	
	Human Rights	Labor Practices Grievance Mechanisms	●	●	●	●	●		●
		Non-discrimination	●	●	●	●	●		
		Freedom of Association and Collective Bargaining	●	●	●	●	●		
		Child Labor	●	●	●	●	●		
		Forced or Compulsory Labor	●	●	●	●	●		
		Supplier Human Rights Assessment	●	●	●	●	●	●	

Category		Boundaries Material Aspects	Internal					External		
			Feng Tay	Factories				Suppliers	Customers	Community
				China	Indonesia	Vietnam	India			
Social	Human Rights	Human Rights Grievance Mechanisms	●	●	●	●	●			●
	Society	Local Communities	●	●	●	●	●			
		Anti-corruption	●	●	●	●	●			
		Compliance	●	●	●	●	●			
		Supplier Assessment for Impacts on Society	●	●	●	●	●	●		
		Society Grievance Mechanisms	●	●	●	●	●			●
Product Responsibility		Product and Service Labeling	●	●	●	●	●		●	
		Customer Privacy	●	●	●	●	●		●	
		Compliance	●	●	●	●	●			
Others		Contribution to Society	●	●	●	●	●			●

1.4.4 Results of Materiality Analysis



Economic

- 1 Economic Performance
- 2 Market Presence
- 3 Indirect Economic Impacts
- 4 Procurement Practices

Environmental

- 1 Energy
- 2 Water
- 3 Emissions
- 4 Effluents and Waste
- 5 Products and Services
- 6 Compliance
- 7 Transportation
- 8 Overall
- 9 Environmental Grievance Mechanisms

Social

- 1 Employment
- 2 Labor/Management Relations
- 3 Occupational Health and Safety
- 4 Training and Education
- 5 Diversity and Equal Opportunity

Social

- 6 Equal Remuneration for Women and Men
- 7 Supplier Assessment for Labor Practices
- 8 Labor Practices Grievance Mechanisms
- 9 Non-discrimination
- 10 Freedom of Association and Collective Bargaining
- 11 Child Labor
- 12 Forced or Compulsory Labor
- 13 Supplier Human Rights Assessment
- 14 Human Rights Grievance Mechanisms
- 15 Local Communities
- 16 Anti-corruption
- 17 Compliance
- 18 Supplier Assessment for Impacts on Society
- 19 Society Grievance Mechanisms

Product Responsibility

- 1 Product and Service Labeling
- 2 Customer Privacy
- 3 Compliance

Others

- 1 Contribution to Society

02

Corporate Profile



2.1 An Overview of Feng Tay Group

Founded in 1971, the Feng Tay Group is a world leading footwear manufacturer headquartered in Taiwan, with factories spread over China, Vietnam, Indonesia and India. We have also extended our operations to development and manufacturing of other sporting goods such as soccer balls.

Overview	
Date of Establishment	July 29, 1971
Chairman	Chou-Hsiong Wang
President	Chien-Hung Wang
Scope of Business	Feng Tay's core business is athletic shoes manufacturing. We are also engaged in development and production of casual shoes, inline skates, ice skates, ski boots, snowboard boots, cycling shoes, golf balls, soccer balls, helmets and sticks for ice hockey, baseball bats, shoe parts, shoe molds and shoe tooling.
Headquarter	52 Kegong 8 th Rd., Douliou City, Yunlin County 64064, Taiwan, R.O.C.
Global Locations	Taiwan, China, Indonesia, Vietnam and India
Capital Stock	NTD 6.68 billion (USD 209 million)
Number of Employees	More than 110,000

*As of the end of 2016

2.1.1 Operation Center

Feng Tay Group locates its headquarters in Yunlin Science and Industrial Park in Taiwan. The operation center at the headquarters performs the following functions and thereby continuously improves core capabilities to maintain our competitive advantage in the shoe manufacturing industry.



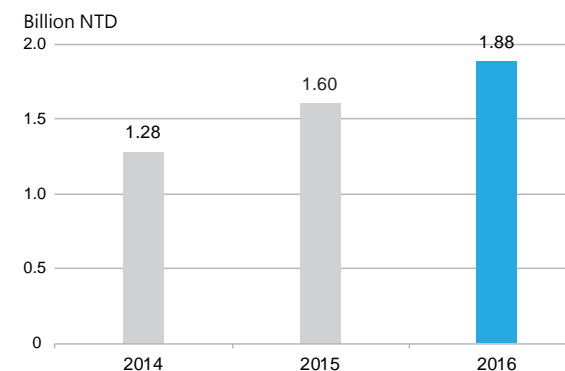
Region	Factory	Year of Incorporation	Primary Products
China	Fujian Lifeng Footwear Industry Development Co., Ltd.	1988	Athletic shoes
	Fujian Xiefeng Footwear Co., Ltd.	1989	Athletic shoes
	Fujian San Feng Footwear Co., Ltd.	1992	Athletic shoes / Sandals / Slippers
	Xie Feng Mold Co., Ltd. Putian, Fujian	1991	Molds & Tooling

China	Fujian Great Hope Footwear Co., Ltd.	1989	Ice Hockey Equipment (Skates / Helmets / Sticks)
	Suzhou Yufeng Plastics Technology Co., Ltd.	2009	Air soles
Indonesia	P.T. Feng Tay Indonesia Enterprises	1992	Athletic shoes / Sandals / Slippers / Molds & Tooling
Vietnam	Dona Victor Footwear Co., Ltd.	1994	Athletic shoes
	Dona Victor Molds Mfg. Co., Ltd.	1999	Molds & Tooling
	Dona Pacific (Vietnam) Co., Ltd.	2000	Athletic shoes
	Vietnam Shoe Majesty Co., Ltd.	2003	Causal shoes
	Vietnam Dona Orient Co., Ltd.	2003	Athletic shoes / Air soles
	Vung Tau Orient Co., Ltd.	2005	Golf balls / Soccer balls
India	Vietnam Dona Standard Footwear Co., Ltd.	2006	Athletic shoes / Sandals / Inline skates / Snow boots / Cycling shoes / Causal shoes / Slippers
	Lotus Footwear Enterprises Ltd. (India Branch)	2007	Athletic shoes
	East Wind Footwear Co., Ltd. (India Branch)	2010	Athletic shoes

2.2 Competitive Niche

2.2.1 Research & Development

Feng Tay Group has been deeply cultivating its proficiency in shoe manufacturing business for more than 40 years. Over the years, we have developed from a traditional footwear producer to a technology-driven manufacturing corporation. At the Headquarters, more than 1,000 project managers, engineers, and technicians work at the Product Development Center. They continuously improve the quality and add value to our products, and gradually enhance partnership with our customers. In 2015, a Product Creation Center was established in Vietnam to carry out product development for our factories in the region. We invested about NTD 1.88 billion (USD 58 million) in research and development in 2016, an increase of 17.5% over 2015. Our investments in research and development for the past three years are given below:



2.2.2 Innovation

The facts that Feng Tay values innovation are shown in the innovation achievements. In 2016, Feng Tay had the following major results:

- Developed a cutting-edge Needle Punch technique, which uses a special felting needle and saddle to punch wool fibers from the backside of leather and thereby create a fluffy texture and 3D color gradient on the leather surface.
- Applied thermal-bonding technique on Flyknit upper material to provide waterproof function, while staying lightweight and breathable.
- Used high abrasion-resistant TPU yarn material, applied with upper embroidery and thermal welding technique, to improve the durability of Crossfit shoes.
- Used phylon molding technique to form the upper mesh and EVA simultaneously; developed adhesive film with better appearance and adhesion to enhance the appearance and performance of footwear, while maintaining lightweight.



Needle punch technique

EVA/upper molding technique

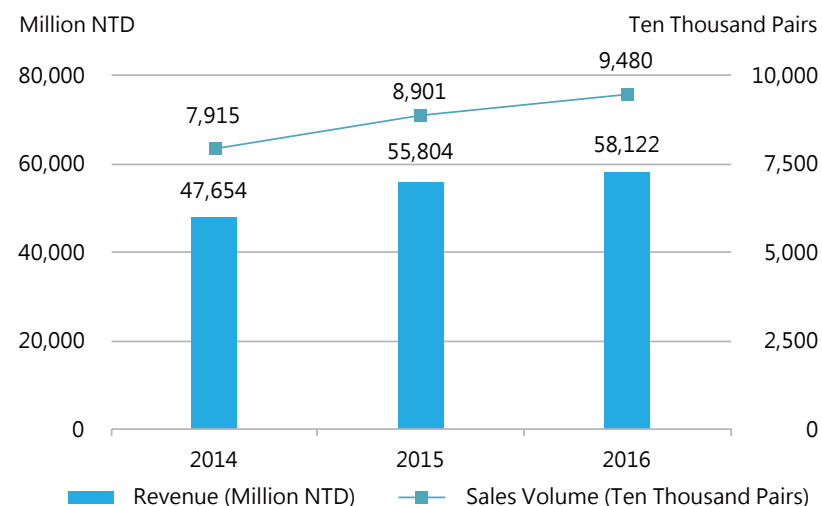
2.2.3 Mass Production

Feng Tay Group began its multinational operations in 1988. Skilled employees and continuously-improving management ability provide a solid support to R&D and innovation. Shoe production totaled more than 95.7 million pairs in 2016, 8.2% higher than in 2015 (3% decrease in China, 6% increase in Indonesia and Vietnam, and 23% increase in India). In each region, the shoe production (% of the Group's total) in 2016 and the business strategy for 2017 are as follows:

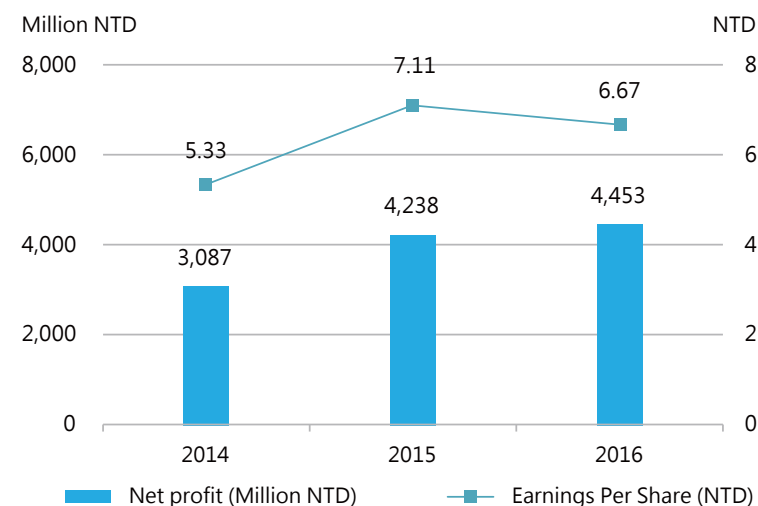
- China (13%): Accelerate the implementation of automated production to decrease the production cost in order to cope with the rising operation cost.
- Vietnam (52%): Continue to increase the production output and to advance production skill by improving production management and production process.
- Indonesia (12%): Strengthen production management and product quality, and continue to acquire additional land in preparation for expansion of production capacity.
- India (23%): As the headcount at Cheyyar industrial zone has reached 22,000, we continue to improve management and technology expertise. The second industrial zone, established in Bargur, Tamil Nadu, is expected to begin mass production in the second half of 2017.

2.3 Business Performance

2.3.1 Sales Revenue and Volume



2.3.2 Net Profit and Earnings Per Share



For detailed financial statements and annual reports, please visit "Investor Relations" section on our corporate website (<http://www.fengtay.com>).

2.4 Awards and Recognitions

Region	Item
Taiwan	<ul style="list-style-type: none"> Received recognitions as one of "2015 Outstanding Export Import Manufacturers" from Bureau of Foreign Trade, Ministry of Economic Affairs Placed number one in Yunlin County's emergency response team evaluation for 8 consecutive years Received recognitions for superior performance in maintenance of surrounding roads adopted by the Company
China	<ul style="list-style-type: none"> Chosen as an advanced company in creating "Five Good" Grassroots Work Committee to Care for the Next Generation by Putian City in Fujian Province Presented with "Workers Pioneer" and "May 1 Women's Award" by the Putian City Federation of Trade Unions Chosen as a "National Healthy Lifestyle Action Smoke-free Unit" in Putian City, Fujian Province Chosen as a "2016 Harmonious Labor Relations Enterprise" in Putian City, Fujian Province Chosen as a "2015 Meritorious Enterprise" in Cangshan District, Fujian Province Received recognitions as a "Health Promotion Enterprise" in Taicang City, Jiangsu Province
Indonesia	<ul style="list-style-type: none"> Received the blue certificate from the Ministry of Environment for the superior performance in environmental management Chosen as a "2016 Most Popular Company" in Bandung District
Vietnam	<ul style="list-style-type: none"> Received recognitions for outstanding performance in promoting workplace gender equality from UN Women Chosen as one of "Top 10 Green Enterprises" for outstanding performance in natural environment protection by the Vietnamese Government Received recognitions for outstanding performance in environmental sustainability from Ministry of Natural Resources and Environment Received recognitions for outstanding performance in workplace safety, fire prevention and health management from People's Committee, Dong Nai Province
India	<ul style="list-style-type: none"> Received recognitions for outstanding performance in blood donation activities from Ministry of Public Health and Preventive Medicine



Received the blue certificate from the Ministry of Environment (Indonesia)



Chosen as one of "Top 10 Green Enterprises" by Vietnamese Government

2.5 Financial Assistance Received from Governments

		Unit: Thousand USD
Region	Item	Amount
China	Subsidy for industrial transformation and upgrading	726
	Subsidy for energy conservation	197
	Subsidy for electricity expenditure	168
	Subsidy for conducting early childhood education program	142
	Incentive for growth in tax payments	75
	Subsidy for equipment purchase	41
	Incentive for growth in export volumes	34
	Subsidy for employee training & health examination	28
	Other subsidies and incentives	275
India	Subsidy for investment	587
Total		2,273

2.6 Involvement in External Affairs

2.6.1 Membership in Industry Associations

- Taiwan Footwear Manufacturers Association
- Yunlin County Industrial Association
- Taiwan Rubber & Elastomer Industries Association

2.6.2 Involvement in Public Affairs

Feng Tay Enterprises remains politically neutral and never makes political contribution to any party or candidate. However, we encourage our employees to fulfill their duties as citizens, participate in public affairs, and vote for the candidate whom they believe best qualified.



Sponsored local disadvantaged families

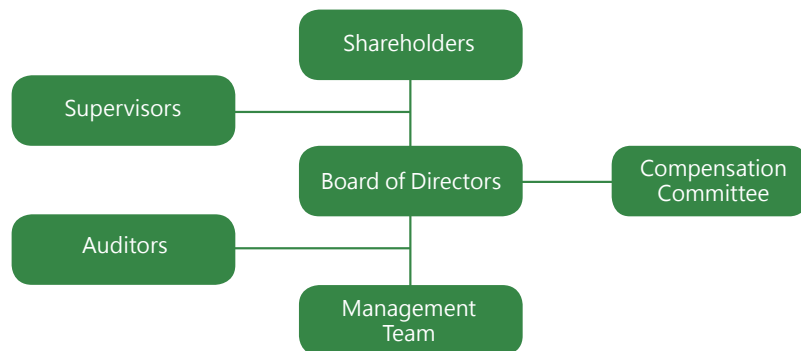
03

Corporate Governance



3.1 Corporate Governance

Feng Tay Enterprises maintains good corporate governance with spirits of integrity, compliance, operational transparency, and respect for shareholder rights. Our corporate governance structure is as follows :



3.1.1 Board of Directors

The Board of Directors, Feng Tay's highest governance body, monitors corporate long-term strategy, evaluates risks, and decides the appointments and rewards for the management team. In the Articles of Incorporation, the Company has specified the nomination process for election of Board members. The Board will conduct a prior examination of the eligibilities of the director and supervisor candidates nominated by shareholders or the Board, and provide results of the assessment to shareholders in order to elect qualified directors and supervisors. The Board is currently composed of 2 supervisors and 10 directors, including 2 independent directors and 1 female director. For background information of the board members, please refer to the company's annual report.

The Board Meeting is held at least once every quarter to evaluate operational performance, discuss important strategies, and review management team's business report. Through dialogue with the management team, the Board gets to understand the problems faced in operation, and to urge the management team to adjust accordingly. Acting in the best interests of the shareholders, the Board of Directors and the management team maintain smooth communication to concentrate on implementation of the instructions on business operations given by the Board of Directors.

Based on the "Rules of Procedure of the Board of Directors of Public Issuing Companies," the Company's Board of Directors set up the "Rules of Procedure of the Board of Directors" and guidelines to prevent conflicts of interest. Board members should avoid involving in discussions of any motions in which they have conflicts of interest, and should not represent other directors to vote on the motions in the Board meeting. Implementation of the conflicts of interest rule is disclosed in the company's annual report.

The supervisors have the responsibilities to oversee the quality and integrity in the execution of accounting, auditing and financial reporting. They also audit, with the CPA, the major components of quarterly financial statements to ensure reasonableness and adequacy of financial statements. In addition, the supervisors are responsible for verifying the independence of the CPA and the reasonableness of major stakeholders' transactions as well as ensuring the design and effective implementation of the internal control system. Remuneration to Board members is regulated in the Feng Tay's Articles of Incorporation. Details of the allocation should be resolved by the Board of Directors.

There were five regular Board meetings in 2016, The Board members were actively engaged, with 98% meeting attendance rate, and effectively monitored the implementation of business plan. All major resolutions passed at the meetings were announced on the company website.

Remuneration Policy for Board Members and Senior Management Team

The compensations for members of Feng Tay's Board of Directors and senior executives include salaries, bonus and remuneration. The remuneration policy for members of the Board of Directors and Supervisors is specified in Feng Tay's Articles of Incorporation. The remuneration to senior managers includes fixed and variable compensations. The amount of variable compensation is based on each business division's annual performance review. The annual goals for each business division are set for various units at all levels in the top-down manner. Reviews are conducted regularly to fully reflect the performances of each team and each individual member. We regularly examine the justifiability of our salary levels and compare them with those in the job market, in order to ensure that our salary rates are competitive and thereby support our efforts to attract and retain the best talent. In compliance with government regulations, the remunerations of Board members and the senior management team are reviewed by the compensation committee and passed in the Board Meeting. Related information is disclosed in the annual report to let stakeholders fully understand how the remuneration is linked with operational performance.

Compensation Committee

Feng Tay established Compensation Committee in 2012. The committee is responsible for "formulating and regularly reviewing the policy, system, standard and structure of performance evaluation and compensation for Board members, supervisors and the senior management team," as well as "assessing and setting the compensation for Board members, supervisors and the senior management team on a regular basis" in due diligence. The recommendations of the committee are used by the Board of Directors to make decision on compensations. Composed of three members (one of them serving as chairman) appointed by the Board, the committee meets at least twice a year. A total of three committee meetings were held in 2016 with an attendance rate of 100 %. For background information of the committee members, please refer to the company's annual report.

The duties of Compensation Committee

- Formulating and regularly reviewing the policy, system, standard and structure of performance evaluation and compensation for Board members, supervisors and the senior management team
- Assessing and setting the compensation for Board members, supervisors and the senior management team on a regular basis

Internal Auditing System

Feng Tay's internal auditors report to the Board directly. Audit Director, Audit Specialist at Group Headquarters, and auditors in the Board secretary office of each subsidiary are in charge of internal auditing.

The auditors carry out their work in an independent and objective manner with integrity. The appointment of Audit Director must be approved by the Board of Directors. The Audit Director submits periodic reports to the Supervisors and attends the Board meeting to report audit results.

