



Feng Tay 2019

Corporate Social Responsibility Report

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Letter from President

We strive to fulfill our vision: 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 73.9 billion in 2019, 14.6% higher than in 2018, and earnings per share after tax reached NTD 8.48.

Provide Safe, Friendly and Inclusive Workplace

Feng Tay's present achievements are the results of long-term commitments of our colleagues. We strive to provide a safe, friendly and inclusive workplace to our employees. In 2019, we continued to improve our safety performance. The occupational injury severity rate was 63% lower than in 2018. Our nursery schools and crèches have been providing good care for employees' children. We strive to cultivate local talents and help them develop leadership and management capabilities in every region. As of the end of 2019, nearly 90% of Factory General Manager positions were held by local employees. To empower female employees in India, we continued to carry out SAKHI program; 1,343 employees have participated in this program since it was launched, and 184 employees received graduation certificates in 2019.

Promote Environmental Protection

To implement the sustainable development goals of the company and the environment, we have set up specific environmental impact reduction targets for our major footwear factories. By 2018, we achieved the targets set in the first stage of the long-term reduction project.

In 2019, we continued to keep our original intention of caring about environmental protection to set up the second stage of our long-term reduction project and hope to achieve the targets in 2025. We gradually established renewable energy power generation systems at the Headquarters and factories, which resulted in a reduction of purchased electricity and greenhouse gas emissions. For example, we signed a Power Purchasing Agreement to import green energy produced by an external wind power plant in India; the total generated electricity accounted for 43% of the total electricity consumption of Cheyyar Industrial Zone in 2019. In China, we expanded the capacity of solar power systems, which supplied a total of 620,000 kWh of electricity annually.

In the face of increasing production volumes and complexities in shoe manufacturing processes, we strived to control greenhouse gas emissions through the above environmental management policy.

Cherish and Recycle resources

It is worth noting that we made our best effort to reduce the amount of water use and improve water use efficiency. We also actively looked for alternative water resources such as rainwater and recycled water, in the hope of reducing our dependence on city water. In 2019, the total water withdrawal and the water use per work hour per employee were respectively 2.5% and 11.2% lower than in 2018. We pay great attention to waste treatment and disposal, and aim to reduce waste at the source through monitoring the volume of waste to cut down production waste and working with suppliers to minimize the amount of packaging materials and non-recyclable containers. In the meantime, we actively search for better waste recycling techniques and waste treatment companies. To achieve the goal of sending zero waste to incinerators or landfills, we try to reuse manufacturing waste and increase the use of energy recovery waste disposal methods as much as possible.

Give Back to the Community

In 2019, we continued to strengthen community partnerships. AGRIC Social Enterprise Co., Ltd., established by the Feng Tay Cultural and Educational Foundation in 2016, has expanded eco-friendly farming areas. In addition to supplying organic produce to Feng Tay canteens, AGRIC has donated 3% of its annual sales of organic rice to nutritious lunch programs at remote primary schools in Yunlin County. In Taiwan, we continued to provide financial aids to less privileged students, helping them to have equal educational opportunities; we also continued to sponsor events and activities related to sports, arts and education. In China, we supported building construction or maintenance at schools, and provided free medical and health services for local community. In Vietnam, we continued to support local disadvantaged families by providing emergency funds and supplies through the Future Pilot project. 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. The factory in Indonesia continued to make its onsite clinic available to the local community, and helped build artesian wells and provided purified water for local community to tackle drought and water shortages.

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.



Chao-Chi Chen
President
Feng Tay Group

01 Overview

1.1 Reporting Boundary

Overview	This report discloses Feng Tay Enterprises Co., Ltd.'s social responsibility performance in 2019. The reporting boundary includes Feng Tay Group Headquarters in Taiwan and the subsidiary companies in China, Indonesia, Vietnam and India, 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, 2019 to December 31, 2019
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"> PT 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) Fairway Enterprises Co., Ltd. (India Branch)
Editorial Guidelines	The statistical data and information disclosed in this report are on an annual basis. This report was prepared using the Global Reporting Initiative (GRI) Standards. GRI Standards Content Index is provided in the Appendix.
Publication	<p>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.</p> <p>Current Issue: September, 2020</p> <p>Last Issue: June 2019</p>

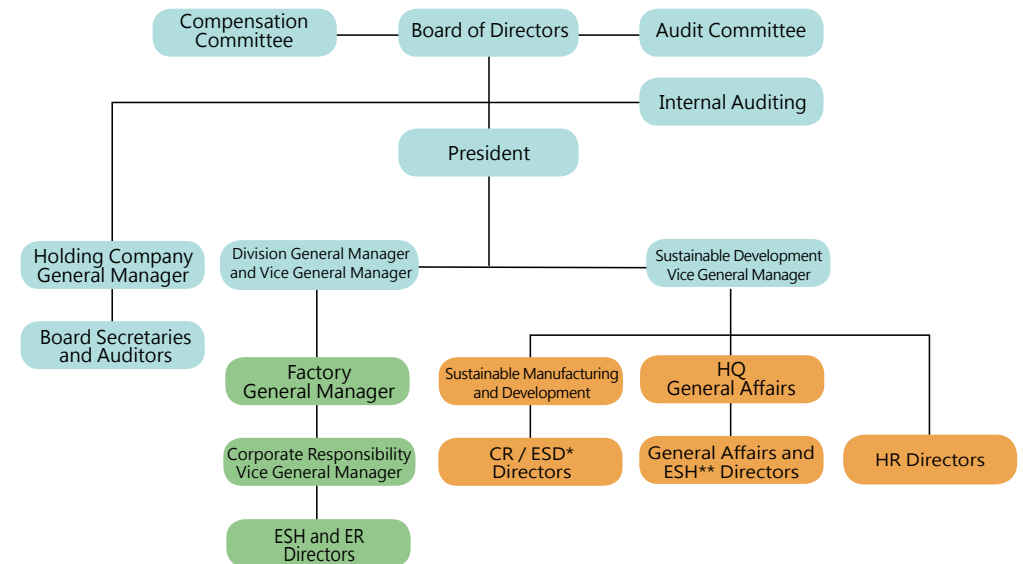
Contact Information

Any questions or suggestions regarding this report or our practices in corporate social responsibility are welcome and may be sent to:

Feng Tay Group
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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 Sustainable Manufacturing and Development (SMD) Department at the Headquarters in January 2010. This Department monitors the practices of environment, safety and health (ESH) and employee relations (ER) in subsidiary companies. It also conducts the corporate responsibility affairs with the cooperation of General Affairs and Human Resources departments, and responds to the issues of interest to stakeholders on behalf of the highest governance body.