Internal auditing is conducted at the Headquarters as well as in all subsidiaries according to auditing plans approved by the Board. The auditors are required to immediately report any deficiencies and anomalies to the Supervisors, who will urge the management team to respond properly at the earliest possible time. These requirements have the objective of continuously improving the effectiveness of internal controls, and are used as the basis for making necessary changes to the system and regulations. The process of internal audit system is as follow:



3.1.2 Information Disclosure

Feng Tay seeks to enhance promptness and transparency of information disclosure. In addition to regularly disclosing information as required by the laws, Feng Tay actively participates in the investment forum held by domestic and foreign brokers and investor conferences, and explains released information such as financial and operating performance to help investors better understand Feng Tay's financial position.

Information Disclosure Channels

Appoint a spokesperson and a deputy spokesperson	To provide communication channels with the media, shareholders and investors
Material information announcements and media interviews	To keep investors and the public informed of Feng Tay's latest developments
Investor relations section of company website	To provide investors with the latest information on the company's operation, finance, and governance
Attend investor conferences and domestic (and foreign) investor forum	To elaborate on the company's operation, financial position, strategic plan, and operating principles

Information Disclosure Milestones

- Set up a company website, in both Chinese and English versions, in January 2009, which included a section to disclose information on the company's operation, finance, and governance.
- Started to disclose information on monthly shoes production and sales volumes on the company website in December 2009.
- Started to voluntarily disclose monthly operating income and earnings per share on the website of the Market Observation Post System and the company website in January 2010.
- Started to disclose information about investor conferences and upload presentation files to the company website in 2011.
- Started to voluntarily disclose, by the 10th day of the following month, information on monthly consolidated revenue breakdown by product on the website of the Market Observation Post System in January 2013.
- Disclosed the "Self-assessment Report on Corporate Governance 2012" and the "Major Resolutions of the Board of Directors" on the company website in November 2013.
- Participated in two investor conferences in 2014.
- Starting from 2014, all motions in the shareholders meeting were voted on a case by case basis. The voting results were posted on the Market Observation Post System website and the company website.
- In 2014, Feng Tay received the highest Rating of "A++" in the 12th Annual Evaluation of Information Disclosure of Listed Companies.
- Participated in seven investor conferences or video conferences in 2015.
- Participated in seven investor conferences in 2016.

3.1.3 Compliance with Regulations and Norms Integrity and Discipline

Feng Tay adheres to the highest principle of integrity and discipline; every employee should uphold the ethical values, protect the company's reputation, and comply with the law.

- Employee Ethics: We dismiss, and take appropriate legal action against any employee who is verified of committing embezzlement, stealing company properties, intentionally disclosing confidential technical or operating information, using the company name without permission to carry out non-official business activities or any other acts that are detrimental to the company's credibility and cause the company to suffer from severe losses.
- Risk Assessment: Internal auditors perform annual risk assessment for transaction cycles and operations to stay in compliance.
- Employee Training: New employee training includes courses in ethics, internal regulations and legal compliance.

Communication and Reporting Channels

Internal:

In order to protect employee rights, employees may report to their supervisors when they have any complaint or suggestion. Employees may submit any complaint or suggestion through the "Grievance and Suggestion System" if their complaint or suggestion has not received a satisfactory response from their supervisors. (Detailed information is given in Section 5.1.5 of this report)

External:

The contact information of our spokesperson and shareholder services agent is disclosed on Feng Tay's website under "Investor Relations" and "Contact Us" sections. If stakeholders have any question or suggestion, they can send their inputs to us and we will respond promptly. We also have established a "Stakeholder Engagement" section on our corporate website, to provide a communication channel for our customers, employees as well as suppliers, and appointed designated units to respond to stakeholders' opinions.

3.1.4 Risk Assessment and Management

Feng Tay, an enterprise focusing on athletic shoes manufacturing, never engages in investments with high risks and leverage, and limits transactions of derivative products to forward foreign exchange contracts for hedging. Furthermore, it is clearly stated in the Group's management regulations that our capitals shall not be loaned to others and no endorsement shall be guaranteed.

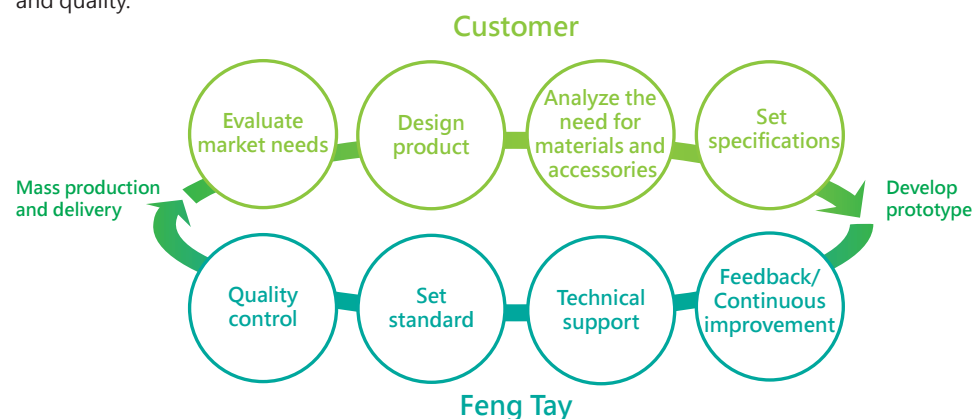
The management of existing and potential risks is monitored by the Board of Directors. In addition, Feng Tay has established an independent internal auditing system to examine its risk management practices, thereby ensuring proper operation of its risk management mechanism.

Risk Type	Risk Management Mechanism
Operating risks management	Feng Tay's major shareholders have maintained stable shareholding ratios. During 2016, there was no mass transfer of stock shares by Board directors, supervisors or major shareholders that own more than 10% shares. There was no serious litigation, non-litigation or administrative litigation against Group Headquarters, Board directors and supervisors, General Managers, the highest executive of the group, major shareholders that own more than 10% shares, and factories. Furthermore, there were no mergers and acquisitions, restructuring, change of control, significant changes in business operation mode and contents, and important matters that might affect shareholders' interests.
Financial risks management	Feng Tay closely monitors the fluctuation of exchange rate and inflation due to dramatic changes in global financial markets, for the acute appreciation and depreciation of currencies and soaring material costs will affect our long-term profits. To maintain a steady growth of revenue and income, we make use of appropriate hedging techniques and flexible purchasing plans as well as devote ourselves to improving product quality, production efficiency and cost management.

Investment risks management	Before making an overseas investment, Feng Tay must first properly consider and evaluate local political and economic risks, environmental conditions, and cultural sentiments, and then develop management guidelines in accordance with local laws and the Group's values. All illegal acts are strictly prohibited.
Climate change risks management	Feng Tay regards climate change as a significant risk and takes necessary measures to respond to the challenges. We will continuously implement the practices that meet the environmental policy, and monitor, measure and report progress. With regard to environmental protection, we strive to : <ul style="list-style-type: none"> • Prevent pollutions, reduce waste, and keep improving. • Implement green production concept in product development and manufacturing as well as increase the use of environment-friendly materials. • Educate employees to engage in the management of environment, safety and health so that they would regard the obligation to protect environment as a part of their jobs. • Improve the quality of environment in the neighborhood of our factories.

3.2 Customers Satisfaction and Product Services

Feng Tay has insisted on earning customers' trust by providing products with consistent quality and reasonable price. Making quality products at reasonable prices is not only our assurance to customers, but also our commitments to consumers. As technology evolves, designs become increasingly complex, and consumer tastes for products diversify. Therefore, we constantly make improvements to shoe model development, production process design, technology development, and production management. With decades of experience, we continuously add value to and refine our products to strengthen our partnership with long-term customers. We will strive to reduce the rate of returns for our products and, by raising awareness of product quality among employees, create a corporate culture that focuses on the quest for innovation and quality.



In order to elevate product values, improve comfort and lightness of shoes, minimize the rate of product returns, and reduce manufacturing costs, a quality control unit was established in the Business Division which is charged with the following responsibilities:

- To assure good and consistent quality of products on production lines.
- To refresh classic long-serving product models.
- To engage in the design of new product structure and manufacturing process, and thereby assure the quality of new products in mass production.
- To capture fashion trends and the strengths of other brands.

To continuously overcome technical challenges, optimize manufacturing technology database and ensure that the production lines follow the technical specifications, Feng Tay also established Tech, Quality Assurance and Process departments. We continued to bring in and develop skilled professionals in advanced chemical engineering and footwear manufacturing technology. An inspection system is set up to ensure the implementation of best practices, provide feedback on deficiencies in operations specifications, and continue to make improvements.

3.2.1 Product Quality

3.2.1.1 Quality Improvement

We manage our operations with clearly specified division of manpower, operational process and decentralized responsibility. To assure product quality, we begin discussion on mass production plans with our customers at the initial development stage and provide timely feedbacks about product development, including materials and production process. Through the daily inspection mechanism, functional walk-through, and abnormal situation handling system (the Andon system) used by line operators, the management team is able to monitor product quality and production progress at all times, resolve unexpected issues, and help each unit to operate under the best conditions.

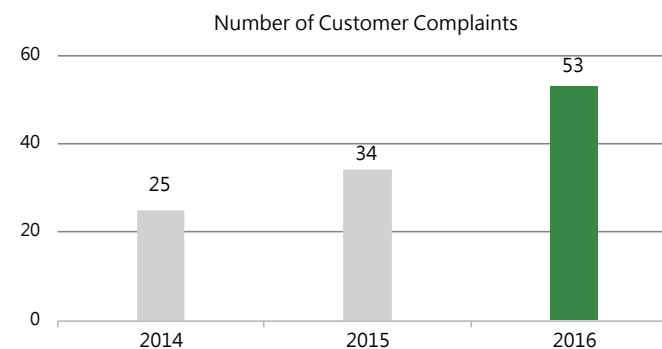
We are keenly aware that constantly surpassing our current technology is the key to holding a leading position in the footwear manufacturing industry, maintaining consistent product quality, and raising customer satisfaction. Best practices in manufacturing are established through testing, verification and correction at various stages before mass production. As a result, standardization and consistency are maintained in mass production even if the work is assigned to different people. In addition, Feng Tay has established automation department to develop automation technology for applications in production processes where high-risk machines are being used, the work is monotonous, or frequent repetition of the same action is required. The development of automation technology is aimed at eliminating the risks of manual operation and improving production efficiency and quality. Automation assembly lines have been set up at our factories in China, and prototypes of automated machines are being tested for application in mass production as well. To continuously improve our operations, we have implemented the "Propose for Improvement" system and an improvement team at each factory, and thereby encourage operators to participate in improvement of manufacturing operations.

In order to give our customers a marketing advantage, we keep on introducing new machinery and developing advanced manufacturing technology. For example, we developed a four-color semi-automatic pad printing machine to solve the printing problems on skate wheels, and an automatic bearing assembly machine to save manpower and increase the yield rate on wheel assembling. As for soccer balls, we developed a new 3D printed ink technique with our customer to provide players with better touch and control.

3.2.1.2 Quality Control

A laboratory is established at each factory for material property analysis and performance testing. Advanced instruments are used to test products of various designs, material properties and market specifications. Based on the user's point of view, testing standards are set for each individual product with respect to performance, environmental adaptability and life expectancy. For example, testing of outdoor footwear is focused on flexibility, performance under different temperatures, durability and tensile strength. Analysis of material property and test data serves to facilitate prototype development and setting of standards for quality control during mass production, which enables us to create with our customers an exceptional user experience.

To maintain transparent communications with our customers, Feng Tay regularly provides them with reports on product quality and production progress, and accepts audits by them. When a customer's quality complaint is received either at a factory or at the Headquarters, the top executive of the business division is promptly notified. Progress reports on the reason for complaint, the cause of quality problems, corrective measures, and attribution of responsibility are submitted regularly until the improvement plan is completed. Through this feedback mechanism and regular interactions with the customers, we are better able to meet customers' needs, and to improve product and service quality. In 2016, we received 53 customer complaints, 56% higher than in 2015. This was mainly because of quality problems, which resulted in our inability to meet customer order quantities by delivery dates. We will continue to improve our management on product quality and ensure our factories follow the standard manufacturing process in order to satisfy customers' requirements.



3.2.2 Product Safety and Regulatory Compliance

As a leading footwear manufacturing company, Feng Tay is dedicated to protecting customers' intellectual property and supporting its brand customers in fulfilling their social responsibilities. Any potential health risk to users of our products is eliminated through extensive collaboration with our brand customers and material suppliers. From material development to product manufacturing, packaging and delivery, careful inspection is conducted at each step in order to meet international product safety standards, such as international SGS certification and restricted substances list (RSL).

3.2.2.1 Safe and Environmental Friendly Material

All selected materials must comply with RSL, and tests are conducted to ensure that no material potentially harmful to human health and the environment is used during production processes and in our footwear products. If a new material is used, a report of the RSL test must be provided during the development stage. If an existing material with a different color is used, suppliers are requested to provide a report of the RSL test that is made within one year prior to mass production. Any material found non-compliant will be removed from our selected material list if the supplier cannot promptly make an improvement.

A specified number of samples are tested per month for high risk color materials to be used in mass production. When a material fails to meet customer requirements, the supplier is promptly requested to replace it with the material that is compliant with the standards. At the same time, finished and shipped products are checked for any abnormalities, and the results of inspection are reported to the customer for further actions.

Over the years, our continuous efforts to set a higher standard for suppliers have gradually improved the overall material quality. We have also developed a comprehensive material database to analyze high-risk materials. Most tested samples are now selected from materials with higher risk rather than selected randomly. Thus, even though the total number of tested samples decreased, we were still able to detect problems more effectively.

During 2014 to 2016, the numbers of samples tested and of tested samples that failed to meet the standards are listed as follows:

Year	Number of Samples Tested	Number of Tested Samples Failing to Meet the Standards
2014	593	3
2015	390	4
2016	398	5



We have also steadily increased the use of environmentally preferred materials and improved the manufacturing process to minimize the impact of our products on the environment. We have established a dedicated team - Green Team, which is composed of supervisors and engineers from product development department, to evaluate and improve product design, manufacturing process, and material selection at each stage of sample shoes development and mass production. Green Team sets goals on environmentally friendly material, waste, energy, solvents, and chemicals used in products according to the characteristics of each shoes category. For example, the amount of biodegradable materials such as PU used in shoe soles was increased, the design was improved to reduce the amount of material waste, and water-based cement and primer were used to replace solvent-based cement and primer. Feng Tay is committed to developing eco-friendly manufacturing process. In the production of soccer balls, we developed a latex laminating machine and used RHM (reactive-hot melt adhesive) with electric laminating machine. The improvement phased out the usage of solvent-based cement and increased the rebound height of soccer ball by 5 centimeters. In the future, we will continue to develop and increase the use of environmentally friendly materials in our products, and fulfill our responsibility in environmental protection by continuously improving manufacturing processes to reduce our environmental footprints.

3.2.2.2 Product Safety Inspection

Feng Tay strictly conducts safety inspection on our materials and products. At our factories, the Purchasing management teams perform monthly inspections on locally-purchased materials and imported materials containing colors with high health risks. All the results are reported to the Headquarters. Moreover, all materials are subject to random inspections by Warehouse Department at the time of delivery. No disputed material will be used in the manufacturing of our products.

Take athletic shoes as an example. Every pair of shoes must be scanned for any unintended metal object before being packaged; product packaging is under the supervision of certified employees. These measures aim to ensure the safety of our products during the delivery process. Among our growing product categories, some products need to stand for a specified length of time before testing. For instance, soccer balls need to stand for 48 hours before accelerated durability testing, and ice hockey sticks are required to stand for one week before testing for 3M Fatigue. Additional tests are conducted to make sure the product can withstand normal wear without posing a risk of injury to the user. For example, injection skate shell is stored at -25°C for 4 hours before undergoing impact test to ensure the skate shell can withstand cold weather conditions.

3.2.2.3 Product Delivery Regulation

Feng Tay supports brand customers by cooperating with their procedures and requests for product labeling. Therefore, our products are manufactured in accordance with such requirements and in compliance with the national regulations upon export. We perform security checks on all outgoing shipments and receive third-party audits arranged by customers. The inspection covers security measures, monitoring of operation, monitoring and inspection of packaging process, and factory access control. All truck drivers must have prior registration and present their photo identification cards at the gate before entering the factory. We also specify shipping routes and use vehicle GPS tracking modules to ensure transportation security and obtain real-time updates on shipping status. Through the security management system, we help our customers obtain US Customs-Trade Partnership on Terrorism Tier-1 certification and AEO (Authorized Economic Operator) certification from the European Union. In 2016, there was no noncompliance case or penalty against our products and export operations.

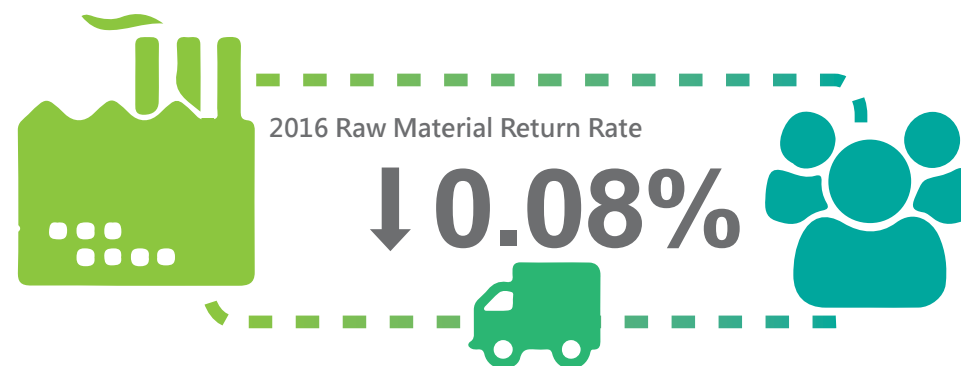


3.2.3 Customer Confidential Information Protection

During the product development stage, shoe samples are created based on the initial design from our customers. We provide improvement suggestions throughout the development phase by considering material characteristics and functional requirements of sports shoes. We also work with customers to develop patentable technologies to gain their trust in our development capabilities and to give them a better marketing edge. It is extremely crucial for us to maintain confidentiality in order to protect our customers' intellectual property and retain our competitiveness, because we are constantly developing next generation products and technologies. Employees are required to sign confidentiality agreements upon employment with Feng Tay. To prevent leak of confidential materials, we strictly monitor and control personnel and vehicles entering and leaving the premises by implementing 24 hour security and surveillance systems. As information technology continues to advance, it becomes a challenge to safeguard product data. Fortunately, Feng Tay has already established a set of stringent and clear regulations regarding the use of cell phones, laptops, flash drives, the Internet and even the size of an email. System functions are restricted to authorized users. A valid authorization must be obtained from the top management before accessing confidential information. Internal audits are performed to assure that there are no abnormal behaviors. When working on particular technical projects with customers, we will sign confidentiality agreements with customers and suppliers to protect customers' best interests. No leakage of product information has ever occurred at Feng Tay.

3.3 Supply Chain Management

Suppliers are Feng Tay's close partners. In the product life cycle, we need suppliers' involvement to create synergy in corporate social responsibility related issues, such as environmental stewardship, occupational safety and health management, and workers' rights protection. Therefore, we constantly convey our values to the suppliers. We also collaborate with brand customers to audit and monitor suppliers' practices in the above mentioned issues of corporate responsibility. Through the implementation of various management and auditing measures, we strive to help suppliers keep up material quality and delivery timing, which in turn ensures a smooth flow of production and brings forth reduction in the rate of returns for raw materials to 0.15% in 2016 from 0.23% in 2015.