- Corporate Governance
- Headquarters
- Factories

*CR / ESD : Corporate Responsibility / Environmental Sustainability and Development

**ESH : Environment, Safety and Health

1.3 Stakeholder Identification and Communication

The stakeholders of Feng Tay include shareholders, employees, customers, communities, governments, suppliers, media and advocacy organizations. Feng Tay values our stakeholders and provides various channels for communication and information disclosure. "Stakeholder" 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 and Investors	<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 corporate governance and material information on the website of the Market Observation Post System. Hold the annual shareholders meeting and publish the Annual Reports 	<ul style="list-style-type: none"> Participate in the investor conference and investor forum Publish the company profile and sustainability report 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 	<ul style="list-style-type: none"> Product pricing, security, quality and delivery Research, development and innovation 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
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 Employee Care 	<ul style="list-style-type: none"> Regularly hold the Labor Association meeting and the Employees Welfare Committee meeting Regularly hold the ESH meeting EAP Program 	<ul style="list-style-type: none"> Set up the General Manager Mail Box and "Grievance and Suggestion System" Announcements of internal regulations, personnel changes, as well as rewards and penalties Internal website, email and newsletters
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 involve 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 conferences
Governments	<ul style="list-style-type: none"> Corporate governance Labor rights Occupational safety and health 	<ul style="list-style-type: none"> Environmental protection 	<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 	<ul style="list-style-type: none"> Employee-employer relationship Occupational safety and health Environmental protection 	<ul style="list-style-type: none"> Media interview Appoint a spokesperson for public communication Disclose monthly earnings and 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 complies stakeholders' major concerns and identifies the major issues. The process of identifying major issues.

1.4.1 The procedures for identifying major issues:

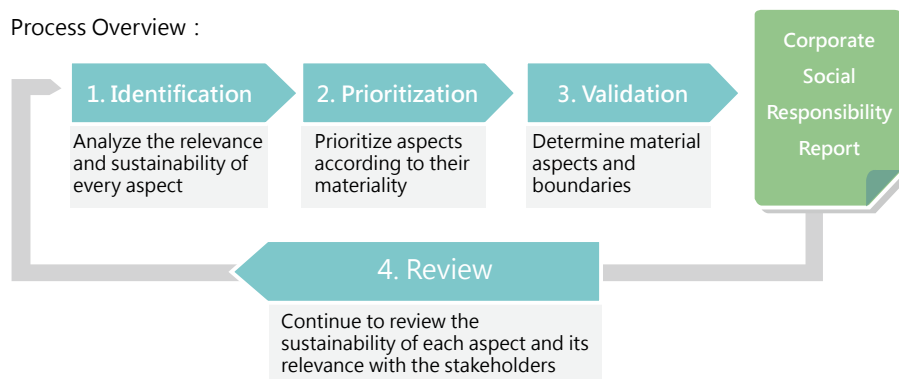
Explain the strategy and targets through communication channels



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 GRI Standards reporting guidelines, and thereby determined which information to disclose in the report.

Process Overview :



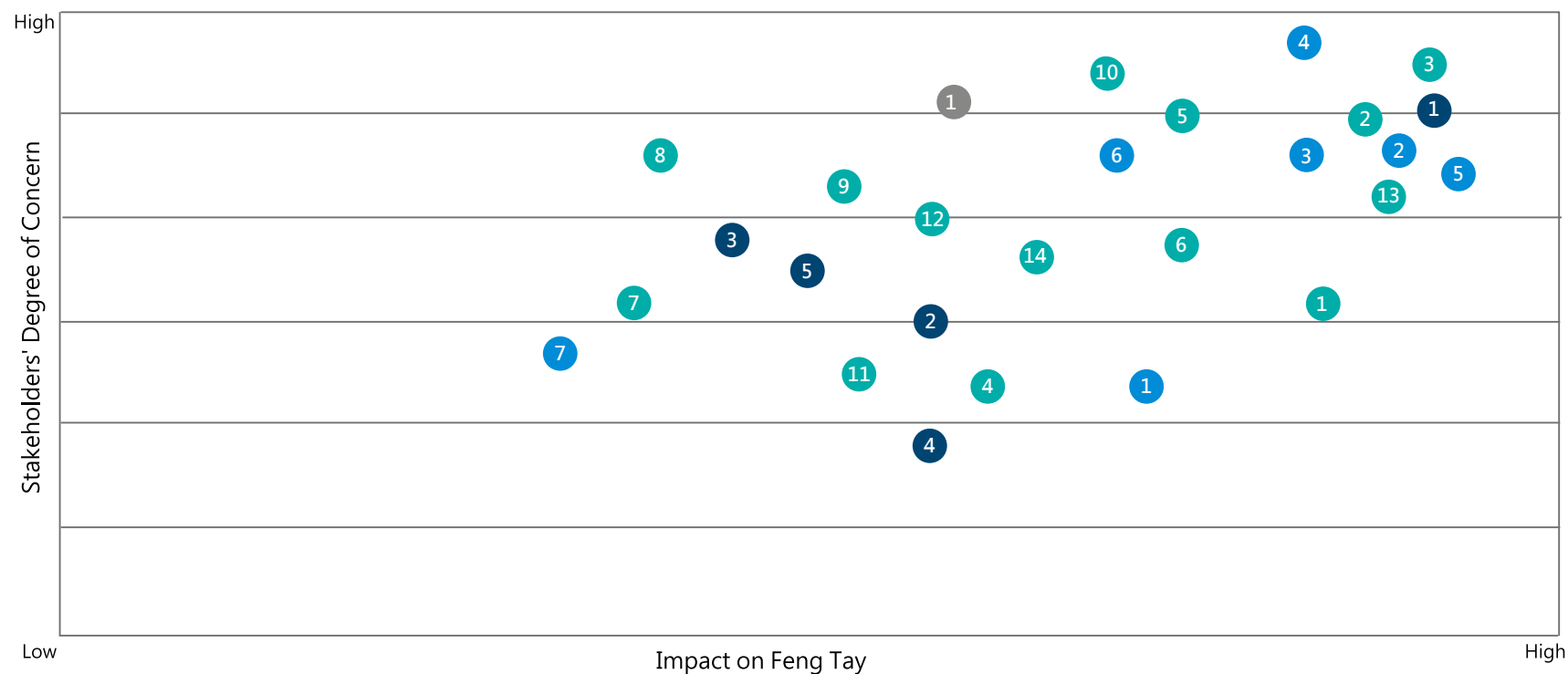
1.4.3 Material Aspects and Boundaries

Our material aspects and boundaries of where impacts occur for each material aspect in 2019 are identified as follows:

● Significance

Category	Material Aspects	Internal					External		
		Headquarters in Taiwan	Subsidiary companies in each region				Suppliers	Customers	Community
Economic	Economic Performance	●	●	●	●	●	●		
	Market Presence	●	●	●	●	●			
	Indirect Economic Impacts	●	●	●	●	●			●
	Procurement Practices	●	●	●	●	●	●		
	Anti-corruption	●	●	●	●	●			
Environmental	Materials	●	●	●	●	●			
	Energy	●	●	●	●	●			●
	Water	●	●	●	●	●			
	Emissions	●	●	●	●	●			●
	Effluents and Waste	●	●	●	●	●			●
	Environmental Compliance	●	●	●	●	●			●
	Supplier Environmental Assessment	●	●	●	●	●	●		
Social	Employment	●	●	●	●	●			
	Labor/Management Relations	●	●	●	●	●			
	Occupational Health and Safety	●	●	●	●	●			
	Training and Education	●	●	●	●	●			
	Diversity and Equal Opportunity	●	●	●	●	●			
	Non-discrimination	●	●	●	●	●			
	Freedom of Association and Collective Bargaining	●	●	●	●	●			
	Child Labor	●	●	●	●	●			
	Forced or Compulsory Labor	●	●	●	●	●			
	Local Communities	●	●	●	●	●			●
	Supplier Social Assessment	●	●	●	●	●	●		
	Customer Health and Safety	●	●	●	●	●		●	
	Customer Privacy	●	●	●	●	●		●	
	Socioeconomic Compliance	●	●	●	●	●			
	Contribution to Society	●	●	●	●	●			●

1.4.4 Results of Materiality Analysis



Economic

- ① Economic Performance
- ② Market Presence
- ③ Indirect Economic Impacts
- ④ Procurement Practices
- ⑤ Anti-corruption

Environmental

- ① Materials
- ② Energy
- ③ Water
- ④ Emissions
- ⑤ Effluents and Waste
- ⑥ Environmental Compliance
- ⑦ Supplier Environmental Assessment

Social

- ① Employment
- ② Labor/Management Relations
- ③ Occupational Health and Safety
- ④ Training and Education
- ⑤ Diversity and Equal Opportunity
- ⑥ Non-discrimination
- ⑦ Freedom of Association and Collective Bargaining
- ⑧ Child Labor
- ⑨ Forced or Compulsory Labor
- ⑩ Local Communities
- ⑪ Supplier Social Assessment
- ⑫ Customer Health and Safety
- ⑬ Customer Privacy
- ⑭ Socioeconomic 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 and equipment..

Overview

Date of Establishment	July 29, 1971
Chairman	Chien-Hung Wang
President	Chao-Chi Chen
Scope of Business	Feng Tay's core business is athletic shoes manufacturing. We also engage in development and production of casual shoes, inline skates, ice skates, snowboard boots, cycling shoes, golf balls, backpacks, bags, soccer balls, helmets and sticks for ice hockey, shoe parts, shoe molds and shoe tooling.
Headquarter	52 Kegong 8 th Rd., Douliou City, Yunlin County 64064, Taiwan
Global Locations	Taiwan, China, Indonesia, Vietnam and India
Capital Stock*	NTD 7.35 billion
Number of Employees*	More than 130,000

*As of the end of 2019

2.1.1 Operations Center

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



2.1.2 Subsidiary Companies in China, Indonesia, Vietnam and India

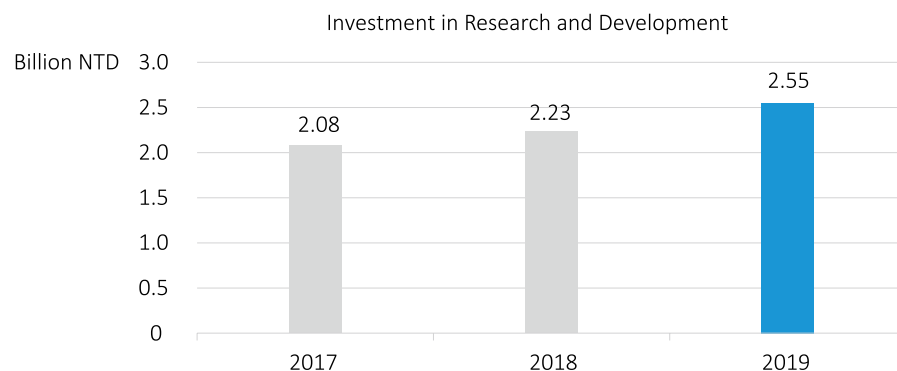


Region	Factory	Year of Incorporation	Primary Products
China	Fujian Lifeng Footwear Industry Development Co., Ltd.	1988	Athletic shoes
	Fujian Xiefeng Footwear Co., Ltd.	1989	Athletic shoes
	Fujian San Feng Footwear Co., Ltd.	1992	Athletic shoes
	Xie Feng Mold Co., Ltd. Putian, Fujian	1991	Molds & Tooling
	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 / Backpacks / Bags
	Vietnam Dona Standard Footwear Co., Ltd.	2006	Athletic shoes / Causal shoes / Inline skates / Cycling shoes / Sandals / Slippers
India	Lotus Footwear Enterprises Ltd. (India Branch)	2007	Athletic shoes / Molds & Tooling
	East Wind Footwear Co., Ltd. (India Branch)	2010	Athletic shoes
	Fairway Enterprises Co., Ltd. (India Branch)	2014	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 research and 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 production plants in the region. We invested about NTD 2.55 billion in research and development in 2019, a 14% increase compared to 2018. During the past three years, our investments in research and development are given below:



Design of Structure and Production Process

Nearly **700** professional engineers, in accordance with the shoe architecture, athletic requirements and manufacturing specifications, apply the latest industrial design and structural engineering technologies to the development of molds and accessories, the improvement of production processes and the enhancement of manufacturing efficiency.

Management of New Product Development

Nearly **140** project managers search for appropriate materials and develop corresponding technology to make product samples out of design sketches to meet market demands.