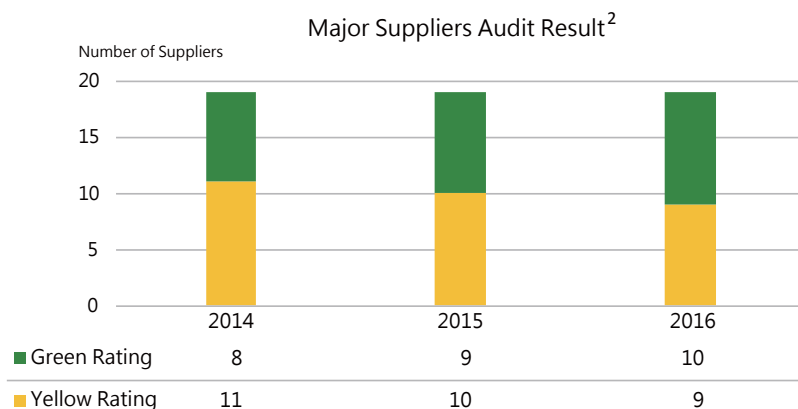
3.3.1 Management of Suppliers' ESH and Workers' Rights

Feng Tay requires its suppliers to comply with the local legal system. Their working environment should conform to occupational safety and hygiene standards. Their workers must be paid reasonable salary and should not be forced to work overtime excessively.



To meet the requirements of brand customers, all new suppliers must pass the SHAPE (Safety, Health, Attitude of management, People, Environment) evaluation before they can do business with Feng Tay. The SHAPE evaluation consists of 5 categories and 26 specific criteria. It is conducted at suppliers' premises, with a focus on safety, health, human resources management and environment. For existing suppliers, we conduct the Vendor Quality Audit (VQA) from time to time. The VQA has 11 specific criteria, of which the main categories include workplace environment, raw material storage management, employee training and emergency response.

In 2016, 24 suppliers were audited with SHPAE and VQA, enabling us to gain an understanding of suppliers' practices in corporate social responsibility. Any shortcomings discovered in the audit were recorded. Furthermore, our major suppliers were evaluated using a color rating system¹ and their subsequent performances were checked regularly. Currently 10 major suppliers were given green rating and 9 given yellow rating. The audit results were simultaneously sent to the supply chain management unit and the outsourcing management unit, and were included in the supplier evaluation files, which would be taken into consideration in future outsourcing decisions. We also share our experiences and achievements in corporate social responsibility with suppliers to help improve their performances. In 2016, 2 major suppliers improved their performances from yellow to green rating. For one supplier whose performances were downgraded from green to yellow rating, we worked out an improvement plan with them and tracked their progress to ensure timely improvement.



3.3.2 Development and Use of Environmentally Preferred Materials

Environmentally preferred materials (EPMs) refer to those materials that have less impact on the environment, consume less energy during their production, and do not contain chemical substances that are harmful to the human body. Most EPMs can be recycled and reused. By collaborating with suppliers, Feng Tay continues to increase use of EPMs and materials that are biodegradable and recyclable. Following are the details of 75 kinds of EPMs Feng Tay used in the shoe manufacturing process in 2016:

- Liner materials: 38 kinds. The major items are ELILON LJ-B1030K-2 Recycled fabric (425,278 yards) and Recycled LJ-B0730K fabric (419,453 yards).
- Upper materials: 18 kinds. The major items are Recycled 44"LJ-A2279 EPM fabric (128,446 yards) and RESST 14326 DWR Recycled fabric (78,107 yards).
- Accessories materials: 19 kinds. The major items are TLD602 recycled shoe laces (1,268,643 pairs) and recycled FA 3050 film (2,350,942 meters).

¹ Green rating: zero failures in critical items and over 90% pass rate in regular items. Yellow rating: fewer than 3 failures in critical items and over 70% pass rate in regular items. Red rating: more than 3 failures in critical items or less than 70% pass rate in regular items.

3.3.3 Anti-corruption Provisions of the Purchasing Department

The Purchasing Department personnel are the Group's employees who directly interact with suppliers. Their work ethics and attitudes will influence our overall assessment of a supplier. The Purchasing Department personnel are therefore required to comply with the following regulations:

- In the purchasing process, following the regulations and traditions are more important than price negotiation, which in turn is more important than purchasing efficiency.
- Negotiate with suppliers in accordance with the principles of integrity, law-abidingness, punctuality and courtesy.
- Any attempted bribery by suppliers should be firmly refused and promptly reported to the superior.
- Dining with suppliers is restricted to occasions when the payments are made by our side or by the supplier when the Purchasing Department manager also attends the meal. In the latter case, the meal expense per person should not exceed USD 10.
- Report any inevitable event hosted by suppliers before or after it occurs.

3.3.4 Partnership with Suppliers

Hosting of Materials Policy Seminar

We treasure our interaction and communication with suppliers. Annual materials policy seminar is held to strengthen our relationships with suppliers. The Group also uses the seminar as a platform to encourage suppliers to adopt energy-efficient production equipment, reduce water usage and cut down wastewater discharge. In the seminar, the suppliers who have demonstrated outstanding performance are commended in the presence of brand customers.

- Date: May 2016
- Numbers of suppliers participating in the seminar / Numbers of participants: 17 / 61
 - By region: 15 domestic suppliers, 2 foreign suppliers.
 - By material category: 3 leather suppliers, 3 synthetic leather suppliers, 5 textile suppliers, 6 webbing and elastic gore suppliers.

Fair Trade and Mutual Respect

Feng Tay interacts with suppliers in accordance with the spirit of mutual trust and respect. Following are some specific practices:

- Inform the suppliers about their overdue accounts receivable.
- Give long term contracts to the suppliers with good services.
- Provide suppliers with materials forecast, but do not force them to stock the materials in advance; transactions are accomplished by formal orders only.
- Ask for suppliers' agreement before cancelling an order.
- Make no claim to suppliers unless it is a critical quality issue.
- Promise to purchase the machinery or equipment developed jointly by a supplier and Feng Tay.
- Provide resources such as manpower, materials and equipment to suppliers at no charge to help them conduct research and development, make improvements, and obtain ESH certification for new machinery.

² For suppliers given a green rating in the preceding year, audits can be waived for the current year.

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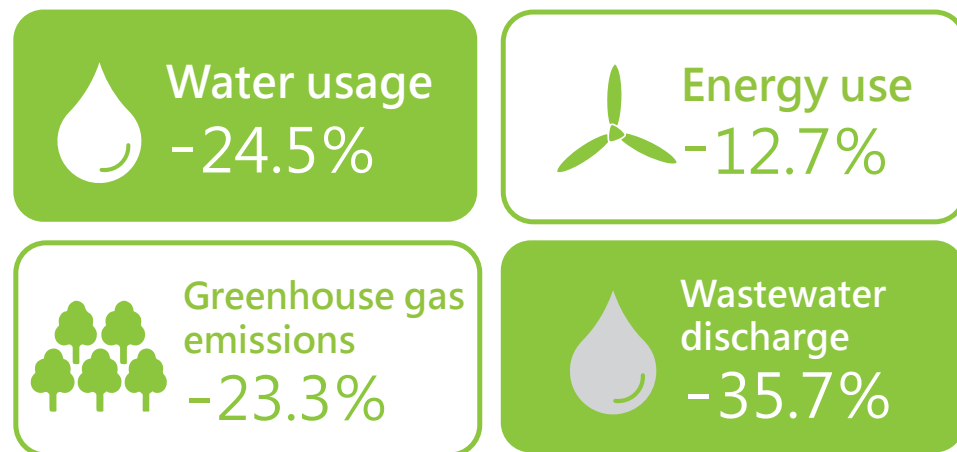
Environmental Protection



Feng Tay Group pays great attention to issues of environmental protection, climate change and ecological conservation. To improve our eco-efficiency, we have established the MESH system to optimize production method, manufacturing process and management system.

In accordance with the Group's "Energy and Water Efficiency Management Guidelines," Feng Tay continues to implement energy-saving projects. We have set up specific environmental impact reduction targets for our major footwear factories, increased our use of renewable energy and progressively installed solar power systems. Based on the 2013 levels, Feng Tay commits to the following reduction targets for every pair of shoes we make: 25% of water usage, 25% of wastewater discharge, 20% of energy use, and 35% of greenhouse gas emissions by 2018.

Reductions Achieved at Major Footwear Factories³ in 2016 (base on the 2013 levels):
Per Pair of Shoes:



4.1 Expenditures on Environmental Protection

The 2016 environmental protection-related expenditures, totaled USD 7,422,199, are itemized in the following categories.

Category	Waste Disposal and Treatment	Wastewater and Emissions Treatment	Remediation	Prevention and Management ⁴
Expenditure (USD)	2,427,005	2,646,636	14,578	2,333,980

³ Major footwear factories include LF, HF, and SF in China; IW in Indonesia; LU1, LU2 and EW1 in India; DV, DP, DO, and DS1 in Vietnam.

⁴ Expenditures on prevention and management include energy and water savings projects, boiler replacement plans, and solar power systems installation.

Category Details:

Category	Description
Waste Disposal and Treatment	<ul style="list-style-type: none"> Waste disposal Taxes and insurance costs related to waste disposal Installation, maintenance, and modification of waste collection facilities
Wastewater and Emissions Treatment	<ul style="list-style-type: none"> Wastewater treatment Installation, maintenance, and modification of wastewater treatment facilities Installation, maintenance, and modification of emissions (dust, fume, and organic solvent vapors) removal equipment and ventilation systems Discharge permit fees levied by Environmental Protection Bureau Taxes and insurance costs related to wastewater and emissions treatment
Remediation	<ul style="list-style-type: none"> Cleanup Improvement of sound insulation for noise abatement at borders of factories Addition and modification of facilities for remediation purposes
Prevention and Management	<ul style="list-style-type: none"> Environmental monitoring Environmental certification fees Environmental protection education and training Installation, maintenance, and modification of secondary structures for spill prevention (such as containment plates, drains for spill prevention, etc.) Making of environmental protection signs and posters Purchases and maintenance of instruments relates to environmental protection Additional cost of green purchases Salaries and bonuses for ESH personnel Energy and water savings projects, and solar power systems installation

4.2 Biodiversity

Feng Tay Headquarters in Taiwan and the factories in Vietnam and India are located in industrial zones where environmental impact assessments (EIAs) had been conducted before these zones were developed. The companies in these zones have carried out environmental protection activities in accordance with commitments made in the EIAs and local environmental laws and regulations. Our factories in China and Indonesia are located in areas which were developed earlier, instead of industrial zones. These areas are not adjacent to any protected areas or habitats. Feng Tay Group has followed the commitments in the EIAs made by the industrial zones and by itself, and therefore has caused no additional impacts on the local ecological environment.

4.3 Energy Management

4.3.1 Energy and Water Efficiency Management Guidelines

Feng Tay Group uses its "Energy and Water Efficiency Management Guidelines" to promote the adoption of best practices in our operations, including equipment purchasing and production process, at all factories. The main guidelines are as follows:

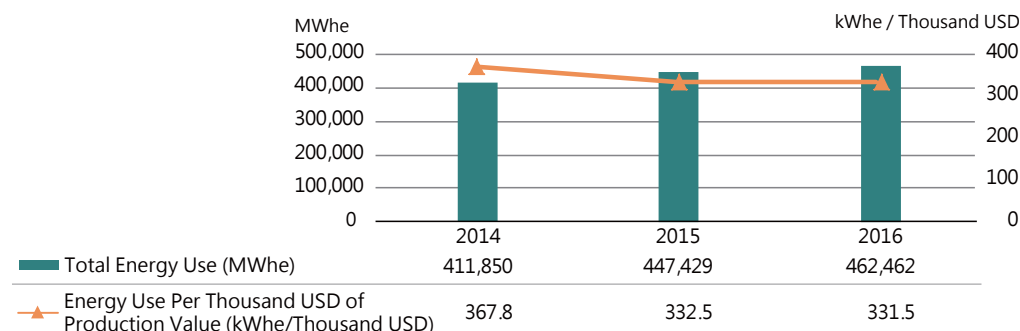
Category	Description
Equipment Purchasing	When purchasing new equipment, criteria such as electric power efficiency, fuel efficiency, water efficiency and greenhouse gas emissions must be taken into consideration. No purchase shall be made if, compared with the existing equipment, the new equipment has lower energy efficiency or water efficiency, or generates more greenhouse gas emissions.
Electric Power Management	Automatic power factor regulators must be installed and electrical equipment must be turned off when not in use.
Electric Generators	Only the minimum number of generators needed to meet power demand at any given time should be activated.
Lighting	Production buildings, canteens, and warehouses must make use of daylighting. Energy efficient fluorescent lamps or LED lights must be chosen for artificial lighting. General lighting shall be replaced by task lighting.
Ventilation and Cooling	Air conditioning units in office buildings may be used only when the indoor temperature exceeds 28°C. Building roofs are painted white.
Exhaust Systems	Perform periodic inspection on exhaust ventilation pipes. The fan devices are installed according to the airflow direction system and small local dust collectors must be used in place of central dust collection systems.
Boilers and Steam Systems	The overall distance between a boiler and a steam-using device must be minimized. Insulation must be installed and maintained throughout the entire steam distribution system, and all steam leaks must be promptly repaired. Condensate must be returned to the boiler for steam generation.
Compressed Air Systems	A centralized air compressor system must be installed when several processes require similar air pressure and flow rate during the same period of time. If multiple air compressors are required for a single process, then the air compressors must be connected in parallel. Compressed air lines must be inspected regularly, and all leaks must be eliminated promptly.
Heating and Insulation Systems for Process Equipment	Equipment operation scheduling must be optimized to reduce heat loss during idle and preheating periods. Phylon and rubber washing machines must be insulated to reduce heat loss.
Electric Motor Systems	Variable frequency drives are utilized for adjusting motor speeds to match the demands of specific process equipment.

4.3.2 Energy Consumption

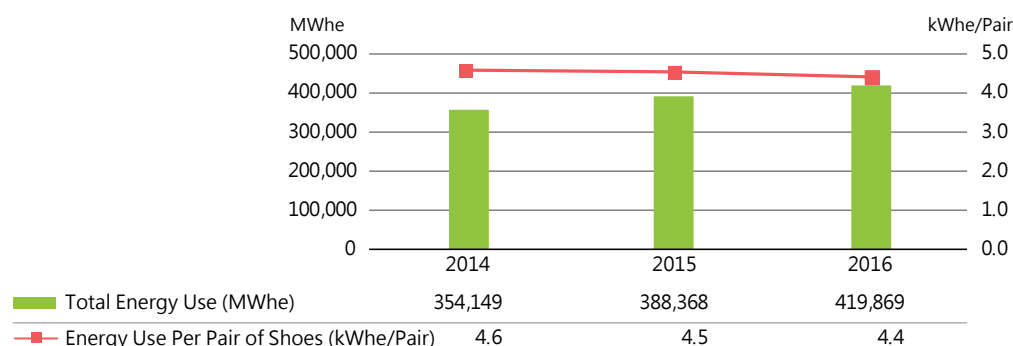
In 2016, we continued to implement energy-saving projects at all factories. Our total energy consumption in 2016 was 3.4 % higher than in 2015, as a result of a 10% increase in production volume. However, the energy consumption per thousand USD of production value decreased from 332.5 kWh in 2015 to 331.5 kWh in 2016, a reduction of 0.3%. The average energy use per pair of shoes in all footwear factories⁵ decreased to 4.4 kWh in 2016 from 4.5 kWh in 2015, a reduction of 2.2%. The data suggest that our energy-saving projects and continuous manufacturing process improvements have yielded good results.

⁵ All footwear factories include LF, HF and SF in China; IW in Indonesia; LU1, LU2, EW1 and EW2 in India; DV, DP, DO, DS1, DS2, DS3, SM1 and SM2 in Vietnam.

Energy Consumption Analysis of the Group



Energy Consumption Analysis of All Footwear Factories



4.3.3 Implementation of Energy-Saving Projects

Since 2009 the Group has been following "Energy and Water Efficiency Management Guidelines" to promote electric power and fuel oil savings projects, including equipment purchasing, manufacturing process, and production environment. In 2016, we invested USD 180,256 in 51 energy-saving projects as listed below:

Category	Electricity-Saving Projects
New Equipment Purchasing	6
Electric Power Management	6
Lighting	19
Exhaust Systems	1
Ventilation and Cooling	2
Heating and Insulation Systems for Process Equipment	10
Compressor System	3
Others	4
Total (Average Daily Electric Power Savings)	51 (9,698 kWh)

Electricity Savings:

A total of 51 electricity saving projects was launched in 2016, and led to a savings of 9,698 kWh (kilowatt hour equivalent) per working day for the Group. Here is one example.

- **China Region - Replace pneumatic mixing equipment with an electric-driven device:**
The original pneumatic mixing equipment used electricity to generate compressed air, which flows through pipes to the equipment. As a result, an appreciable amount of energy is wasted when electric energy is converted to pneumatic energy and when compressed air flows through pipes. After safety assessment was performed, an electric-driven mixing device was employed to reduce energy waste, saving about 104 kWh per working day.

Fuel Oil Savings:

- **Central Oil-Fired Boiler Replacement Plan at Major Footwear Factories:**

In 2015, we initiated a plan to phase out central oil-fired boilers at major footwear factories before 2018. A total of USD 842,742 was invested in equipment replacement and upgrades. The oil-fired boilers, which provide steam to the molding process of shoe soles, account for about 30% of energy consumption at major footwear factories. As fuels are burned in a boiler to convert water to steam, which flows through pipes to process machines, energy losses occur at every point along the way. Therefore, replacement of boilers with electric heating systems will not only reduce energy losses, but also eliminate the safety concerns for fuels. By the end of 2016, two factories each in Vietnam and China stopped using oil-fired boilers. The boilers in three other factories, one each in Vietnam, China, and Indonesia, are still in the process of being phased out. The replacement plan is expected to be completed by the end of 2017, one year ahead of the original schedule.

4.4 Water Management

Water Use

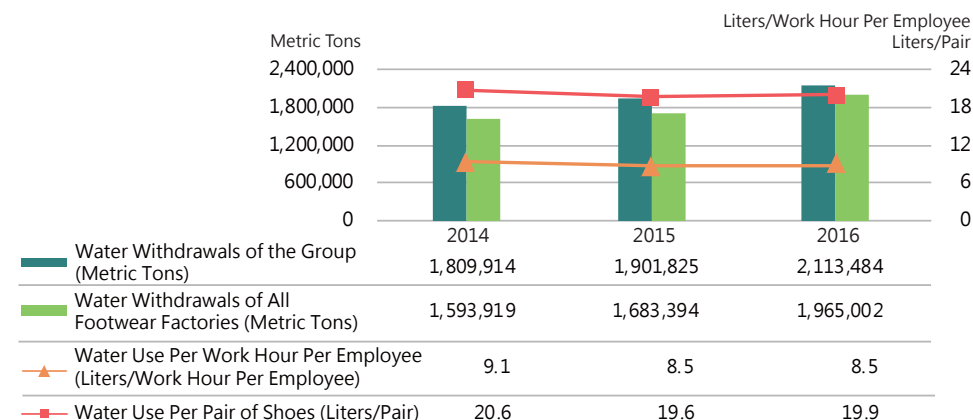
Following our "Energy and Water Efficiency Management Guidelines," the Group has devoted to reducing the amount of water use and improving water use efficiency. We also look for alternative water resources, such as rainwater and recycled water, in the hope that our dependence on tap water and impacts on the environment will be reduced.

Total Water Withdrawals:

Water withdrawals increased by 11.1% in 2016, compared with 2015. The water use per work hour⁶ in 2016 remained the same as in the previous year. Compared with 2015, the total water withdrawal in all footwear factories was 16.7% higher and the average water withdrawal per pair of shoes was 1.5% higher. Because of climate change, ambient temperatures have risen in recent years. To provide employees with a comfortable working environment, evaporative cooling equipment was installed in factory buildings, which led to increase in water usage in summer. In the meantime, we have been developing water-saving projects in the hope of achieving zero

wastewater discharge from the manufacturing process. For example, we evaluated the drainage system at each step in the manufacturing process to increase water recycling rates. We also set up water reclamation systems to reuse treated wastewater.

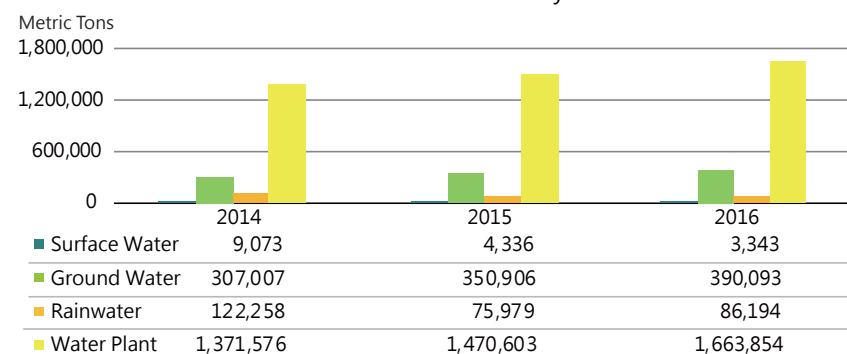
Water Withdrawals



Water Withdrawals by Source:

About 77% of the total amount of water used by the Group came from local water plants. Some factories, located in areas with limited water resources and municipal water-supply pipelines, also utilize ground water, surface water, and rainwater. Because of climate change, the amount of rainwater collected by a harvester fluctuated. We continue to assess the feasibility of establishing new rainwater harvesting systems in our factories. In 2016, we set up new rainwater harvesters in China and HQ. 1,247 metric tons of rainwater were collected at HQ in 2016.

Water Withdrawals by Source



⁶ Water use per work hour = total water withdrawal ÷ total work hours

Water Saving Practices

The Group focuses on the following measures to reduce water use:

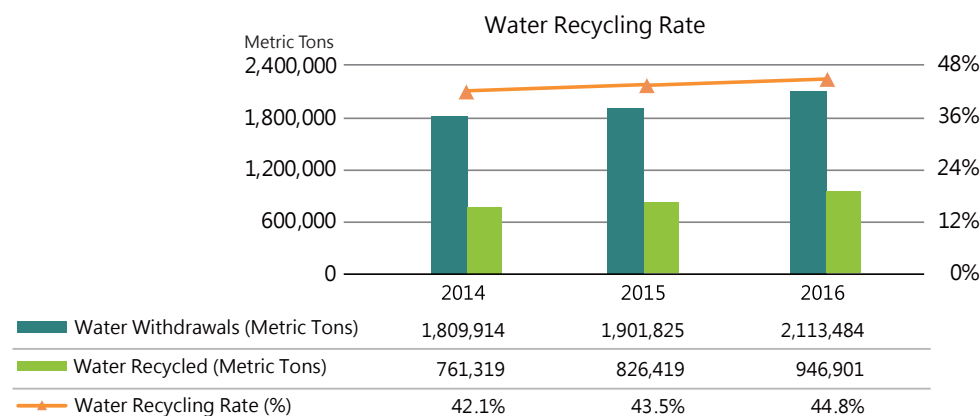
- Develop new water resources: Build rainwater harvesting systems.
- Increase the proportion of recycled water usage: Continuously recirculate cooling water for process equipment. Use treated wastewater for watering lawns and flushing toilets. Set up water reclamation system to reuse treated wastewater for watering plants, flushing toilets and cleaning.
- Reduce water usage: Install low-flow faucets. Regularly inspect and repair water leaks. Develop water balance diagrams to better plan water-saving projects.

In 2016, the Group implemented six water saving projects. A total of 56,727 liters of water were saved per working day. Following is an example of our major projects:

- **Recycling wastewater to flush toilets at factory buildings in Vietnam:**
After the wastewater quality was tested and the piping design examined, a portion of wastewater from the manufacturing process was sent to a storage tank for toilet flushing. The project not only reduced the influent loads to wastewater treatment plants, but also saved 19.2 metric tons of water per working day.

Recycled Water

The Group started to collect recycled water data in 2011. In accordance with the "Energy and Water Efficiency Management Guidelines," recycled water is used repeatedly in the production process. For example, cooling water for process equipment is 100% re-circulated and treated wastewater from the wastewater treatment plant is used for flushing toilets and watering lawns. The percentage of recycled water⁷ slightly increased from 43.5% in 2015 to 44.8% in 2016.



⁷ Percentage of recycled water = amount of recycled water ÷ total water withdrawal.

⁸ GHG emissions are calculated using the new CO₂ emission factor, which is provided by Center for Global Development Confronting Climate Change Initiative CARMA-Carbon Monitoring for Action.

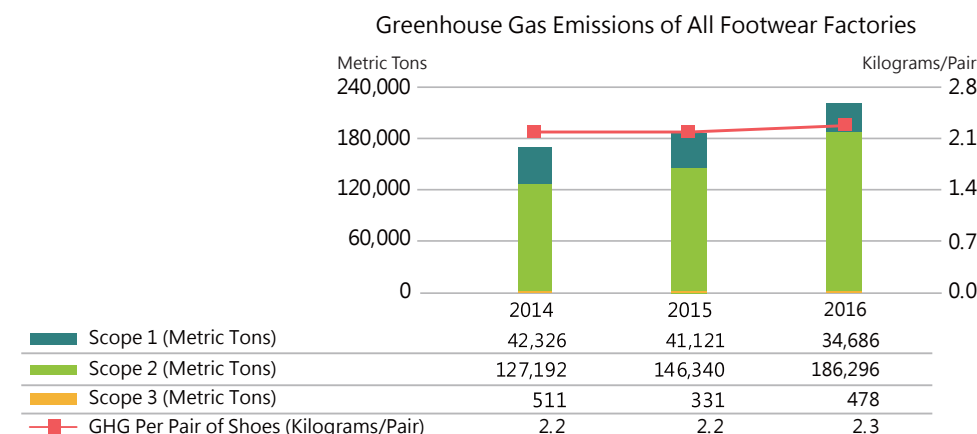
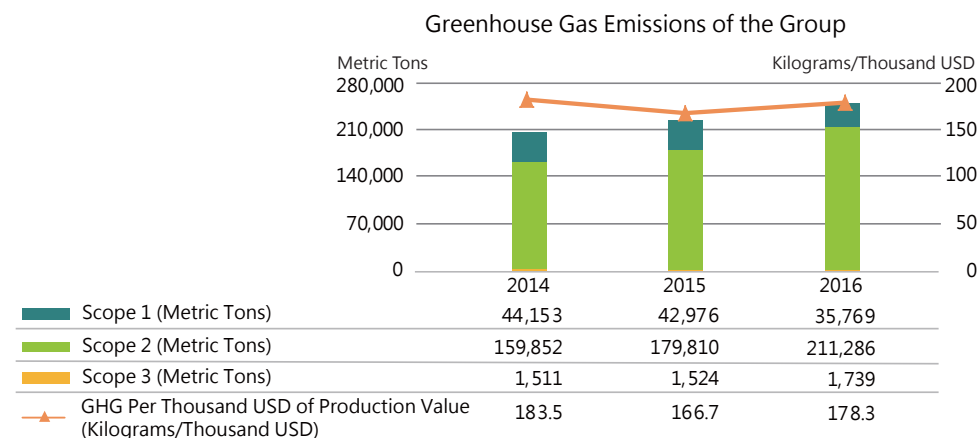
4.5 Pollution Control

4.5.1 Greenhouse Gas Emissions⁸

Data on greenhouse gas emissions were analyzed in several ways. In accordance with the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) GHG Protocol Initiative, the green house gas emissions are categorized into three scopes:

- Scope 1: generated from consumption of primary energy sources, such as diesel, fuel oil, liquefied petroleum gas
- Scope 2: associated with purchased electricity
- Scope 3: generated from transportation for employees' business trips, such as air travel

In 2016, our total greenhouse gas emissions increased 11% compared with 2015. Greenhouse gas emissions per thousand USD of production value were 7% higher than 2015. For all footwear factories, greenhouse gas emissions per pair of shoes slightly increased 4.5%.



GHG Emissions Reduction Plan – Solar Power Systems

To reduce indirect greenhouse gas emissions from consumption of purchased electricity, the Group has established solar power systems at the factories in India and Indonesia. Each system supplies 33.5 kWh of electricity per day, which is used for lighting and ventilation in the canteen. In 2015, one factory in China invested USD 109,090 to install a solar power system on the rooftop of a factory building, which supplied 84,906 kWh of electricity in 2016. At the Group Headquarters and the factories in India, we utilize solar water heating systems to supply hot water for dormitory and other daily uses. At some factories in Vietnam, we have begun to replace electric heating systems with solar heating systems to supply hot water for production processes. Feng Tay continues to assess the feasibility of establishing more renewable energy systems in factories and has planned to invest USD 580,303 to expand the capacity of existing solar power systems in one factory in China to 515 kW. Moreover, we are also planning on installing solar or wind power systems at our new factory in India.



In order to reduce the frequency of employees traveling to and from among the Headquarters and factories and the consumption of vehicle fuels, we have adopted the following measures:

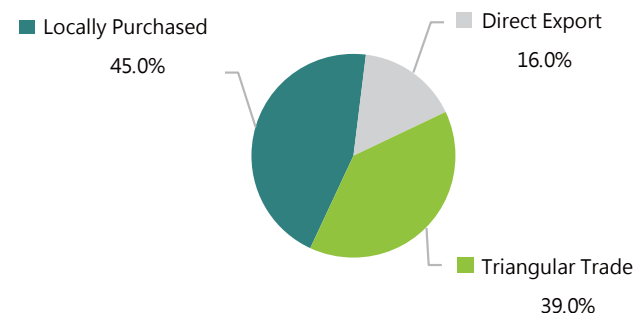
- Implementing multi-party video and phone conference systems at the headquarters and factories.
- Carpooling among factories located within reasonable distances of each other.
- Implementing Group-wide standardization of airplane flights taken, thereby enabling carpooling to and from airports; using public transportation such as Taiwan High Speed Rail when the number of travelers is small.

To encourage carpooling, incentives are given to the employees who do not use parking spaces at the Headquarters.

4.5.2 Raw Materials Transportation

Transportation of raw materials inevitably increases the burden on the environment. Therefore, Feng Tay Group works with suppliers to reduce the amount of packaging material to the minimum that still meets the needs for protection of the shipment. We also purchase raw materials as much as possible from local suppliers to avoid long range air and sea transport. The percentage of locally purchased raw materials steadily remained at 45% or grew higher. Raw materials that are not purchased locally, including direct exporting from suppliers in Taiwan and triangular trade, accounted for 55%. Materials and commonly used chemicals purchased from suppliers in Taiwan are shipped to the Headquarters,

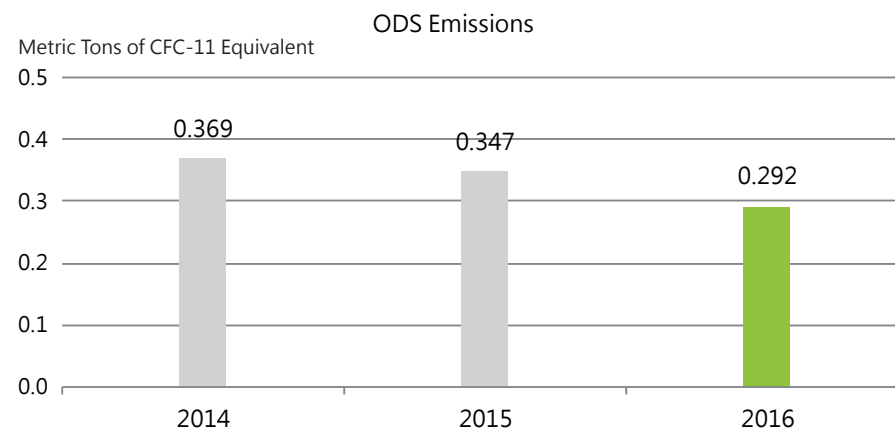
if only small amounts are needed at each factory. After inspection by Purchasing and Warehouse Departments at the Headquarters, all items for each factory are grouped into one shipment to reduce shipping costs and make full use of container space. To avoid unnecessary back and forth hauling, relatively large orders are handled with a triangular trade system and shipped directly by the suppliers from Taiwan or other countries to factories.



4.5.3 Emissions of Ozone-Depleting Substances (ODS)

The ODS used at our factories are refrigerants added into air conditioners, refrigerators, and chillers that are used to chill water for cooling in manufacturing processes. They were R-22 and small amounts of R-134A, R-404A, and R-401A. The Group has been gradually reducing emissions of ozone-depleting substances (ODS). The use of R-12 and R-502 was suspended. For all air-cooled chillers in major footwear factories, we have made the switch to the more environmentally friendly R-410A refrigerant.

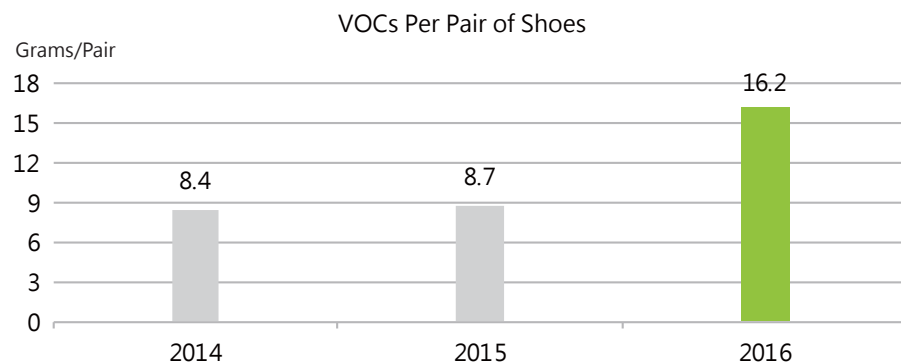
ODS emissions⁹ decreased to 0.292 metric tons of CFC-11 equivalent in 2016 from 0.347 metric tons of CFC-11 equivalent in 2015. The Group will continue to undertake ODS reduction programs and is planning to replace R-22, the most commonly used refrigerant in the Group at present, with refrigerants containing substances of lower ozone-depleting potentials, such as R-404A, before 2020.



⁹ Emissions of ozone-depleting substances = Refrigerant Usage × Ozone Depleting Potential

4.5.4 Volatile Organic Compounds (VOCs)

Since 1997, Feng Tay has generally used water-based adhesives not containing potentially hazardous VOCs. Every adhesive used in production is rigorously tested before mass production begins. We also collaborate with suppliers to test new water-based adhesives in order to gradually lessen the usage of solvent-based adhesives. Over the years, we have successfully reduced the amount of VOCs emissions generated during production. In 2016, the average weight of VOCs used in producing one pair of shoes in our footwear factories was 16.2 grams, 86% higher than in 2015. The increase was a result of change in data boundaries reported in 2016, which now include factories manufacturing causal shoes and inline skates--products that use higher amounts of solvent-based adhesives and related materials to give desired appearance and bonding strength. However, calculations with the data boundaries reported in 2015 show that the average weight of VOCs used in producing one pair of shoes in 2016 was 8.5 grams, 2.3% lower than in 2015.



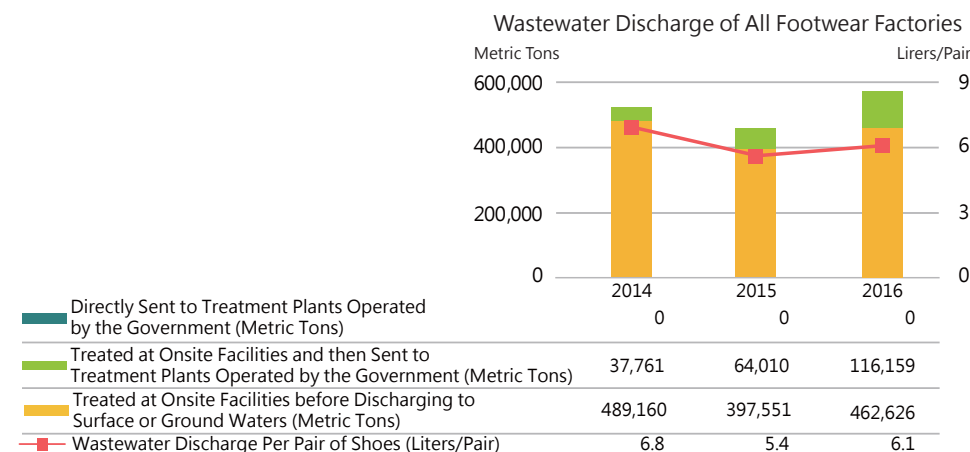
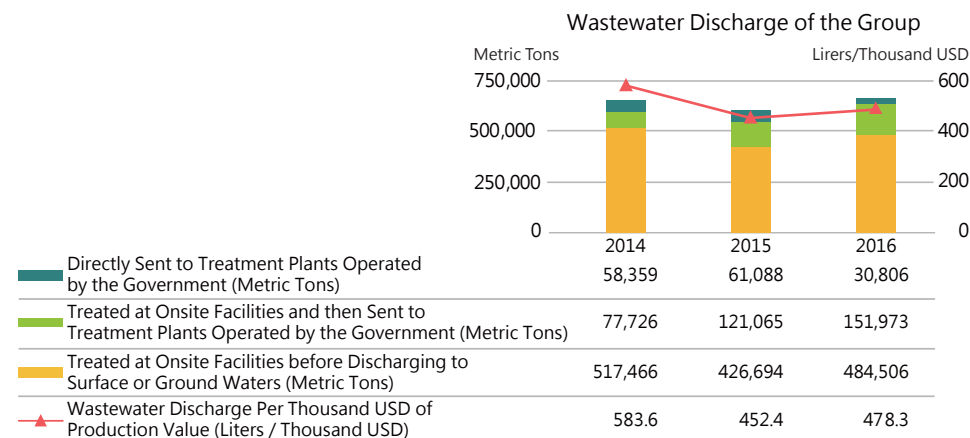
4.5.5 Wastewater Treatment¹⁰

Feng Tay Group is devoted to preventing water pollution. To comply with our regulations in "Environmental Engineering: Water pollution prevention," all factories are required to develop water pollution prevention plans and increase the usage of recycled wastewater. The wastewater that could not be recycled is handled in the following ways:

- Directly sent to treatment plants operated by the government
- Treated at onsite facilities and then sent to treatment plants operated by the government
- Treated at onsite facilities before discharging to surface or ground waters

Most of the Group's factories handle wastewater by the third method. Except the Group Headquarters and one factory in China, all factories have built on-site wastewater treatment plants to provide adequate treatment for wastewater generated in different production processes. ESH personnel at factories are required to test the treated wastewater monthly and report the results to SMD department at the Headquarters. The Headquarters SMD department provides consultation and suggestions, and conducts random audits at factories.

In 2016, the Group discharged 667,285 metric tons of wastewater, 10% higher than in 2015. The wastewater discharge per thousand USD of production value was 5.7% higher than in 2015. In all footwear factories, the total amount of wastewater discharge was 578,785 metric tons, 25% higher than in 2015. The average wastewater discharge per pair of shoes increased to 6.1 liters in 2016, 13% higher than in 2015. The increase was a result of trial production with new equipment in the two new factories in Vietnam, which led to increases in both water usage and wastewater discharge. To cut down the amount of wastewater discharge, we plan to install systems to reuse wastewater from the manufacturing process for toilet flushing.