Sample Production

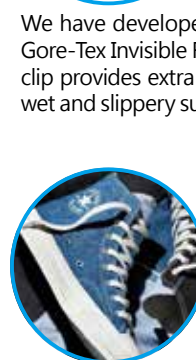
Over **1,000** experienced and skilled technicians produce fine and exquisite samples.

2.2.2 Innovation

The facts that Feng Tay values innovation are shown in the innovation achievements. In 2019, Feng Tay had the following major results:



We have developed and produced the first basketball footwear model utilizing a new tech Knitposite which blends traditional Flyknit with heat-molded yarns. It presents a swirling pattern with vivid colors on the upper. The outsole is equipped with a whole new Airbag system, providing the best cushioning performance for customers.



We have developed and produced a light, breathable and waterproof shoe model that uses the Gore-Tex Invisible Fit technology to directly bond the waterproof fabric with the upper. A higher heel clip provides extra support and the slip-resistant outsole is designed for protection against falls on wet and slippery surfaces.

We have developed and produced the first shoe model that adopts recycled denim as the primary material for the upper, thereby reducing solid waste for better environmental sustainability.

We have developed and produced the first model of outdoor training shoes, which uses a brand new Anti-clog Rubber formula for the outsole to enhance traction ability and prevent mud from clogging the sole plate. And the midsole is designed for the water that has seeped into the shoe to drain quickly.



We have developed, designed and constructed the first automated assembly line for a customer's classical shoe model, and successfully launched it at a factory in Vietnam.

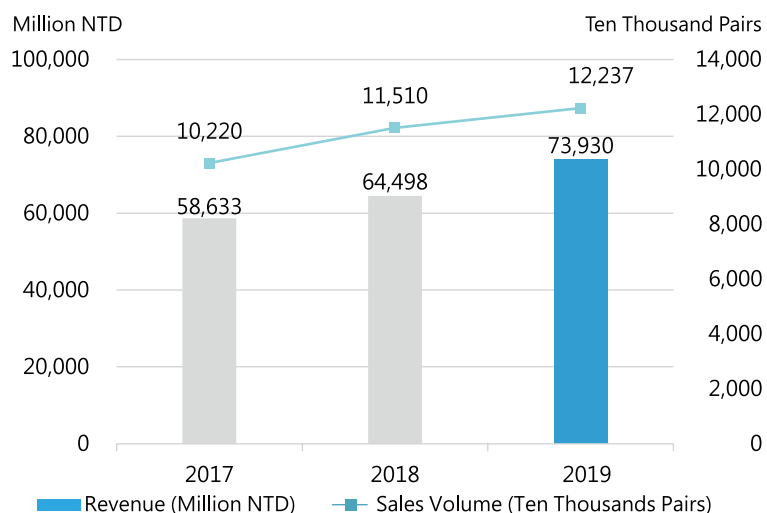
2.2.3 Mass Production

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 123 million pairs in 2019, 7% higher than in 2018 (3% decrease in China, 6% increase in Indonesia, 7% increase in Vietnam, and 13% increase in India). Moreover, we are planning to expand production capacity in major markets to meet customer needs for speedy delivery. In each region, the shoe production (% of the Group's total) in 2019 and the business strategy for 2020 are as follows:

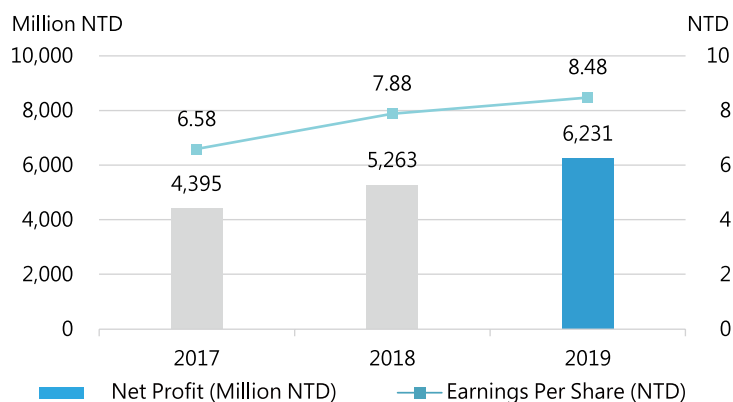
- China (11 million pairs, 9%): Continue to improve production efficiency and automation in response to the ongoing rise in operating costs.
- Vietnam (64 million pairs, 52%): Raise production efficiency and capability for high-end shoe models through lean production and production skills improvement. Continue to add new production lines.
- Indonesia (16 million pairs, 13%): Continue to improve production management and techniques to raise production efficiency. And add new production lines.
- India (31 million pairs, 26%): Continue to improve production management and techniques to raise production efficiency. And continue to add new production lines.

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 for superior performance in Yunlin County's emergency response team evaluation for 11 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 "2019 Integrity Employment Enterprise" by Fuzhou City Bureau of Human Resources and Social Security. Received 2019 Harmonious Labor Relationship Enterprise Award from Soochow District Government. Received 2019 Large Taxpayer Special Award from Licheng District Government.
Indonesia	<ul style="list-style-type: none"> Chosen as the Best Company in Economic Impact in 2019 by Bandung Customs Office. Received 2019 Environmental and Occupational Health and Safety certification base on No. 50/2012 (SMK3).
Vietnam	<ul style="list-style-type: none"> Received Humanitarian Gold Heart Award from Red Cross Organization of Dong Nai Province. Chosen as one of the Top 100 Sustainable Development Enterprises by the Vietnam Chamber of Commerce and Industry (VCCI) and the Ministry of Industry and Trade for 4 consecutive years. Received the 3rd prize in Fire Competition in 2019 from People Committee of Dong Nai Province. Received recognitions for supporting underprivileged families from Vietnam local government.
India	<ul style="list-style-type: none"> Received recognitions for "ensuring a safe environment for employees" from Indian local government.

2.5 Financial Assistance Received from Governments

Unit: USD		
Region	Item	Amount
China	Incentive for technical transformation .	1,800,000(RMB 12,558,000)
	Incentive for growth in export volumes and tax payments.	1,115,000(RMB 7,763,000)
	Subsidy for employment stability.	200,000(RMB 1,366,000)
	Other subsidies and incentives.	130,000(RMB 914,000)
India	Subsidy for employee training.	5,000,000(INR 360,000,000)
	Other subsidies and incentives.	4,000(INR 250,000)

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

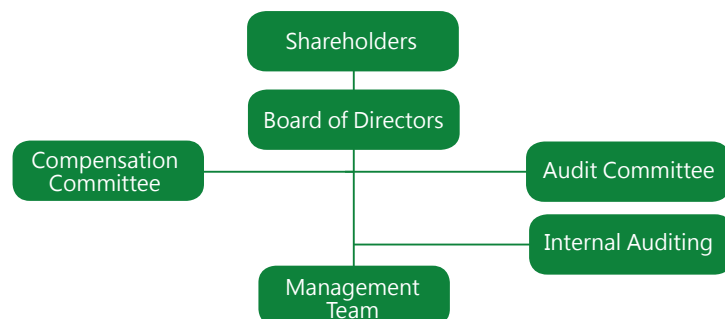
Feng Tay Enterprises remains politically neutral and never makes political contribution to any party or candidate. However, we encourage our employees to fulfill their duties as citizens, participate in public affairs, and vote for the candidate whom they believe is the best. For details please refer to Section 5.2 “Social Engagement” of the Report.

03

Corporatate 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 the 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 candidates nominated by shareholders or the Board, and provide results of the assessment to shareholders in order to elect qualified directors. The Board is currently composed of 13 directors, including 4 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 the management team's business report. Through dialogue with the management team, the Board gets to understand the problems faced in operations, 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 a 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. There were five regular Board meetings in 2019, 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 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 company's annual report to let stakeholders fully understand how the remuneration is linked with operational performance.

Audit Committee

Feng Tay established Audit Committee in 2018. Its duties are to supervise the quality and integrity of the company's financial reports. It regularly reviews, with the CPA, the main accounting components of each quarterly financial statement to ensure reasonableness and adequacy of the financial statements. In addition, the Audit Committee are responsible for reviewing the independence of the CPA, the reasonableness of major stakeholders' transactions, and ensuring the design and effective implementation of the internal control system. Composed of four members, which are served by all independent directors (one of them serving as chairman), the committee meets at least twice a year. A total of 5 audit committee meetings were held in 2019, and the actual attendance rate was 100%. Please refer to the company's annual report for details.

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 and the senior management team," as well as "assessing and setting the compensation for Board members 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 five 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 2019 with an attendance rate of 100%. For background information of the compensation committee, please refer to the Company's annual report.

Internal Auditing System

Feng Tay's Audit Director, Audit Specialist at the 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 independent directors 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 independent directors, 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 auditing system is as follows:



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	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 operations, finance, and governance .
Attend investor conferences and domestic (and foreign) investor forum	To elaborate on the company's operations, financial position, strategic plan, and operating principles.

Information Disclosure

- Set up a company website, in both Chinese and English versions, which includes a section to disclose information on the company's operations, finance, and governance.
- Disclose information on monthly shoes production and sales volumes on the company website.
- Voluntarily disclose monthly operating income and earnings per share on the website of the Market Observation Post System and the company website.
- Disclosed the "Major Resolutions of the Board of Directors" on the company website.
- Starting from 2014, all motions in the shareholders meeting have been voted on a case by case basis. The voting results are posted on the Market Observation Post System website and the company website.
- Received the top 21-35% rating of 6th Annual Evaluation of Corporate Governance of Listed Companies in 2019.
- Attend the investor conference at least once per quarter and publish the presented briefings on the company website.

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.

Compliance with Regulations

Feng Tay's management regulations and code of conduct are established in accordance with our business philosophy, existing national laws and customer requirements to advance core values of integrity, discipline, diligence and craftsmanship. All employees, from top executives to shop workers, are required to comply with the management regulations and code of conduct. In addition to stating the responsibilities of the Feng Tay Board and the operational procedures of internal control, the management regulations carefully specify the conditions of working environment, protection measures of employee health and safety, and corporate security procedures, in order to maintain a healthy working environment and a sound corporate system. We pay close attention to any change in domestic and international policies and regulations that might affect the Group's finance and operations. We also actively respond to customers' concerns, and require all employees to receive trainings in relevant regulations and norms. In case corporate regulations are in conflict with government laws, we follow the most stringent requirements.

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 the 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, nor conducts transactions of derivative products. 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 2019, there was no mass transfer of stock shares by Board directors, or major shareholders that own more than 10%. There was no serious litigation, non-litigation or administrative litigation against Group Headquarters, Board directors, General Managers, the highest executive of the group, major shareholders that own more than 10% shares, and subsidiaries. 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	To identify the risks that we may encounter because of climate change, Feng Tay considers regulatory, substantive, and other aspects, and set up relevant management measures to reduce the impact of climate change. In the future, we will continue to make improvement on our management measures in accordance with the trend of climate change as well as international and national responses.

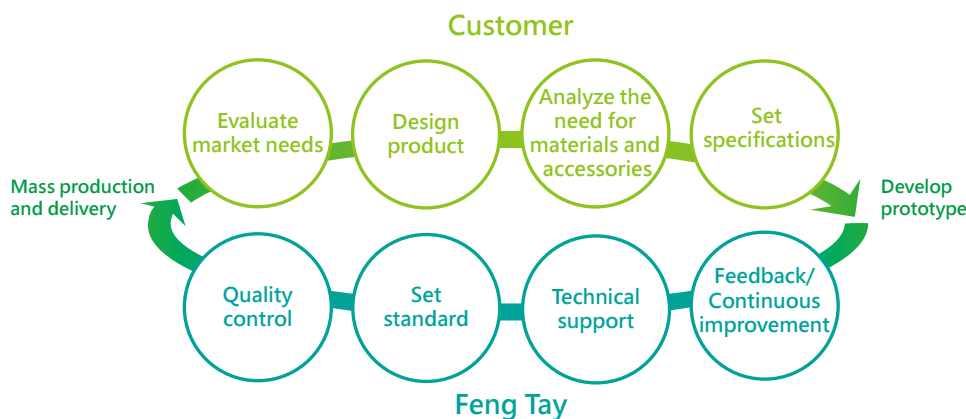
The Challenge of Climate Change

It is industry's responsibility to take action in response to the increasingly severe environmental issues such as global warming and extreme climate. Feng Tay has committed to the issue of environmental protection, and has identified the risks of climate change to establish corresponding measures for reducing the impact of climate change on business operations:

Category	Aspects	Challenges	Response Measures
Regulatory aspects	International protocol	National carbon reduction commitments and policies will promote the technology of low-carbon productions and energy-saving improvement, which will lead to a decrease in carbon footprint indirectly.	<ul style="list-style-type: none"> Conduct carbon reduction management to achieve the 2020 targets. Increase energy efficiency. Response to government's regulation. Follow international protocols such as Kyoto Protocol, United Nations Framework Convention on Climate Change and Paris Agreement.
	Renewable energy	Clients' emphasis on renewable energy.	<ul style="list-style-type: none"> Install renewable energy systems to generate electricity. Purchase renewable energy. Use renewable energy.
Substantive aspects	Changes in rainfall	The impact of change in rainfall pattern, which could increase the frequency of floods and droughts, on arrangement of water resources for manufacturing.	<ul style="list-style-type: none"> Conduct water resource management to achieve the 2020 targets. Increase the use of recycled water and rain water. Establish a flood and drought emergency response system. Elevate the foundation height for newly-built factories, and build retaining walls and gates in low-lying areas.
	Extreme climate	The impact of climate change, abnormal ambient temperature, El Niño–Southern Oscillation and Arctic Oscillations on production capacity.	
Other aspects	Corporate reputation	The impact of environmental protection performance on company image.	<ul style="list-style-type: none"> Comply with local and international regulations, while meeting clients' expectations and exceeding their demands, in order to improve environmental protection performance. Implement carbon reduction plans.
	Consumer behavior	The decrease in demand for high carbon footprint products.	

3.2 Customers Satisfaction and Product Services

Feng Tay has insisted on winning 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 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 continue 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. Automated assembly lines were set up at our factories in China and Vietnam, 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.

By introducing or developing new equipment, we continuously implement new production technologies to make products more competitive. Following are some of the innovative technologies implemented in 2019:

- The new electronically-enabled lacing mechanism with a foot-pressure sensor delivers positive impacts for consumers. It provides a consistent fit to accommodate all types of foot shapes, and the upper tightness can be adjusted via bluetooth with a smart phone. Athletes can focus on the game without worrying about their shoelaces.
- With the brand new knit technology, the knit upper provides athletes with spectacular foot support and durability without additional reinforcement, and still keeps its softness, comfort and lightweight.
- Mainly for athletes competing in Paralympics and WNBA games, the upper is designed to create easy on and off basketball shoes. These shoes are comparable to general basketball shoes, and therefore are suitable for a wider range of consumers.
- By an innovative cushioning technology elastic beads are added to the sole unit which gives the wearer a feeling of complete foot coverage in continuous running movements. The sole unit structure also shortens the recovery time after exercise and improves wearing comfort.
- For soccer balls, we have successfully used Airlock technology to obtain superior airtight property, which meets street players' needs: "play it whenever you want". In addition, the ball durability is improved with wear-resistant outer cover and hidden stitching. In the manufacturing process, we have used an automated assembly machine to replace the manual process of

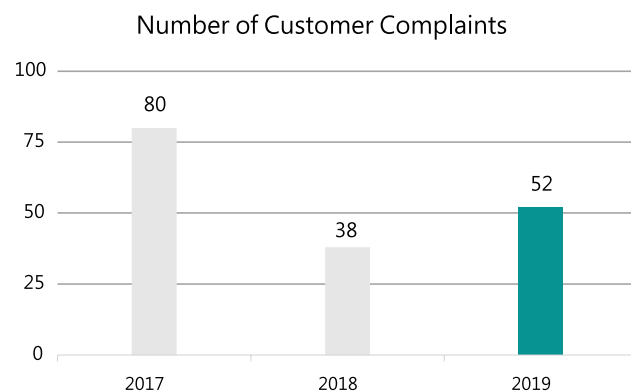
deflating, hole piercing and inflating. Not only can it control the manufacturing quality, but also reduce the manpower in the bladder manufacturing process.

- For trail running shoes, we have developed the technology for fabricating one piece knit upper and 3D upper. We have also set up an automated cementing line and the related assembly process. Application of this new technology leads to reduction in use of chemicals and thereby makes positive impact on the environment.
- For golf balls, we used a dipping process to increase the adhesive strength between layers to over 0.25 kgf/mm which can greatly reduce the risk of ball cover breakage.

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 2019, we received 52 customer complaints, 36% higher than in 2018. This shows the overall quality was not sufficiently stable. 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 Environmentally 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 2017 to 2019, 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
2017	157	5
2018	859	23
2019	178	4

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. The 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. As an example in the development of new products, the disposable nylon bladder originally used in the thermosetting packing process was replaced with reusable silicone bags. 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 is required to stand for one week before testing for 3M Fatigue. Furthermore, additional tests are conducted for quality assurance. For example, injection skate shell is stored at -25°C for 4 hours before undergoing impact test. The auto-lacing shoe system has been run through many different physical and on-court wear tests to ensure its functionality. We also add the checking for the density of beads to ensure the elastic beads in the sole unit meet the standard.

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.

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. At Feng Tay, it is extremely crucial for us to maintain confidentiality in order to protect our customers' intellectual property and retain our competitiveness, since we develop next generation products and technologies. Employees are required to sign confidentiality agreements upon employment with Feng Tay. In addition, 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

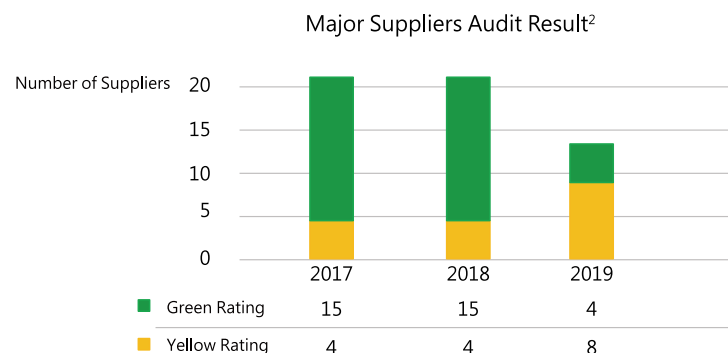
Suppliers are Feng Tay's close partners. In the product life cycle, we need suppliers' involvement to create synergy in corporate social responsibility related issues, such as environmental stewardship, occupational safety and health management, and workers' rights protection. Therefore, we constantly 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 1.09% in 2019.