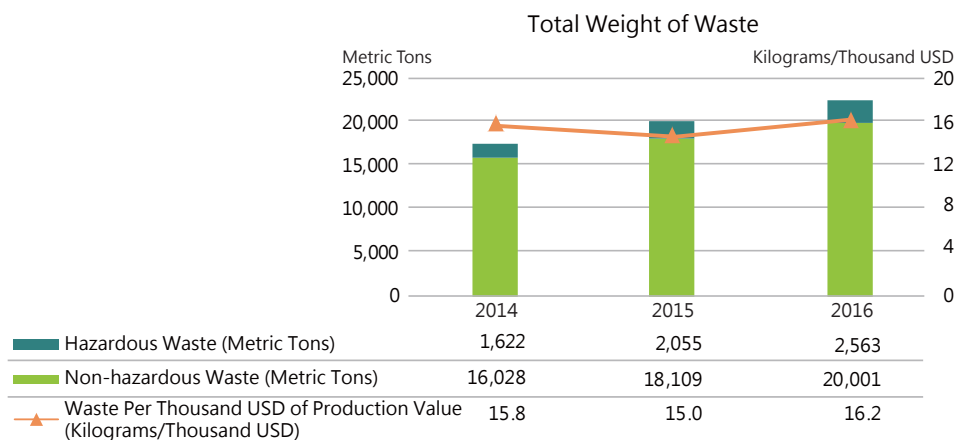


¹⁰ Since SM2 was under construction, wastewater discharge data of the factory was unavailable in 2016. Its data will be included in the 2017 report.

4.5.6 Waste Treatment

All waste is properly collected and classified to improve recyclability, and environmentally preferable methods are used for disposal. Hazardous waste generated in the production process is treated and disposed of with special caution. We classify hazardous waste into 5 categories, and specify for each category the proper storage method such as container and storage location. Hazardous waste must be clearly labeled and emergency contact information shall be posted in the storage area. All related documents, including waste generation sources, treatment procedures and employee training records, must be carefully kept. Waste is properly disposed of or recycled by licensed external vendors.

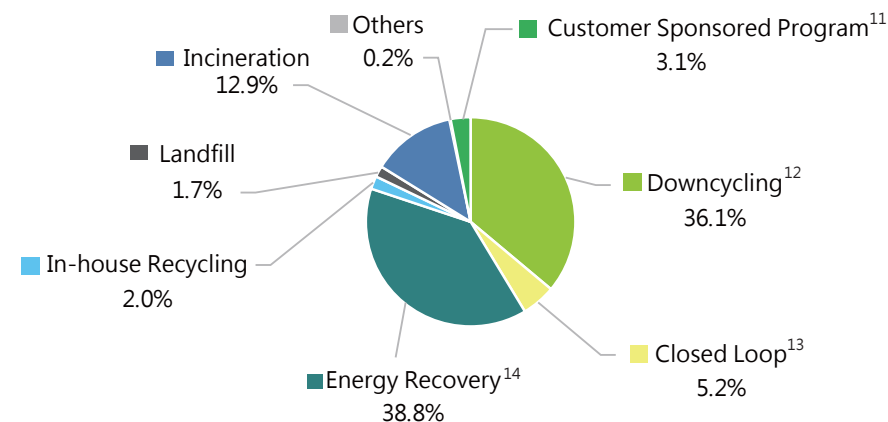
The total amount of waste generated in 2016 was 22,564 metric tons, 12% higher than in the year before. Waste generated per thousand USD of production value was 8% higher than in 2015. Regarding the increase in manufacturing waste, we immediately conducted an internal review and developed a waste reduction plan. We will continue to work with suppliers to minimize the amount of packaging materials and non-recyclable containers. Our factories will keep on tracking the volume of manufacturing waste, while improving manufacturing tools and production processes. In the meantime, we will actively search for better waste recycling techniques to further reduce manufacturing waste.



Feng Tay pays great attention to waste treatment and disposal, and aims to reduce waste at the source. Over the years, we have gradually reduced the use of less eco-friendly disposal methods such as incineration and landfill. For example, four factories in Vietnam started to use an energy recovery method instead of landfill to dispose of leather waste in 2016.

In 2016, 40.8% of the waste was disposed of by either energy recovery or in-house recycling, which is 5.6% higher than in 2015. The total percentage of incineration and landfill decreased to 14.6% in 2016 from 16.1% in 2015. In order to further reduce our environmental footprints, we will continue to increase the use of energy recovery waste disposal method and minimize the use of incineration

and landfill. The percentages of waste disposed of by various methods in 2016:



The Progress of Landfill Site Clean-up

Between 1992 and 1996, the Group Headquarters established a landfill site on our own land to dispose of the waste generated in the shoe production process. The landfill site was closed soon after the Waste Disposal Act was amended in 1997. In recent years, the riverbank that borders the closed landfill site was eroded by typhoons and heavy rains and, as a consequence, some buried waste was washed away. Guided by our business philosophy and corporate social responsibility, we submitted a waste removal plan to Yunlin County Environmental Protection Bureau in 2014, and hired qualified waste disposal service contractors to remove the waste from the closed landfill site. 1,481 metric tons of waste were removed in 2016 at a cost of NTD 20 million (around USD 650 thousand). Since 2014, 19,281 metric tons of waste were removed at a cost of NTD 180 million (around USD 5.6 million).



¹¹ Customer sponsored program: waste materials are approved and managed by customer for recycling into secondary products.

¹² Downcycling: waste materials are collected and recycled by local vendors into a lower-value usage that does not permit further recycling.

¹³ Closed loop: waste materials are processed by external vendors for reuse or recycling into the same or similar material as that originally supplied.

¹⁴ Energy recovery: waste materials are collected and processed by incineration, gasification, anaerobic digestion or other technology that can recover the inherent useful energy.

05

Employee Relationship and Social Engagement



5.1 Employee Relationship

At Feng Tay, employees are our essential partners to help us move forward. Our vision is to foster a group of people who are committed to the value of work, supported by family, and proud of the company. We strive to provide a safe workplace and a clear career path to our employees. To work together toward a sustainable future, we will continue to strengthen our partnership with employees and deepen our employees', as well as their families', understanding of Feng Tay through more direct communication and care.

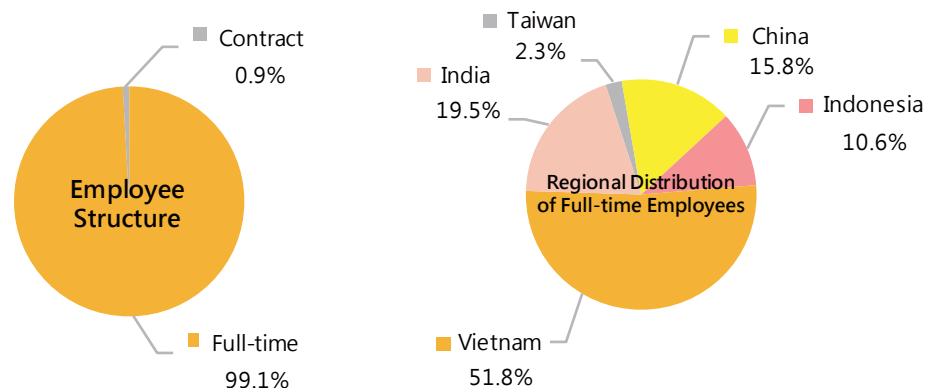
5.1.1 Employment

The employment policy of Feng Tay Group strictly follows national labor laws. We recruit workers through open channels and in a fair manner, without any consideration of gender, age, religion, race, political inclination, disability, sexual orientation, pregnancy status, marital status or social background. Moreover, our principles are to employ local workers whenever possible and to prohibit hiring foreign migrant workers or workers under 18 years old.

Employee Compositions

By the end of 2016, the workforce of Feng Tay Group was 110,736, of which 99.1% were full-time employees, while the others were workers of contract companies for food service, gardening and medical service. Among full-time employees, 2,547 worked in Taiwan, accounting for 2.3% of the total number of full-time employees; 17,355 worked in China, accounting for 15.8%; 11,647 worked in Indonesia, accounting for 10.6%; 56,830 worked in Vietnam, accounting for 51.8%; and 21,346 worked in India, accounting for 19.5%.

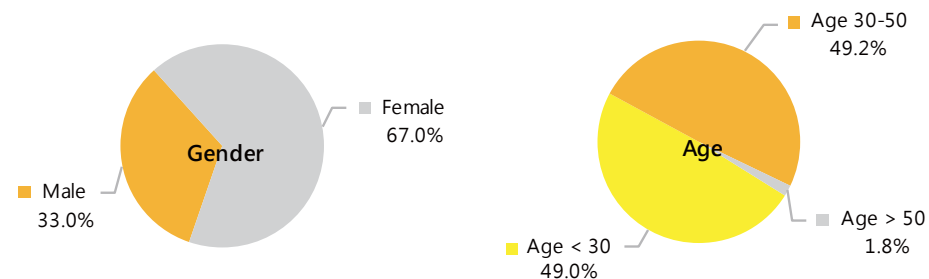
Among contract workers, 162 were in China, accounting for 16.0% of the total number of contract workers; 16 in Indonesia, accounting for 1.6%; 431 in Vietnam, accounting for 42.6%; and 402 in India, accounting for 39.8%. All employees in Taiwan worked full time.



Full-time Employee Compositions in All Regions

Our female employees comprised 67.0% of the total number of full-time employees. In Taiwan, China, Indonesia, Vietnam and India, female employees accounted for 47.4%, 74.6%, 56.5%, 70.4% and 59.8% of the total, respectively. In terms of age, employees who were under 30 comprised 49.0% of the total. In Taiwan,

China and Indonesia, the largest age group was between 30 and 50 years old. The majority of employees in Vietnam and India were under age 30.



Unit: Percentage

Full-time Employee Composition	Male	Female	Age < 30	Age 30-50	Age > 50
Taiwan	52.6	47.4	18.1	61.4	20.5
China	25.4	74.6	14.5	80.5	5.0
Indonesia	43.5	56.5	39.0	60.5	0.5
Vietnam	29.6	70.4	53.3	45.7	0.9
India	40.2	59.8	74.4	25.6	0.01
Feng Tay Group	33.0	67.0	49.0	49.2	1.8

Full-time Employee Grade Levels

The workforce can be divided into three categories – top-level management, first- and mid-level management, and non-management. When a factory is established, members of the initial management team are mostly dispatched from the Headquarters for the purposes of establishing regulations and systems, and helping local staff to develop leadership and management capabilities. We strive to cultivate local talents and appoint them to leadership positions.

Top-level Management	First- and Mid-level Management	Non-Management
<ul style="list-style-type: none"> General Managers at the Headquarters Vice General Managers at the Headquarters Regional General Managers Chief Directors at the Headquarters General Managers at Factories 	<ul style="list-style-type: none"> Monitors at the Headquarters Directors at the Headquarters Managers at the Headquarters (Administrative Managers, Production/Manufacturing Managers) Supervisors and Team Leaders at the Headquarters 	<ul style="list-style-type: none"> Special Assistants to General Managers at Factories Executive Vice General Managers at Factories Monitors at Factories Vice General Managers at Factories Directors at Factories Managers at Factories Supervisors at Factories
		<ul style="list-style-type: none"> Engineers Technicians Staffs Specialists Project Managers Clerks Operators

As of the end of 2016, five locals in China, three locals in Vietnam, one local in Indonesia and four locals in India have held the positions of General Manager at factories. 100.0% of top-level management in Taiwan, Indonesia and India were locals, 83.0% of top-level management in China were locals, and 20.0% of top-level management in Vietnam were locals.

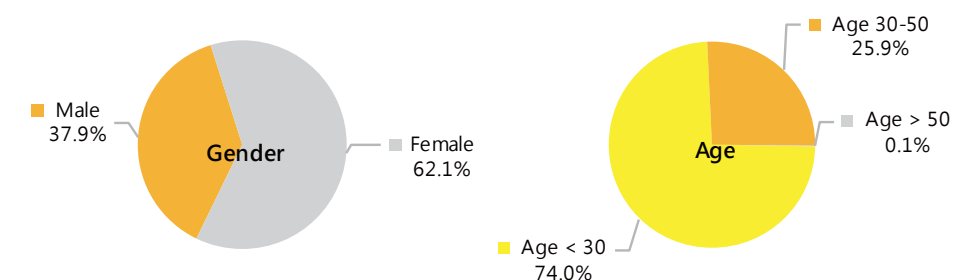
Among full-time employees, 9,142 people were at management levels, accounting for 8.3% of the total workforce, with the majority of them in the 30-50 age range. And 82 people were at the top management level, accounting for 0.1% of the total workforce. The first and mid management level comprises 9,060 people, accounting for 8.3% of the total workforce. The Group had 4,213 female employees at management levels, a 7.2% increase over 2015, which made up 46.1% of management levels. Among all female managers, 17 were at the top management level, making up 20.7% of the top-level management; 4,196 were at the first and mid management level, making up 46.3% of the first- and mid-level management.



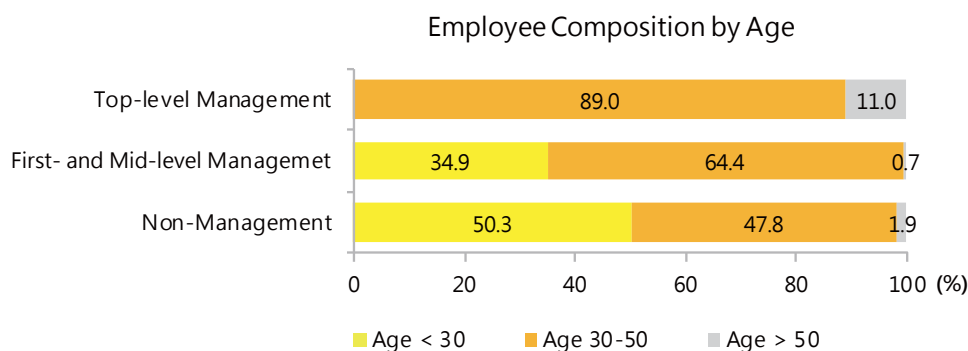
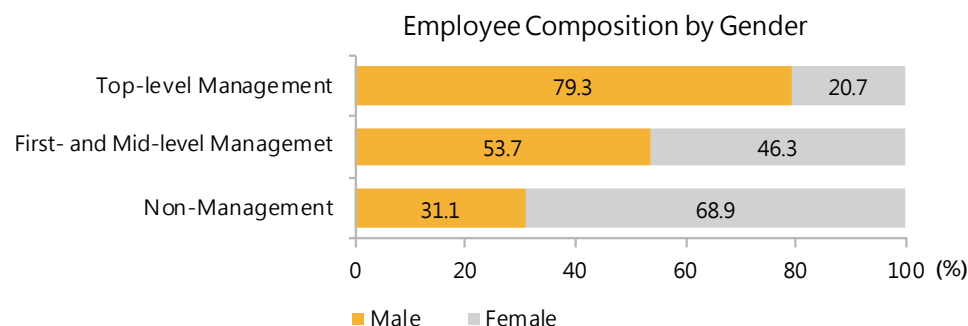
The Compositions of New Recruits

To meet our business growth needs, we recruited 24,723 new employees in 2016, of which 15,355 were female, accounting for 62.1% of the total new recruits. New female employees accounted for 50.3%, 62.6%, 39.7%, 67.1% and 53.0% of the total new recruits in Taiwan, China, Indonesia, Vietnam and India, respectively.

New employees younger than 30 years of age made up 74.0% of the total new recruits, and accounted for 60.3%, 53.0%, 84.8%, 75.1% and 91.2% of the total new recruits in Taiwan, China, Indonesia, Vietnam and India, respectively.



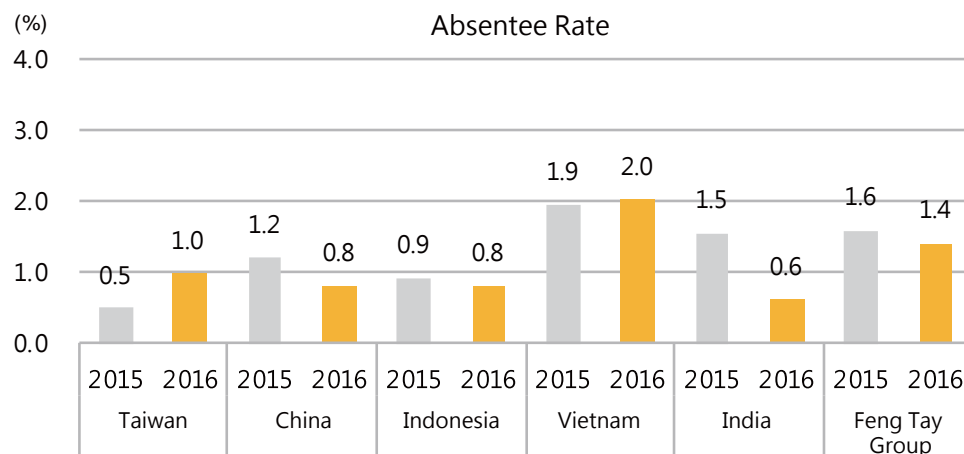
New Recruits Composition	Unit: Percentage				
	Male	Female	Age < 30	Age 30-50	Age > 50
Taiwan	49.7	50.3	60.3	39.7	0.0
China	37.4	62.6	53.0	46.7	0.4
Indonesia	60.3	39.7	84.8	15.2	0.0
Vietnam	32.9	67.1	75.1	24.8	0.0
India	47.0	53.0	91.2	8.8	0.0
Feng Tay Group	37.9	62.1	74.0	25.9	0.1



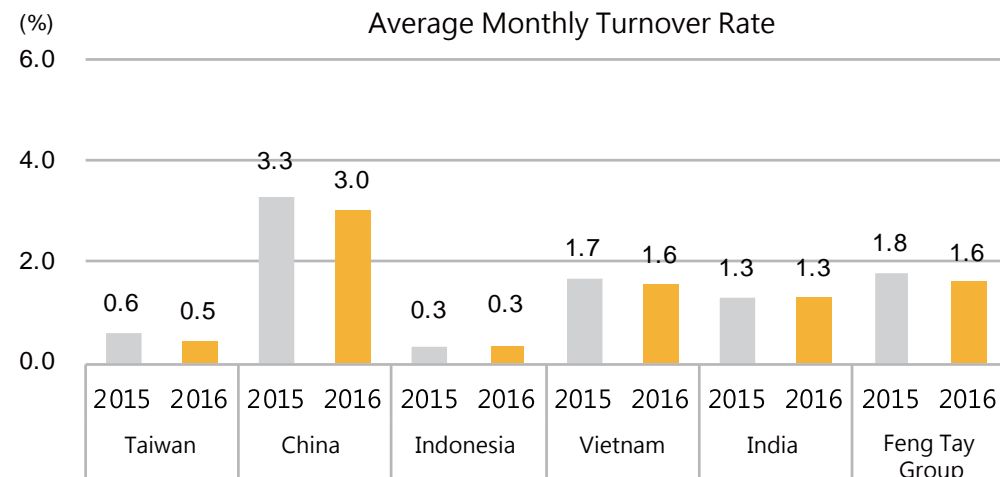


Absentee Rate¹⁵ and Monthly Turnover Rate¹⁶

A variety of communication channels have been established within Feng Tay Group to enable the management team to listen to the employees, to solve the difficulties at the workplace, and to understand the causes that lead to their absence. The average absentee rate decreased to 1.4% in 2016 from 1.6% in 2015. The absentee rate was 1.0%, 0.8%, 0.8%, 2.0%, and 0.6% in Taiwan, China, Indonesia, Vietnam, and India, respectively.



Regarding employee turnover management, once an employee has submitted his or her resignation, the human resource staff will conduct an exit interview to understand the reason for his or her resignation, and do the best to show our care and to retain the employee. The average monthly turnover rate¹⁷ of the Group in 2016 was 1.6%, compared with 1.8% in 2015, with the highest in China (3.0%) and the lowest in Indonesia (0.3%). For employees who had completed more than one year of service, the average monthly turnover rate was 0.6%, compared with 0.7% in 2015, with the highest in China (0.8%) and the lowest in Indonesia (0.2%). Employees younger than 30 had the highest turnover rate at 2.1%, while those older than 50 had the lowest turnover rate at 0.8%.



Unit: Percentage

Average Monthly Turnover Rates		Overall	Male	Female	Age < 30	Age 30-50	Age > 50
Taiwan	All employees	0.5	0.5	0.4	1.4	0.3	0.2
	Employees with more than one year of service	0.3	0.3	0.2	0.7	0.2	0.2
China	All employees	3.0	4.2	2.6	8.8	2.0	1.3
	Employees with more than one year of service	0.8	1.0	0.8	1.6	0.7	0.9
Indonesia	All employees	0.3	0.3	0.3	0.3	0.3	0.7
	Employees with more than one year of service	0.2	0.2	0.2	0.2	0.2	1.0
Vietnam	All employees	1.6	2.1	1.3	2.1	0.9	0.7
	Employees with more than one year of service	0.7	1.0	0.6	0.9	0.5	0.8
India	All employees	1.3	1.1	1.4	1.5	0.7	2.4
	Employees with more than one year of service	0.4	0.3	0.5	0.5	0.3	2.4
Feng Tay Group	All employees	1.6	1.8	1.5	2.1	1.1	0.8
	Employees with more than one year of service	0.6	0.7	0.6	0.8	0.5	0.7

¹⁵ Absentee rate refers to the number of actual absentee days expressed as a percentage of the total number of days scheduled to be worked by the workforce for the same period. Absentee days include work days lost due to injury or illness (either work or non-work related) and absences without approval. Permitted leaves of absences such as annual leaves, personal leaves, marriage leaves, compassionate leaves, and maternity leaves are excluded from absentee rates.

¹⁶ Monthly turnover rate refers to the monthly number of employees who leave the company expressed as a percentage of the total number of employees.

¹⁷ Average monthly turnover rate refers to the sum of 12 monthly turnover rates in 2016 divided by 12.

5.1.2 Protection of Workers' Rights

Feng Tay protects the rights of all employees and stays in compliance with local laws and regulations. Appointment, discipline, attendance, leaves, salary, benefits, reward and penalty, retirement, and the compensation for occupational injuries and illnesses are clearly specified in the management regulations, which are strictly enforced.

Non-discrimination Policy

An individual's qualifications are the only criteria that Feng Tay Group would consider when hiring a new employee and setting the starting salary. Furthermore, subsequent evaluations, reward and penalty are solely based on performance. None of our employees would be unfairly treated because of his or her gender, race, religion, age, disability, sexual orientation, pregnancy status, marital status, nationality, political inclination, union membership, social and ethnic background, or any other status that is under legal protection.

Feng Tay recruits people with disabilities to comply with the "People with Disabilities Rights Protection Act" in Taiwan. Employees with disabilities are assigned suitable work and provided with comprehensive trainings. As of the end of 2016, we hired a total of 37 employees with disabilities at the Headquarters, 48% higher than required by the regulations in Taiwan.

Approaches to Preventing and Handling Sexual Harassment, Harassment and Abuse

In order to prevent sexual harassment, harassment and abuse at the workplace, and uphold equal rights and dignity between female and male workers, Feng Tay Group has established the "Approaches to Preventing and Handling Sexual Harassment, Harassment and Abuse," which is posted in main workshops and rest areas. The regulations are explained in the orientation program for new employees, and at least once a year during on-the-job trainings and management trainings. When employees or job applicants suffer harassment or abuse at workplace, they may file complaints through a special telephone hotline, an electronic mailbox or a regular mailbox, all of which are available at the Headquarters and all factories. Once a complaint is received, the executive in charge of the case shall invite a representative of the Labor Union and the head of internal auditors to join the investigation team. A written report on the results of investigation and deliberation is sent to the executive in charge of harassment and abuse prevention for a final ruling.

Care for Female Employees

In addition to keeping female employees safe from harassment and discrimination at workplaces, Feng Tay has developed several protection measures and benefits. At our factories, International Women's Day is celebrated on March 8 and a series of activities are held during Women's Health Month in May. Each region also has its own special measures. In China, female employees receive free health examination every year. Female employees who work the night shift are provided with shuttle bus service in Indonesia. In Vietnam, female employee representatives participate in festival planning committees to assure that the traditional values of Vietnamese women will be reflected in the festivals. We also hold culinary and flower design contests to further enhance our female employees' sense of accomplishment and active participation. In India, female workers do not take shift work. Monthly awareness training classes are offered to nursing mothers at the Crèche and female police officers are invited to give instructions on prevention of sexual harassment.



India Factory- SAKHI Program

SAKHI means "female friend" in Tamil language

SAKHI program empowers female employees to reach their full potential through courses in professional skills training, computer and English.

To promote gender equality in society, we have made an effort to provide female employees with access to higher education. We have invited local education scholars and university representatives to our factories to share information about school curriculum, admission requirements, and career opportunities. Since 2012, SAKHI program has helped 29 female employees to earn college degrees. A total of 220 employees took part in this program in 2016.



For employees who are pregnant or nursing babies, we provide the following measures in addition to complying with national laws:

- The company should not dismiss female employees or reduce their basic wage when they are pregnant or nursing babies.
- For employees who are not able to handle their original jobs because of pregnancy, the company should assign them to suitable jobs.
- Employees who are pregnant or working within one year after giving birth are prohibited from operating high risk machines, exposing to dust and chemicals, engaging in duties that require frequent bending, climbing or crouching, and taking shift work.
- Employees are entitled to paid maternity leave after delivery (the duration varies from two to six months in accordance with national laws).
- Nursing rooms are provided at the Headquarters and factories for employees who are nursing babies to use one hour a day during working time.
- At factories, Pregnant and physically challenged employees clock in through special lines to avoid crowding or waiting. Rest areas are provided at workshops for pregnant employees to use whenever they need a rest.

5.1.3 Overall Compensation

Entry-level Wage

To reward our employees for their good performance and long-term contribution, Feng Tay Group offers a competitive salary scheme that is superior to the standard of the industry. Our entry-level salary is higher than the local legal minimum wage. All employees are paid based on their performance, regardless of social status, gender, religion, race, nationality or political affiliation. The ratio of basic salary of men to women in each employee category is one to one. Comparison of legal minimum wage and entry level wage of Feng Tay Group in 2016:

Region (Currency)	Local Legal Minimum Monthly Wage	Entry-level Wage of Feng Tay Group
Taiwan (NTD)	21,009	25,200
China (RMB)	1,350 / 1,820*	1,600 / 2,180
Indonesia (Rupiah)	2,463,461	2,490,000
Vietnam (VND)	3,500,000	3,770,000
India (Rupee)	3,906+DA**	5,038+DA

* RMB 1,350 is the local legal minimum monthly wage in Fuzhou and Putian of Fujian Province; RMB 1,820 is the local legal minimum monthly wage in Taicang of Jiangsu Province.

** Dearness Allowance, an amount adjusted by the government every month based on the consumer price index.

Employee Bonus

Year-end bonuses based on the Group's earnings of the year are given as a way to share the good results with our employees. In addition, Feng Tay provides several kinds of job based premiums to reward employees' outstanding performances, such as performance bonus and achievement bonus. We gave out these bonuses to encourage our employees to devote themselves to their career, as well as to attract and retain the best talents.

The "Propose for Improvement" system is established at factories in China, Indonesia, Vietnam and India. A mail box is installed at an easily accessible location to collect proposals and is checked every day. Once a proposal is adopted, the proposer is rewarded with a bonus which is added to the salary of the month. The adopted proposal is posted on the bulletin board to give recognition to the proposer and to inspire other employees. The system has fully demonstrated the creativity and continuous improvement mindset from the shop floor. In addition, the "Best Kaizen Award" program is also established to encourage employees to strive for improvement and breakthrough in their work, thereby creating business value for the company. Award recipients are invited to the Headquarters to receive their awards at the Group anniversary celebration. There were 11 recipients in 2016.



Receive Best Kaizen Award at the anniversary celebration

At Group Headquarters, employees who have completed 8 years of service receive travel allowance. Employees who have completed 25 years of service receive trophies and souvenirs, in addition to words of appreciation from the management at the Group anniversary celebration. At the 2016 anniversary celebration, 45 employees with 25 years of service were commended. An "Improvement and Innovation Award" program is established in Taiwan to encourage employees to be constantly improving and innovative in daily work. In 2016, there were 138 winning works.

5.1.4 Career Development

Feng Tay believes that our employees are the most valuable assets. In order to help our employees reach their full potential and accomplish their career development goals, we provide them with a clear career path, comprehensive professional trainings, an excellent salary scheme and a transparent performance evaluation system.

Job Assignment

All new employees are assigned positions according to their educational backgrounds and work experiences. We assess their adaptation status and career potential through regular interviews and department visits, and arrange suitable trainings for them to fit into the team in the shortest time possible. Internal promotion is preferred at Feng Tay. Promotions are mainly based on work performance.

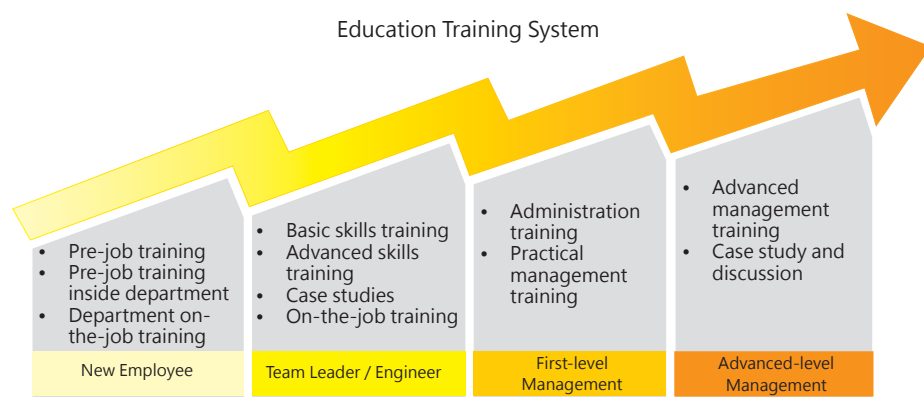
In Feng Tay's performance management system, staff performance evaluation criteria are based on position level and job duties. We carry out performance evaluation and performance appraisal interview with employees regularly. Many executives at the Headquarters and factories were gradually promoted to their current positions from entry level by going through various challenging assignments and obtaining good performance evaluation results.

Education and Training

Feng Tay is deeply aware that education and training are important measures to ensure company's sustainable growth. In order to develop management and professional skills, Feng Tay implements a comprehensive training system to help employees grow with the company. We create a specific training plan for each employee, from new hires to managers, based on the employee's job-related needs and career development goals. The training plan includes one or several of the following measures: on-the-job training, mentoring, job counseling, e-Learning and job rotation. We offer more than 30 new management training courses, covering core competencies, professional skills, business and management skills, etc. To ensure course quality and to continuously improve course materials, we have established a definite evaluation standard and used post-course survey to assess training effectiveness. To improve the capabilities of our employees and thereby strengthen our competitiveness, we strive to provide better development opportunities by regularly inviting external lecturers and encouraging employees to attend learning field trips and external training courses.

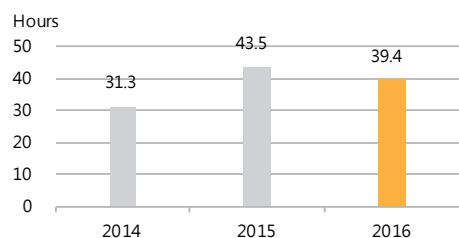


Education Training System



In 2016, the total training hours in the Group reached 4,317,107 hours, 0.9% lower than in 2015. There were a total of 970,910 attendees. The average number of training hours per employee was around 39.4 hours, 9.4% lower than in 2015. The average numbers of training hours per employee in all regions are as follows:

Average Number of Training Hours Per Employee



Unit: Hours

Region	Top-level Management	First- and Mid-level Management	Non-Management	All employees
Taiwan	3.9	25.2	9.8	11.0
China	35.5	24.4	41.3	40.0
Indonesia	72.0	11.6	15.3	15.1
Vietnam	1.4	27.9	40.4	38.5
India	2.7	59.5	58.2	58.3
Feng Tay Group	6.5	32.3	40.5	39.4

5.1.5 Employee Communication and Rights

The Feng Tay management team regards the dialogue with employees as a basic responsibility; we make use of various communication channels, including the permanent General Manager Mailbox, the Grievance and Suggestion System and the Labor Union to listen to employees' voice. To continuously improve our management system, we hold new employee orientation seminars, face-to-face meetings with employees, exit interviews and supportive conversations to understand the issues that concern the employees. The

management team strengthens its ties with employees through daily announcements and the Group anniversary celebration. Held at the end of each year, the anniversary celebration is an important event which all high-level expatriates at factories will come back to the Headquarters to attend. The management team takes this opportunity to report to all employees the results of operations over the year that has just past and future prospects, and to reaffirm the Group's values and common goals.



High-level factory managers at the anniversary celebration



Team encouragement at the anniversary celebration

Grievance and Suggestion System

To protect employee's rights and interests, Feng Tay established the "Grievance and Suggestion System" in 2009. Any complaint or suggestion that has been submitted to the department leader but has not received a satisfactory response will be properly handled via this system. The communication channels in this system include GM mailbox, GM Hotline voice mail, GM email, holding company GM, Labor Union, or company website.

Instructions for the grievance and suggestion system are posted on the bulletin board at every factory for employees to understand their rights. Upon receipt of grievances or suggestions, the management will make appropriate responses according to the standard procedures, and the relevant departments and parties will be informed of the results.

In 2016, 334 grievances and suggestions were received, and 346 were resolved. Among the resolved cases 13 were initially filed in 2015. 92% of the cases received in 2016 were related to labor practices, mainly concerning management style, work arrangement, and work environment. There were 315 grievances, 23.5% higher than in 2015. This indicates the implementation of the Grievance and Suggestion System has helped individuals and workplaces move toward a culture of openness, transparency and two-way communications. The grievance and suggestion cases received in 2016 are shown below:

Region	Taiwan		China		Indonesia		Vietnam		India	
Item	G*	S**	G	S	G	S	G	S	G	S
Society	0	0	0	0	2	0	0	0	0	0
Environment	0	0	0	0	0	1	1	1	0	0
Labor	22	0	95	4	6	5	119	6	52	2
Human rights	0	0	1	0	12	0	5	0	0	0

*G: Grievance; **S: Suggestion

Freedom of Association

Feng Tay supports employees' rights to form labor unions and engage in collective bargaining with the management. Established at all factories, Labor Unions serve as the communication medium between employees and the management to resolve issues of concern to both sides. Union dues are deducted from the wage of employees who voluntarily join a union. The percentages of employees belonging to unions are as follows:

Taiwan	China	Indonesia	Vietnam	India
100%	100%	90%	98%	99%

Working Hours and Overtime

At Feng Tay, overtime is only allowed under special circumstances, which may be caused by either internal or external factors such as late changes to specifications from customers, planning difficulties caused by seasonal fluctuations in orders, and material quality issues. Overtime is strictly controlled at the Headquarters and every factory. Except for executives at top management levels, an application for overtime must be approved by the employee's immediate supervisor. When there is a need for overtime, department managers are required to notify employees in advance so that the employees can make appropriate arrangements. Forced labor is strictly prohibited at Feng Tay Group. Human Resources and CR personnel check authorization forms and employee attendance records to ensure that any requested overtime is approved in advance and that maximum allowed overtime limits are adhered to. Working hours and maximum allowed overtime in all regions:

Region	Working Hours	Maximum Allowed Overtime
Taiwan	8 hours a day, 40 hours a week	2 hours a day, 24 hours a month
China	8 hours a day, 40 hours a week	2 hours a day, 36 hours a month
Indonesia	8 hours a day, 40 hours a week	3 hours a day, 14 hours a week
Vietnam	8 hours a day, 48 hours a week	2 hours a day, 30 hours a month
India	8 hours a day, 48 hours a week	2 hours a day, 05 hours a week

Insurance and Paid Leaves

Feng Tay provides employees with sound insurance programs and flexible leave policies in accordance with local laws. Insurance programs vary in different countries. In Taiwan, we provide labor insurance, national health insurance and pension plans. Employees in China and Vietnam are covered by social security, including retirement and pension, unemployment, occupational injury, illness and childbirth. In Indonesia and India where insurance is not yet popular, expenses for employees' injury and illness at the workplace are covered by the company. Regulations on leaves differ from region to region. Employees may take leaves for various reasons, such as official duties, personal affairs, sickness, marriage, compassionateness and maternity. Except for employees at factories in India which have special regulations on paid leaves, all employees are entitled to paid annual leaves after one-year service.

5.1.6 Employee Care and Welfare

Employee Family Day

We hold "Employee Family Day" events at factories. Employees of the year are recognized at the event and they can invite their families to share the moment of glory together. We also take the opportunity to explain the company's visions to employees' families to help their families understand their work and their importance to Feng Tay. We hope to obtain from employees' families the support to and the sense of identifying with the company, which will be the best backing for the company to move forward.



Employee family day at a factory in India



Employee family day at the Headquarters

EAP Employee Assistance Program

In India, we have launched an EAP program to offer professional consultations to those employees who have alcohol, marriage, or psychological problems and to help them overcome their difficulties in life. In 2016, 9,372 participants made use of this program, of which 75 overcame their suicidal thoughts after consultations. To closely meet the needs of employees, the management team also holds regular meetings with the EAP consultants to review the program implementation status and feedback from employees.

Nursery Schools for Employees' Children

To reduce the child care burden on our employees and to help them concentrate on work, Feng Tay establishes nursery schools at the Headquarters and factories in China and Vietnam, and crèches in India to provide attentive care for children of our employees during working hours. Certified teachers of preschool education are employed to help children's physical and mental development, and to lay a good foundation for their future learning. Tuition fees of nursery schools are used for children's meals and simple education materials, and the crèches are completely free of charge. The construction and maintenance of the facilities and the salaries of teachers and supporting staff are all covered by the company. Female employees at the factories in Vietnam who have children between six months and six years old can receive a monthly allowance of VND100,000 per child.



Headquarters: Feng Tay Nursery School

Established in 1979, Feng Tay Nursery School is the first nursery school of the Group. With an area of 8,000 square meters, it has been repeatedly awarded top prizes in the "Evaluation of Public and Private Nursery Schools in Yunlin County." Feng Tay Nursery School values the interaction between parents and teachers, and emphasizes parents' involvement, which is also its most outstanding feature. In each semester, it holds a "parents walk into school" event, in which the parents act as school teachers. By attending the event, parents are able to observe their children's school life and interaction with the classmates closely, and thereby understand them better. Moreover, the nursery school has abundant teaching resources. There are more than 5,500 picture books and 30 kinds of musical instruments, which can foster children's abilities in reading and music appreciation since a young age. The school currently enrolls 222 students. As of the end of 2016, there are a total of 2,755 graduates. Some of the alumni are now working at Feng Tay Group, and their children are also being well taken care of at the school.



Vietnam: Nursery Schools

Orient Nursery School was established in 2008 with an area of 12,000 square meters. It was rated as an excellent nursery school in Trang Bom District, Dong Nai Province. In addition, the Vice Chairman of the Vietnamese Ministry of Education made a visit to the nursery school to gain an understanding of Feng Tay's vision for providing such benefits to employees. The school consisted of 29 classes, with a total enrollment of 843 children, and had 1,447 alumni at the end of 2016. To provide more employees with quality childcare service, we established a new nursery school in Xuan Loc District in August 2016. The new facility occupies 22,400 square meters and had 566 children enrolled in 22 classes by the end of 2016. In the future, the school can be expanded to offer a maximum of 32 classes. Establishment of this new nursery school is highly commended by the Vietnamese Central Government and is thereby recognized as the role model in the operations of FDI companies in Vietnam. As a follow-up, the Government is planning to require all future industrial zones to reserve a part of the land for nursery schools.