Furthermore, Feng Tay joined SCA (Sustainable Apparel Coalition) in 2017. The Higg Index developed by SCA is a tool to comprehensively assess social and environmental impacts of apparel and footwear products. It focuses on the following categories: water use and quality, energy and greenhouse gas, waste, chemicals and toxicity. We use it to find the opportunities for reducing environmental impact and to improve our long-term sustainable development through supply chain management. After we adopted the Higg index, 40% of the designated suppliers from the supply chain of Amers Sports, a brand customer of Feng Tay, obtained Higg Index Scores in 2018 and 64% of the designated suppliers obtained the scores in 2019. And in 2019, the Higg Index Scores obtained by the factories of 14 designated suppliers were certified by the Third Party. These results clearly indicate that the suppliers are paying more attention to the environmental issues in material production.

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, attitude of management, people 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.



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.

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

In 2019, 12 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 4 major suppliers were given green rating and 8 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. For the suppliers whose performances were downgraded, 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 138 kinds of EPMs Feng Tay used in the shoe manufacturing process in 2019:

- Liner materials: 62 kinds. The major items are: YL-CKP086 MESH Recycled PET (718,490 yards) and WPN N-WOVEN CLOTH PFC free & Recycled polyester fabric (120,000 yards)
- Upper materials: 41 kinds. The major items are: 04535-12 WPN MESH PFC free & Recycled polyester fabric (160,000 yards) and TIRRENINA SUEDE SYN LEA Water base (80,000 meters).
- Accessories materials: 35 kinds. The major items are recycled FA 3050 film Water Save (3,891,500 meters) and WPN TAPE END BUCKLE PFC free (2,100,000 pcs).

3.3.3 Anti-corruption Provisions of 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 and Networking Party

We treasure our interaction and communication with suppliers. Footwear Materials Summit, RBR (Regular Business Review), and QA (Quality Audit) are 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.

Footwear Materials Summit

- Date: February and August of 2019
- Numbers of suppliers participating in the seminar: 59
- By region: 14 domestic suppliers, 45 foreign suppliers.
- By material category: 14 leather suppliers, 8 synthetic leather suppliers, 21 textile suppliers, 16 webbing and elastic gore suppliers.
- Numbers of participants: 118

QA (Quality Audit)

- Numbers of suppliers participating in the seminar: 4, all domestic suppliers. .
- By material category: 2 leather supplier, 2 elastic gore suppliers and 1 injection supplier.

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.

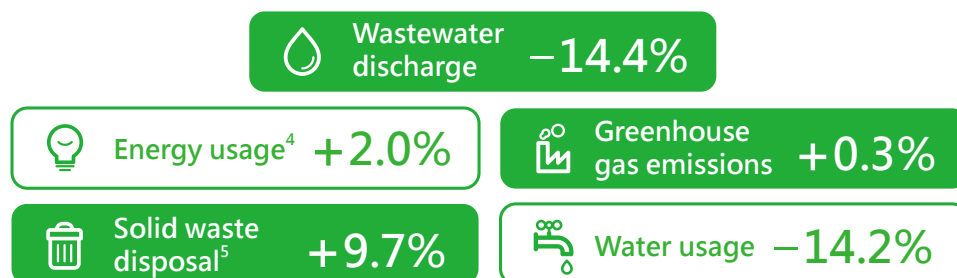
Feng Tay Footwear Materials Show and Supplier Fair

- Date: July 9 – October 30, 2019, 4 seminars.
- Place: Taiwan Headquarters
- Objectives:
 - Strengthen the two way communication with suppliers. The main axis of the seminars include business strategy, quality awareness, and discussion about the impact of material quality issues on production and return of finished shoes, with a case of customer complaint as an example.
- Numbers of suppliers participating in the footwear materials show: 25
 - By region: 17 domestic suppliers, 8 foreign suppliers.
 - By material category: 6 leather suppliers, 3 synthetic leather suppliers, 10 textile suppliers, 5 webbing and shoe lace suppliers, 1 label supplier,.
- Numbers of participants in the vendor fair: 59
- Results and benefits
 - From different perspectives, representatives of brands, suppliers and Feng Tay R&D shared information on application of footwear materials and manufacturing processes.
 - Established a closer partnership with suppliers; increased recognition and supporting.



04 Environmental Protection

Reductions or Increases at Major Footwear Factories³ in 2019: (with 2018 as the base year) :



IV. 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, increase renewable energy usage and progressively install solar power and heating systems. We have set up long-term reduction targets in important environmental indicators for our major footwear factories. The first stage was the five-year plan with 2013 as the base year. By 2018 Feng Tay achieved the targets of reduction per pair of shoes: 32% in water usage, 25% in wastewater discharge, 35% in energy usage, and 45% in greenhouse gas emissions.

The second stage is the seven-year plan with 2018 as the base year. Feng Tay commits to the following reduction targets per pair of shoes by 2025: 20% in water usage, 20% in wastewater discharge, 10% in energy usage, 10% in greenhouse gas emissions, and 5% in solid waste disposal.

4.1 Expenditures on Environmental Protection

The 2019 environmental protection-related expenditures totaled around USD 9,330,242 (around NTD 280 millions). The expenditures were higher than in 2018 because the cost for waste treatment increased and additional ventilation systems were installed in Vietnam region.

Category	Waste Disposal and Treatment	Wastewater and Emissions Treatment	Remediation	Prevention and Management
Expenditure (USD)	3,873,776	1,517,012	336,755	3,602,699

³ Major footwear factories include LF, HF, and SF in China; IW in Indonesia; LU1, LU2, EW1 and FA1 in India; DV, DP, DO, and DS1 in Vietnam.

⁴ This number is the calculation result from original data and will be slightly different from the calculation result from average data.

⁵ The solid waste refers to non-hazardous manufacturing waste.

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 related to environmental protection. Additional cost of green purchases. Salaries and bonuses for ESH personnel. Energy conservation, water savings, and oil-fired boiler replacement projects.