China: Li Feng and Xie Feng Nursery Schools

Li Feng and Xie Feng Nursery Schools, with areas of 10,000 and 23,300 square meters respectively, were both established in 1993. With green school environments and several kinds of educational playground equipment, both schools have been repeatedly rated as schools of exceptional quality by local educational authorities. Li Feng Nursery School consisted of 9 classes, with a total enrollment of 288 children, and had 2,307 alumni at the end of 2016. Xie Feng Nursery School consisted of 17 classes, with a total enrollment of 470 children, and had 3,800 alumni.



India: Crèches

There is one crèche in each of the four factories in India. LU1 crèche was established in 2009, LU2 crèche in 2014, EW1 crèche in 2011, and EW2 crèche in 2012. In addition to the common activity area, each crèche contains breast-feeding rooms, meal preparation rooms and rest areas. These four crèches differ from the above-mentioned nursery schools in that they are capable of caring for babies as young as 84 days old. Nursing mothers who have babies under the age of 3 are able to work at ease because they can visit and feed their babies during rest time at noon and two nursing sessions (30-80 minutes per session), with one in the morning and the other in the afternoon. At LU1 crèche, we have 16 baby caregivers and 1 certified teacher of preschool education to take care of, on average, 190 babies and children a day. At LU2 crèche, we have 9 baby caregivers to take care of, on average, 100 babies and children. At EW1 crèche, we have 10 baby caregivers to take care of, on average, 144 babies and children. At EW2 crèche, we have 1 certified teacher of preschool education, 1 teacher assistant, and 10 baby caregivers to take care of, on average, 80 babies and children.

Employee Benefits

In Taiwan, the Group Headquarters has a gym and a recreation center, which provide the employees with facilities for exercise and relaxation after work. Facilities at the recreation center include an indoor swimming pool, a hydrotherapy spa, a basketball court, a tennis court, a golf short game area, barbecue equipment, a karaoke system, a banquet room, and a multi-functional room. In 2016, the gym was used over 7,000 times by employees. Other benefits include gifts or allowances on special holidays, birthday and wedding gifts for employees, condolence money, free meals or meal subsidies, and dormitory.

Other measures are implemented to meet special regional needs. For example, free or subsidized shuttle bus service is available for employee commuting at some factories. Free uniforms are provided to employees in Vietnam and India. In Indonesia, employees may receive free medical services at the clinic established by the Group, and every year two employees go on a fully-sponsored pilgrimage trip to Mecca. In India, free vision and hearing examinations are made available to employees and their children; and nutritional supplements are supplied to pregnant employees on every workday.

Employee Welfare Committee

The Employee Welfare Committee at Group Headquarters is composed of company representatives and members elected by employees. Its operating funds, derived from company contributions and the monthly welfare fee collected from employees, are used to provide gifts or gift cards on special holidays, emergency assistance grants, and subsidies for domestic tours, year-end party, educational seminars and club activities. Furthermore, our employees can enjoy discounts at over 158 stores which have signed special agreements with Feng Tay. Educational seminars are held quarterly. Outside lecturers and internal instructors are invited to share their professional expertise with employees. The seminars cover a variety of subjects, including job skills, financial management, mental health, culture and entertainment.

To promote employee physical and psychological health, we provide spaces and subsidies for our staff to organize various clubs. By the end of 2016, we gave a total of NTD 1,049,069 to subsidize the activities of 16 clubs at the Group Headquarters, which include, but not limited to, basketball club, badminton club, yoga club, road runners club, X games club, superpower study club, and hockey club.



Road running club



5.1.7 Employee Safety and Health

5.1.7.1 Environment, Safety, and Health Management Organizational Structure of ESH Management

Personnel of ESH are appointed at the Headquarters and factories as explained in Section 1.2 Organizational Structure of Corporate Responsibility. The ESH personnel at each factory assist all departments to handle ESH related issues in accordance with the Group's policy and operational procedures. Their responsibilities include executing routine ESH operations, protecting workers' right, minimizing safety and health hazards at workplace, and submitting periodic reports to the Group Headquarters. ESH personnel at the Headquarters use these reports to evaluate the performance of each factory, provide advice and guidance, and conduct audits from time to time. Another responsibility of ESH personnel at factories is to push for improvements in response to the requirements from external parties such as customers, suppliers and governments.

Starting in 2015, a quarterly review meeting on ESH management performance is held at the Group Headquarters. A supervisor at the vice general manager level or above chairs the meeting, and all supervisors at the manager level or above at the Group Headquarters are required to attend. In the meeting, key ESH performance indicators are reviewed, the progress of major ESH projects reported, and serious incidents tracked and reviewed, with the objectives of sharpening supervisors' attention on ESH management and strengthening their management skills. In 2016, a quarterly review meeting on ESH management performance was also held at each factory. Chaired by the factory general manager, the meeting provided a forum for the management team to discuss ESH policy and strategy, with the aim of sharpening the focus on ESH issues and project execution.

ESH Committee

Feng Tay has established an ESH committee at the Headquarters and at each factory. The chairperson was elected by committee members, which include an equal number of management and worker representatives.

The committee meets at least once a month. The meeting agenda includes investigation of on-site occupational injuries, review on implementation of preventive measures, discussion of ESH projects, and safety awareness promotional activities. To provide a more friendly work environment, quarterly ESH inspections are conducted and deficiencies found during the inspections are promptly corrected.

Workplace Safety Management

Feng Tay has established specific workplace safety management regulations. All aisles in workshops should have an appropriate width and should be cleared of any objects, emergency exits should be free of obstacles, and fire protection equipment needs periodic maintenance. To reduce injury risk, we inspected nearly ten thousand high-risk machines in 2016, conducted risk assessments on the safety features of these machines, and made improvements accordingly. Manufacturing processes and equipment layout are designed ergonomically to minimize injuries from sustained postures. Personal protective equipment is provided to employees for protection when performing special tasks. And warning signs are posted at high-risk workplaces to remind operators to wear protective gear, thereby reducing exposure to hazards. All new employees are given general safety and health trainings before starting their work. Special safety and health trainings are required prior to using particular types of equipment or performing certain tasks.

5.1.7.2 Employee Health Management Health and Medical Facilities

We set up health facilities such as health care centers or clinics at the Headquarters and all factories. All health facilities employ certified medical professionals and are equipped with emergency medical supplies. At each factory, health promotion activities are held and occupational medicine physicians are regularly invited to provide health and medical consultation services.



Employee Canteen Management

To supply our employees with safe meals, Feng Tay Headquarters and factories impose strict hygiene standards on practices in canteens. Meals are prepared in three different ways: cooked by our full-time employees in our kitchens, cooked by contract workers in our kitchens, and cooked by contractors in their kitchens. Related personnel at the Headquarters and factories eat at employee canteens once a week to check food quality and hygiene conditions in canteens. We also set up a Meal Quality Supervisory Committee at every canteen to monitor food quality and provide advice. Committee members are voted by employees. On each day a set of meal from the canteen is kept at the health service office as a sample to be analyzed in case any food poisoning incidents occur. In 2016, there were no food poisoning incidents in the entire group.



Use of Organic/Non-toxic Agricultural Products¹⁸

To provide our employees with healthy food options and to support local farmers who adopt eco-friendly farming practices, the canteen at the Group Headquarters launched an "Improvement project on use of organic/non-toxic agricultural products" in 2015. Our plan is to have the percentage of organic or non-toxic agricultural products from local farmers in the total amount of products used for canteen lunch exceed 60% by 2017, and exceed 80% by 2018. As of the end of 2016, rice and fruits have been switched to organic/non-toxic and one out of four vegetable dishes has been prepared with organic/non-toxic products, which together account for around 40% of all agricultural products used for canteen lunch.



Drinking Water Management

Drinking water supplied to employees is obtained from three different sources: produced from tap water using drinking water equipment, produced at our own drinking water factories, and purchased from external drinking water producers. Different testing procedures are set up for drinking water from different sources. For example, related personnel at factories are required to conduct monthly hygiene inspections at our own drinking water factories. The department in charge of drinking water management is different from the one in charge of drinking water quality inspection. ESH department is responsible for system operation and supervision of regulatory compliance. In addition to conducting daily testing by our own staff, the drinking water provided at factories in China, Vietnam, Indonesia and India is tested monthly by government laboratories or government-licensed organizations, and the drinking water provided at the Headquarters is tested quarterly. If there is any concern of health or hygiene after water analysis, we will immediately stop the supply. All water quality test results are kept on file in CR department at the Headquarters for two years. To strengthen drinking water hygiene management, we started in 2016 to conduct monthly inspections on drinking water equipment to ensure the cleaning and maintenance procedures meet hygiene requirements.

5.1.7.3 Disaster Prevention and Emergency Response Measures

Emergency response plans are developed at the Headquarters and all factories according to potential risks. Emergency evacuation plans are practiced every half year at all factories and dormitories. Emergency exits and evacuation routes are clearly marked in workshops. Buildings are equipped with automatic fire alarms and automatic fire extinguishing systems, which are inspected and tested periodically to provide protection against fire risk. Arrangements are made for some employees to attend emergency first-aid training, in order for them to give first aid in case of an emergency.

The emergency response team at the Headquarters receives training once a year, as required by law, for firefighting, emergency evacuation, and emergency response to accidents in special workplaces. For eight consecutive years, we have placed number one in Yunlin County's emergency response team evaluation.

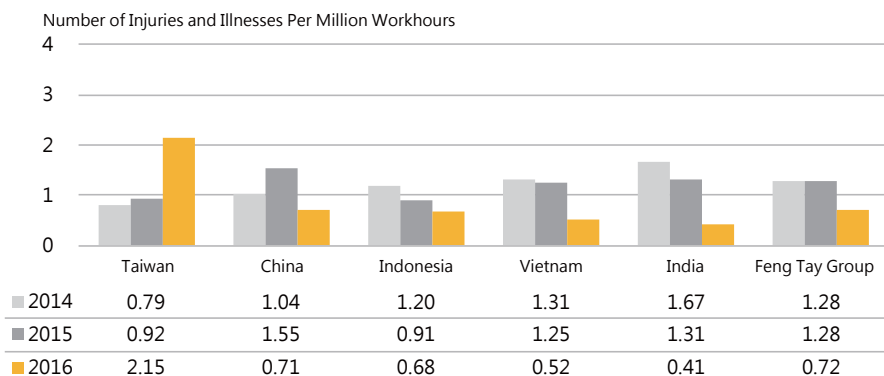
¹⁸According to Council of Agriculture, Executive Yuan, Taiwan, a non-toxic agricultural product refers to a product that does not use chemical pesticides, chemical fertilizer or antibiotics during its growth and is tested free of pesticide and heavy metal residues.

5.1.7.4 Occupational Injury¹⁹

In 2016, we made significant progress on safety performance. Compared with 2015, the occupational injury frequency decreased by 44% and the occupational injury severity rate was substantially reduced by 73%. We have started in 2016 to appoint ESH auditors and examine the safety performance at each factory regularly. We have also reviewed the safety features of all high-risk machines and corrected any deficiencies discovered accordingly. Prior to being introduced into production processes, any new machine must be examined by ESH department to ensure the safety features meet our standard. Moreover, we continue to implement machine safety improvement projects and set up standard operating procedures for all machines. We have also strengthened our management system. Starting in 2016, the ESH performance is evaluated for each production department and observations of safety behavior are conducted with the aim of urging production managers to consider occupational safety and health as the key item of management. A simulation-based safety training center has been established at each factory to let employees experience the effects of accidents at workplaces. The supervisors at each factory are required to conduct hazard awareness training for employees to improve the safety culture. The performance in 2016 indicated that the improvement projects on ESH management and safety culture have yielded good results. We will continue to improve our management system and safety culture to achieve zero occupational injuries.

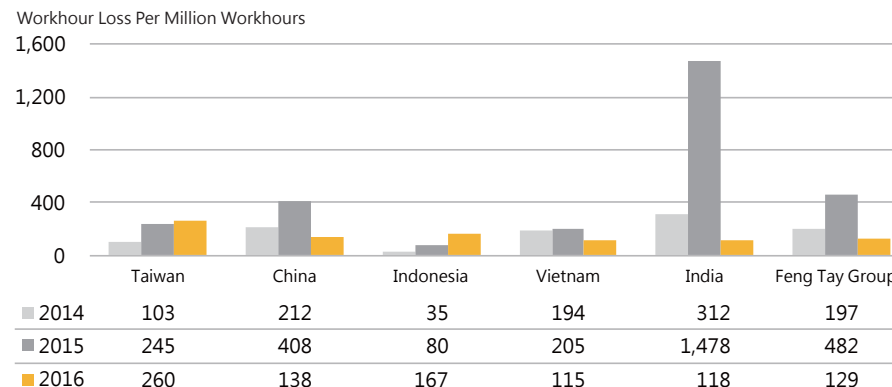
In 2016, the commuting injury frequency rate decreased 16% compared with 2015, and the commuting injury severity rate decreased 47%. Two fatal accidents occurred at factories in Vietnam and one at a factory in China. We have since worked with local government agencies to help employees obtain valid driver licenses and to make sure they have acquired basic driving skills. Regulations have been set up by which an employee is required to have a valid driver license in order to park his or her motorbike on the factory premises. In 2016, all employees who parked their motorbikes on the factory premises possessed valid driver licenses. In our effort to reduce traffic accidents, road safety campaigns are conducted and all employees are required to wear helmets when riding motorbikes. Traffic safety instructions are routinely given to employees. And our employees' attention is called to dangerous road sections where accidents have occurred frequently. Traffic accident videos are played to raise employees' safety awareness. We also plan to collaborate with local governments to improve road quality, with the aim of continuing to work toward a safer workplace.

Occupational Injury Frequency Rates

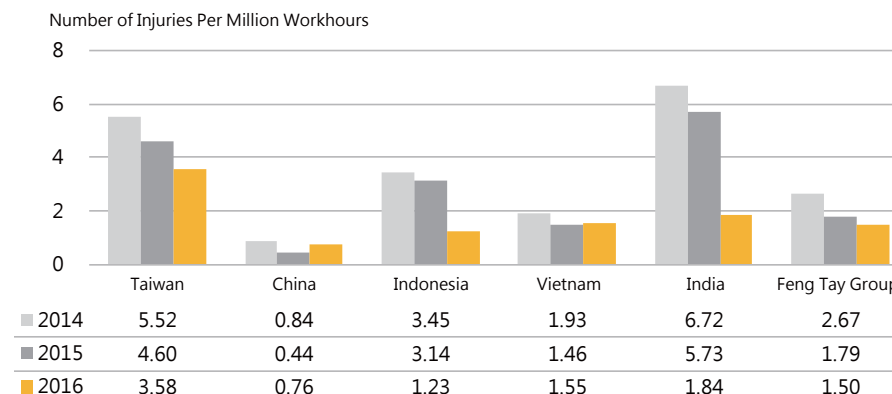


¹⁹ Occupational injury frequency and severity rates do not include cases incurring less than eight hours of work loss. The data for 2015 was recalculated accordingly.

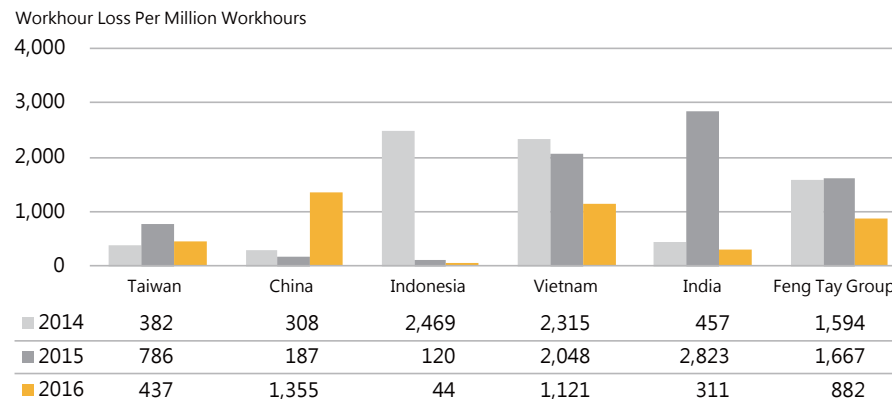
Occupational Injury Severity Rates



Commuting Injury Frequency Rates



Commuting Injury Severity Rates





5.2 Social Engagement

Feng Tay believes that a long-lasting company is rooted in a sustainable community. Since day one, it has taken on the mission put forward by the founder, Mr. Chou-Hsiung Wang—to care for the community and give back to society. Through the programs of the foundations we established in Taiwan and China, as well as the efforts of our factories in each region, we continue to fulfill this mission.

Following are the contributions made in 2016 by Feng Tay Group and its foundations to support public welfare activities in the communities where its operations are located.

Unit: USD (rounded to the nearest thousand)

Taiwan	China	Indonesia	Vietnam	India
2,795,000	246,000	27,000	167,000	77,000
(NTD 89,436,000)	(CNY 1,723,000)	(IDR 364,139,000)	(VND 3,806,069,000)	(INR 5,211,000)

5.2.1 Giving Back to Our Local Communities Emergency Aid to Disadvantaged Families

We strive to support disadvantaged families and victims of natural disasters to overcome economic difficulties. In Taiwan, once notified by schools or communities, the Feng Tay Cultural and Educational Foundation would first arrange volunteers to visit and to understand the actual needs of the disadvantaged families before providing emergency aids. In 2016, the Foundation gave a total of approximately USD 10,000 (NTD 320,000) to 11 families who had experienced unexpected financial hardships. In Vietnam, the factories provided financial aids to 13 less privileged families in 2016. Our factory in Indonesia gave free supplies to victims of floods and landslides, helping a total of 2,100 victims to overcome difficulties.



Provided free supplies to victims of floods

Sponsoring Local Social Welfare Organizations and Public Infrastructure

Feng Tay's Headquarters and factories continue their efforts, such as sponsoring social welfare organizations and public infrastructure, to meet the needs of local residents and to support community development activities. In addition to sponsoring charity events, the Feng Tay Cultural and Educational Foundation provided financial support for 20 libraries in Yunlin County to purchase new books. To improve the reading culture, the Foundation launched the "Let's Go to Library" program and invited lecturers to promote reading in libraries. A total of 25 sessions were held with 2,551 participants.

In China, we actively sponsored activities for senior citizens, such as giving books and consumer goods to them, in hopes of improving their material standards of living and health conditions. We also donated foods, clothing and gifts to orphanages in Vietnam. In view of the lack of municipal water supplies in the surrounding area, our factory in Indonesia has continued to provide local residents with purified water for drinking and other daily uses since 2003. 18,680 metric tons of water was supplied to dozens of local households in 2016. The factory in India sponsored the Pongal festival to support local traditional culture and continued to strengthen our partnership with the local community.



Donated supplies and gifts to orphanages in Vietnam



Held "Let's Go to Library" events in Taiwan

Sports and Arts

To promote sports, the Feng Tay Cultural and Educational Foundation and Yunlin County Government jointly hosted Yunlin Legend - a national running event. Other activities, such as annual Teeball Tournaments, 3 on 3 basketball games and dodgeball competition, were held to provide sports opportunities for local residents and students. A total of 13,000 people participated in these events in 2016. Moreover, the Foundation and Yunlin County Government hosted a Special Olympics Lawn Bowls competition for children with disabilities. Through their participation, we hope to help these children build their confidence and sense of accomplishments. The Foundation also collaborated with local musicians and artists to hold concerts and workshops, in an effort to promote arts and culture in our local community.

5.2.2 Educational Resources

Financial Aids for Less Privileged Students

To support the education of economically disadvantaged students, the Feng Tay Cultural and Educational Foundation has provided financial aids to less privileged college students since 1987, to less privileged primary and intermediate school students since 2002, and to less privileged high school students since 2015. Through these financial aid programs, we hope to give timely assistance to less privileged students in Yunlin and nearby counties at every educational stage. By the end of 2016, a total of USD 4,900,000 (NTD 156,792,000) has been given to 8,878 students.



Improving Educational Resources in Remote Villages

The Da Feng Cultural Foundation in China is dedicated to helping distressed students and improving educational facilities in remote villages. Since its founding, the Foundation has awarded scholarships to 6,637 students and supported the construction or maintenance of 157 buildings, including classrooms and dormitories in primary and junior high schools in over 30 counties in Fujian Province, with a total donation of USD 7,640,000 (NTD 53,455,000). The factories in Vietnam, Indonesia and India also sponsored school constructions in remote villages.

Free After-school Tutoring

In Taiwan, the Feng Tay Cultural and Educational Foundation has collaborated with National Yunlin University of Science and Technology to conduct an after-school tutoring program since 2011. The program offers various educational activities and organizes field trips for students from disadvantaged families. As of the end of 2016, more than 2,400 students have participated in the program.



Summer Camps and Student Events

The Feng Tay Cultural and Educational Foundation in Taiwan has hosted Reading and Innovation Summer Camp and Summer Music Camp, in hopes of helping students learn peer interaction and mutual respect through group activities. In 2016, 241 students attended our summer camps. The Foundation also held, jointly with Yunlin County Government, a robotics competition event to promote science education and to inspire creativity in students. The event attracted a total of 550 contestants and teachers.

5.2.3 Health Care and Hygiene

Free Medical Clinic, Health Check, and Blood Donation Events

The Da Feng Foundation in China actively supports community health care activities. In 2016, we held several events providing free medical clinic with local hospitals in Dong Hu Kou Community in Putian city, and organized blood donation events with a turnout of 755 employees. The factory in Indonesia has launched a Blood Donation Program since 1999, and regularly offered free health consultation sessions to residents in neighboring villages to enhance their knowledge in health care. In Vietnam, we held 13 events to provide free health examinations and medical clinic services to local residents, as well as 16 blood donation events with 1,517 employees participating.



Employees participated in blood donation events



Health promotion events



Free health examinations and medical clinic services



Donated medicine to local communities

Improving Medical Resources

In China and Vietnam, the factories donated resources such as medical equipment and medicine to local health care facilities and underprivileged families. The clinic at our factory in Indonesia provides services, which include blood tests, prenatal examinations, dental care, health promotion, and pharmaceutical services, to residents in the neighboring villages. By sharing the resources we hope to help improve local health care quality and to promote healthy lifestyles. The clinic served 6,569 patients in 2016.

5.2.4 Environmental Protection

Environmental Protection Activities

To raise public awareness, our factories in China were actively engaged in environmental protection projects. We participated in road cleanup activities in the neighborhood of our factories. On Earth Day 2016, we sponsored a lecture in Xi Tian Wei Bei Da elementary school in Putian city to bring environmental protection ideas to students, in the hope that they can influence their families and eventually make an impact on the whole community. We also held an event in Xi Tian Wei Zhong Xin elementary school in Putian city to urge students, teachers and the community to participate in tree planting projects. In Indonesia, we worked with World Wildlife Fund, an international environmental conservation organization, to take part in tree planting activities in the neighborhood of the factory. We also donated equipment for residents to clean up the rivers, with the aim of preventing the rivers from silting up.



Engaged in tree planting activities

Held events to address environmental issues

Organic Farming

Recognizing the importance of environmental protection and food safety, the Feng Tay Cultural and Educational Foundation established AGRIC Social Enterprise Co., Ltd. in September 2016. The company aims to promote organic farming products, improve food safety, and help local farms to raise product value. Since its establishment, AGRIC staff has visited 30 farms, of which 13 are interested in working with AGRIC. With the vision of working toward a better environment, fair trade and ecological balance, AGRIC hopes to utilize innovative ideas and advanced technology to support organic farming and promote food and agriculture education in Taiwan.



5.2.5 Beyond Program in India

"Empowering and transforming lives by creating opportunities to all and building a strong community."

Feng Tay initiated the Beyond program in India in 2011. The Beyond program does not just provide monetary assistance, but focuses on community engagement by continuing to help improve education, health, and infrastructure for the community.

Health Care and Hygiene

Based on the Beyond spirit, one of our primary targets is to promote healthy life style in community. We have worked with an NPO—Hand in Hand—to set up Kairasi clinic and provided medical service and free medicine to residents in remote villages. Only small charges are collected for health consultation, which is donated to the village office for infrastructure improvement and social welfare activities. In 2016, a total of 2,734 people benefited from the program.

In September 2016, we launched a short-term collaboration project with a medical service team from Changhua Christian Hospital (Taiwan). Through this project, we worked with a medical team in India, provided free medical assistance in remote villages, and also ran a health camp for local police families and village residents. More than 300 people benefited from this project.



Furthermore, we built public toilet blocks and conducted sanitation campaigns to improve hygiene and living standards of the community. Public toilet blocks were built in Perugattur elementary school and Lyengarkulam village in 2016. A total of 6,340 people benefited from the project.

Educational Resources

To promote learning culture in local community, the factories in India donated books to libraries. We also offered after-school tutoring, English classes, handicraft workshops, and arithmetic courses to provide local students with better educational resources. In 2016, a total of 480 classes were offered. More than 900 students in the program were motivated to improve self-confidence through personal growth and development.



Giving Back to Communities

Feng Tay continued to give back to local community through a number of projects. In 2016, we helped build a stadium in local community to promote athletic activity. We also held a road running event to raise awareness in road safety. Around 600 people participated in the event.

We donated RO water filtration equipment to 64 local schools, which have a total of more than 16,000 students and teachers, to provide filtered water and avoid exposure to contagious diseases.

We also donated supplies to 500 families who suffered from floods and landslides in 2016.

GRI Content Index

GRI Indicator	Indicator Description	Page	Report Section or Explanation
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker of the organization.	1	Letter from President
G4-2	Description of key impacts, risks, and opportunities.	8	2.2 Business Summary
Organizational Profile			
G4-3	Name of the organization.	8	2.1 Corporate Profile
G4-4	Primary brands, products, and services.	8	2.1 Corporate Profile
G4-5	Location of the organization's headquarters.	8	2.1 Corporate Profile
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	8	2.1 Corporate Profile
G4-7	Nature of ownership and legal form.	8	2.1 Corporate Profile
G4-8	Markets served.	8	2.1 Corporate Profile
G4-9	Scale of the organization.	8	2.1 Corporate Profile 2016 Annual Report
G4-10	Total number of employees by employment contract, gender and region.	28	5.1.1 Employment
G4-11	Percentage of total employees covered by collective bargaining agreements.	33	5.1.5 Employee Communication and Rights
G4-12	Organization's supply chain.	17	3.3 Supply Chain Management
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	8	2.1 Corporate Profile
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	14	3.1.4 Risk Assessment and Management
G4-16	List of memberships of associations and national or international advocacy organizations in which the organization is involved.	10	2.6.1 Membership in Industry Associations
Identified Material Aspects and Boundaries			
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	8	2.1 Corporate Profile
G4-18	Explain the process for defining the report content and the Aspect Boundaries.	2	I Overview
G4-19	List all the material Aspects identified in the process for defining report content.	5	1.4.3 Material Aspects and Boundaries
G4-20	Aspect Boundary within the organization.	5	1.4.3 Material Aspects and Boundaries
G4-21	Aspect Boundary outside the organization.	5	1.4.3 Material Aspects and Boundaries
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	38 19	5.1.7.4 Occupational Injury IV. Environmental Protection
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	2	I Overview
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G4-24	List of stakeholder groups engaged by the organization.	4	1.3 Stakeholder Identification and Communication
G4-25	Basis for identification and selection of stakeholders with whom to engage.	4	1.3 Stakeholder Identification and Communication
G4-26	Organization's approach to stakeholder engagement.	4	1.3 Stakeholder Identification and Communication
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded.	4	1.3 Stakeholder Identification and Communication

GRI Indicator	Indicator Description	Page	Report Section or Explanation
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G4-28	Reporting period for information provided.	3	1.1 Reporting Boundary
G4-29	Date of most recent previous report.	3	1.1 Reporting Boundary
G4-30	Reporting cycle.	3	1.1 Reporting Boundary
G4-31	Provide the contact point for questions regarding the report or its contents.	3	1.5 Contact Information
G4-32	Report the 'in accordance' option the organization has chosen.	3	1.1 Reporting Boundary
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	-	This report is not assured by external agencies.
Governance			
G4-34	Report the governance structure of the organization, including committees of the highest governance body.	11	III. Corporate Governance
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	11	III. Corporate Governance
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	4 11	1.3 Stakeholder Identification and Communication III. Corporate Governance
G4-38	Report the composition of the highest governance body and its committees.	11	III. Corporate Governance
G4-39	Report whether the Chair of the highest governance body is also an executive officer.	11	III. Corporate Governance
G4-40	Nomination and selection processes for the highest governance body and its committees.	11	III. Corporate Governance
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	11	III. Corporate Governance
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	1 11	Letter from President III. Corporate Governance
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G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.	11	III. Corporate Governance
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	11	III. Corporate Governance
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	11	III. Corporate Governance
G4-49	Process for communicating critical concerns to the highest governance body.	4	1.3 Stakeholder Identification and Communication
G4-51	Remuneration policies for the highest governance body and senior executives.	11	III. Corporate Governance
G4-52	Process for determining remuneration.	11	III. Corporate Governance
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration.	4 12	1.3 Stakeholder Identification and Communication 3.1.1 Board of Directors
Ethics and Integrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	1 11	Letter from President III. Corporate Governance
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	11	III. Corporate Governance
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	11	III. Corporate Governance

GRI Indicator	Indicator Description	Page	Report Section or Explanation
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G4-EC1	Direct economic value generated and distributed.	9	2.3 Business Performance
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	14 19	3.1.4 Risk Assessment and Management IV. Environmental Protection
G4-EC3	Coverage of the organization's defined benefit plan obligations.	27	V. Employee Relationship and Social Engagement
G4-EC4	Financial assistance received from government.	10	2.5 Financial Assistance Received from Governments
Market Presence			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	32	5.1.3 Overall Compensation
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	28	5.1.1 Employment
Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported.	39	5.2 Social Engagement
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	14 39	3.1.4 Risk Assessment and Management 5.2 Social Engagement
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G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	24	4.5.2 Raw Materials Transportation
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G4-EN3	Energy consumption within the organization.	21	4.3 Energy Management
G4-EN5	Energy intensity.	21	4.3 Energy Management
G4-EN6	Reduction of energy consumption.	21	4.3 Energy Management
G4-EN7	Reductions in energy requirements of products and services.	16 19	3.2.2.1 Safe and Environmentally Friendly Material IV. Environmental Protection
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G4-EN8	Total water withdrawal by source.	22	4.4 Water Management
G4-EN9	Water sources significantly affected by withdrawal of water.	22	4.4 Water Management
G4-EN10	Percentage and total volume of water recycled and reused.	22	4.4 Water Management
Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-	There are no protected areas around Feng Tay Group Headquarters and factories.
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	-	There are no protected areas around Feng Tay Group Headquarters and factories.

GRI Indicator	Indicator Description	Page	Report Section or Explanation
G4-EN13	Habitats protected or restored.	-	There are no protected habitats around Feng Tay Group Headquarters and factories.
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-	There are no protected habitats around Feng Tay Group Headquarters and factories.
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	23	4.5.1 Greenhouse Gas Emissions
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	23	4.5.1 Greenhouse Gas Emissions
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	23	4.5.1 Greenhouse Gas Emissions
G4-EN18	Greenhouse gas (GHG) emissions intensity.	23	4.5.1 Greenhouse Gas Emissions
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	23	4.5.1 Greenhouse Gas Emissions
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Effluents and Waste			
G4-EN22	Total water discharge by quality and destination.	25	4.5.5 Wastewater Treatment
G4-EN23	Total weight of waste by type and disposal method.	26	4.5.6 Waste Treatment
G4-EN24	Total number and volume of significant spills.	25	There is no such spills in Feng Tay Group.
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	-	No significant effects were caused by the operations of Feng Tay Group.
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G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	16 19	3.2.2.1 Safe and Environmentally Friendly Material IV. Environmental Protection
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	-	Product reclamation is managed by brand customers.
Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	13	There is no such fine in Feng Tay Group.
Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	-	No significant effects were caused by the operations of Feng Tay Group.
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G4-EN31	Total environmental protection expenditures and investments by type.	20	4.1 Expenditures on Environmental Protection
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	17	3.3.1 Management of Suppliers' ESH and Workers' Rights
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	17	3.3 Supply Chain Management
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G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	33	5.1.5 Employee Communication and Rights
social Labor Practices and Decent Work			
Disclosures on Management Approach: Labor Practices and Decent Work Aspect		3	1.2 Organizational Structure of Corporate Responsibility

GRI Indicator	Indicator Description	Page	Report Section or Explanation
Disclosures on Management Approach: Labor Practices and Decent Work Aspect			
		28	5.1 Employee Relationship
		17	3.3 Supply Chain Management
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G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	28	5.1.1 Employment
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	28	5.1 Employee Relationship
Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	-	Feng Tay Group follows government rules of noticing procedure under mentioned circumstances.
Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	36	5.1.7.1 Environment, Safety, and Health Management
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	30 38	Absentee Rate and Monthly Turnover Rate 5.1.7.4 Occupational Injury
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	36	5.1.7.1 Environment, Safety, and Health Management
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G4-LA9	Average hours of training per year per employee by gender, and by employee category.	32	5.1.4 Education and Training
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	32	5.1.4 Education and Training
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	32	5.1.4 Education and Training
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G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	28	5.1.1 Employment
Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	32	5.1.3 Overall Compensation
Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	17	3.3.1 Management of Suppliers' ESH and Workers' Rights
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	17	3.3 Supply Chain Management
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G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	33	5.1.5 Employee Communication and Rights
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Disclosures on Management Approach: Human Rights Aspect			
		28	5.1 Employee Relationship
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G4-HR3	Total number of incidents of discrimination and corrective actions taken.	31 33	5.1.2 Protection of Workers' Rights 5.1.5 Employee Communication and Rights

GRI Indicator	Indicator Description	Page	Report Section or Explanation
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G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	33 17	5.1.5 Employee Communication and Rights 3.3 Supply Chain Management
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G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	28 17	5.1 Employee Relationship 3.3 Supply Chain Management
Forced or Compulsory Labor			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.	28 17	5.1 Human Resources 3.3 Supply Chain Management
Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	-	There is no such incident in Feng Tay Group.
Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	17	3.3 Supply Chain Management
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	17	3.3 Supply Chain Management
Human Rights Grievance Mechanisms			
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Disclosures on Management Approach: Society Aspect			
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G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	39	5.2 Social Engagement
G4-SO2	Operations with significant actual or potential negative impacts on local communities.	-	There is no such negative impacts in Feng Tay Group.
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G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	11	III. Corporate Governance
G4-SO4	Communication and training on anti-corruption policies and procedures.	11 18	III. Corporate Governance 3.3.3 Anti-corruption Provisions of the Purchasing Department
G4-SO5	Confirmed incidents of corruption and actions taken.	11	III. Corporate Governance
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G4-SO6	Total value of political contributions by country and recipient/beneficiary.	-	There is no such contribution by Feng Tay Group.
Anti-competitive Behavior			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	-	There was no such legal action against Feng Tay Group.
Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	-	There were no such fines or sanctions imposed on Feng Tay Group.

GRI Indicator	Indicator Description	Page	Report Section or Explanation
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G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	17	3.3 Supply Chain Management
	Grievance Mechanisms for Impacts on Society		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	33	5.1.5 Employee Communication and Rights
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G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	14	3.2 Customers Satisfaction and Services
	Product and Service Labeling		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	14	3.2 Customers Satisfaction and Services
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	14	3.2 Customers Satisfaction and Services
G4-PR5	Results of surveys measuring customer satisfaction.	14	3.2 Customers Satisfaction and Services
	Marketing Communications		
G4-PR6	Sale of banned or disputed products.	-	There is no such incident in Feng Tay Group.
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	-	There is no such incident in Feng Tay Group.
	Customer Privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	-	There was no such complaint against Feng Tay Group
	Compliance		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	-	There were no such fines imposed on Feng Tay Group.

AFSS Context Index

AFSS Indicator	Indicator Description	Page	Report Section or Explanation
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AF3	Compliance audit process.	11	III. Corporate Governance
AF4	Policy and procedures for receiving, investigating, and responding to grievances and complaints.	31	5.1.2 Protection of Workers' Rights
AF5	Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance.	11	III. Corporate Governance

AFSS Indicator	Indicator Description	Page	Report Section or Explanation
AF6	Policies for supplier selection, management, and termination.	17	3.3 Supply Chain Management
AF7	Number and location of workplaces covered by Code of Conduct	11	III. Corporate Governance
AF8	Number of audits conducted and percentage of workplaces audited.	11	III. Corporate Governance
AF9	Incidents of non-compliance with legal requirements or collective bargaining agreements on wages.	-	There is no such incident in Feng Tay Group.
AF10	Incidents of non-compliance with overtime standards.	33	5.1.5 Employee Communication and Rights
AF11	Incidents of non-compliance with standards on pregnancy and maternity rights.	31	5.1.2 Protection of Workers' Rights
AF12	Incidents of the use of child labor.	28	5.1.1 Employment
AF13	Incidents of non-compliance with standards on gender discrimination	31	5.1.2 Protection of Workers' Rights
AF14	Incidents of non-compliance with Code of Conduct.	11	III. Corporate Governance
AF15	Analysis of data from Code compliance audits	11	III. Corporate Governance
AF16	Remediation practices to address non-compliance findings.	11	III. Corporate Governance
AF17	Actions to identify and mitigate business practices that affect Code compliance.	-	There is no such incident in Feng Tay Group.
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AF18	Programs to replace organic-based adhesives and primers with water-based adhesives and primers.	23	4.5 Pollution Control
AF19	Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems.	14 17	3.2 Customers Satisfaction and Services 3.3 Supply Chain Management
AF20	List environmentally preferable materials used in apparel and footwear products.	17	3.3 Supply Chain Management
AF21	Amount of energy consumed and percentage of the energy that is from renewable sources.	21	4.3 Energy Management Employee dormitories use solar energy water heaters.
	Labor Practices & Decent Work Performance Indicator		
AF22	Policy and practices regarding the use of employees with non-permanent and non-fulltime status.	28	5.1.1 Employment
AF23	Policy regarding the use of home working.	-	There is no such policy in Feng Tay Group.
AF24	Policy on the use and selection of labor brokers, including adherence to relevant ILO Conventions.	-	There is no such policy in Feng Tay Group.
AF25	Policy and practices on wage deductions that are not mandated by law.	-	There are no such policy and practices in Feng Tay Group.
AF26	Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime.	33	5.1.5 Employee Communication and Rights
AF27	Policy and actions to protect the pregnancy and maternity rights of women workers.	31	5.1.2 Protection of Workers' Rights
AF28	Percentage of foreign migrant workers as a portion of total workforce, broken down by region.	-	Feng Tay Group does not employ foreign migrant workers.
AF29	Percentage of workplaces where there is one or more independent trade union(s).	33	5.1.5 Employee Communication and Rights
AF30	Percentage of workplaces where, in the absence of a trade union, there are worker-management committees, broken down by country.	33	5.1.5 Employee Communication and Rights
AF31	Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders.	36	5.1.7.2 Environment, Safety, and Health Management
AF32	Actions to address gender discrimination and to provide opportunities for the advancement of women workers.	31	5.1.2 Protection of Workers' Rights
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AF34	Amount of investment in worker communities broken down by location.	39	5.2 Social Engagement

This report is printed with soy based ink on recycled paper.

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