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

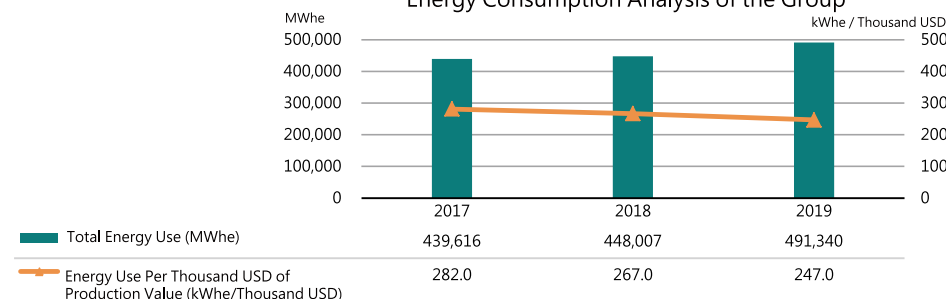
Feng Tay Group uses its "Energy and Water Efficiency Management Guidelines" to promote the adoption of best practices in all operations, including equipment purchasing and production process, at all factories. The main guidelines are as follows:

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 equipment is installed according to the airflow direction within the system and small local dust collectors must be used in place of central dust collection systems.
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, 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. IE3 (premium efficiency standard) or better motors are adopted for newly purchased devices to reduce energy consumption by enhancing motor efficiency.

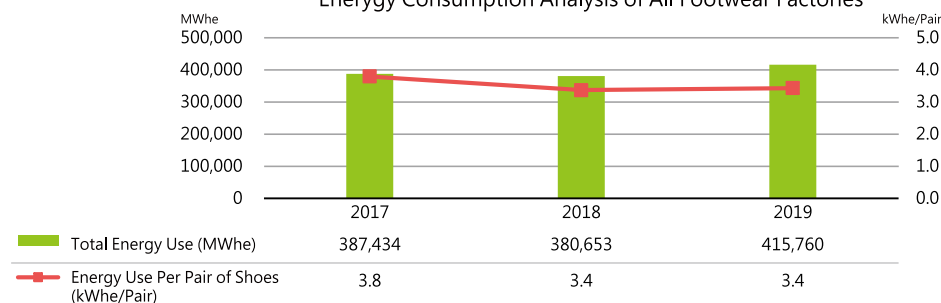
4.3.2 Energy Consumption⁶

In 2019, we continued to implement energy-saving projects at subsidiary companies in all regions. Our total energy consumption⁷ was 491,340 MWh in 2019. It was 9.7% higher than in 2018, because of a 7% increase in the production volume of shoes and a 16% increase in production values. The energy consumption per thousand USD of production value decreased from 267 kWh in 2018 to 247 kWh in 2019, a reduction of 7.5%. The average energy use per pair of shoes in all footwear factories⁸ was 3.4 kWh, unchanged from the 2018 level. The average energy use per pair⁹ of shoes in all major footwear production plants was 3.5 kWh¹⁰, 2.0% higher than in 2018. The higher energy use was a result of increase in complexity of the manufacturing process. China region had the highest energy use per pair of shoes, while Indonesia region had the lowest. The data suggest that our energy-saving projects and continuous manufacturing process improvements have yielded good results.

Energy Consumption Analysis of the Group



Energy Consumption Analysis of All Footwear Factories



Energy Consumption Per Pair of Shoes at Major Footwear Factories

Region	China	Indonesia	India	Vietnam	Avg.
Energy use per pair (kWh/pair)	6.4	2.3	2.4	3.8	3.5

⁶ Starting from 2019, data on solar power have been included in the energy consumption of the Group. According to this adjustment, the data on total energy use reported in 2017 and 2018 have been respectively revised to 439,616 MWh and 448,007 MWh; and the data on energy use per thousand USD of production value reported in 2017 and 2018 have been respectively revised to 282 kWh/Thousand USD and 267 kWh/Thousand USD.

⁷ The type of energy includes electricity from local providers, solar power, wind power, fuel, and fuel for vehicles used in connection with production.

⁸ All footwear factories include LF, HF, and SF in China; IW in Indonesia; LU1, LU2, EW1, EW2, and FA1 in India; DV, DP, DO, DS1, DS3, SM1, and SM2 in Vietnam.

⁹ Starting from 2019, data on solar power have been included in the energy consumption in all footwear factories. According to this adjustment, data reported in 2017 and 2018 have been respectively revised to 387,434 MWh and 380,653 MWh.

¹⁰ Average energy use per pair of shoes = total energy use in all major footwear production plants ÷ total footwear outputs (pairs) of all major footwear production plants.

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 saving projects, including equipment purchasing, manufacturing process, and production environment. In 2019, the Group invested over USD 1,194,633 in 113 projects as listed below.

Category	Electricity-Saving Projects
New Equipment Purchasing	34
Electric Power Management	11
Lighting	43
Ventilation and Cooling	7
Exhaust Systems	3
Compressor Systems	3
Heating and Insulation Systems for Process Equipment	5
Others	7
Total Number of Projects (Average Daily Electric Power Savings)	113 (64,207 kWhe)

Electricity Savings:

For the Group, the electricity savings per working day were 64,207 kWhe (kilowatt hour equivalent). Here are three examples:

- Eliminating energy loss due to energy conversion by a fuel generator**
 One major footwear factory in Vietnam previously used a fuel generator to supply power to the laminating process, thereby incurring huge energy losses. After evaluation, the electric system was modified for the equipment to be powered by electricity purchased from the city utilities. The modification was completed in October 2019. Elimination of the energy loss due to energy conversion resulted in a daily saving of 43,640 kWhe, which was a 23% reduction in annual energy use of the laminating process.
- Saving energy in energy-intensive process equipment**
 In 2019, an evaluation was made for installing an energy-saving heat pump system in the IP washing process to replace the conventional electric heating method. The original electric heating system was kept as a spare after the heat pump system was installed. The heating system was employed to ensure the temperature in the washing machine remained steady after pre-heating. Measurements taken after modification of the heating system indicated that a 60% reduction in energy usage per day was achieved. We have since undertaken a project to gradually upgrade the heating system for all washing machines used in Feng Tay group. Meanwhile, a water level sensor was installed for replenishing water, which resulted in a 40% reduction in water usage. The amount of heat required to heat the washing machine was reduced accordingly. Improvements in heating and water-replenishing methods resulted in a 70% reduction in the total energy consumption of the machine.

- Upgrading motor efficiency**

In 2018, Feng Tay group set a requirement that the motor of newly purchased equipment should meet the IE3 standard or higher, such as servo motor or multi-frequency motor. Besides, if an existing IP injection machine uses a conventional motor, a variable frequency drive should be installed. If the efficiency of an existing motor clearly drops because it is running at less than 50% of the rated load, an evaluation should be made for replacing the motor. Energy saving goals are achieved by upgrading the motor efficiency of equipment. In 2019, Feng Tay group purchased 290 new machines with IE3 motors and replaced 350 less efficient motors with IE3 class motors.

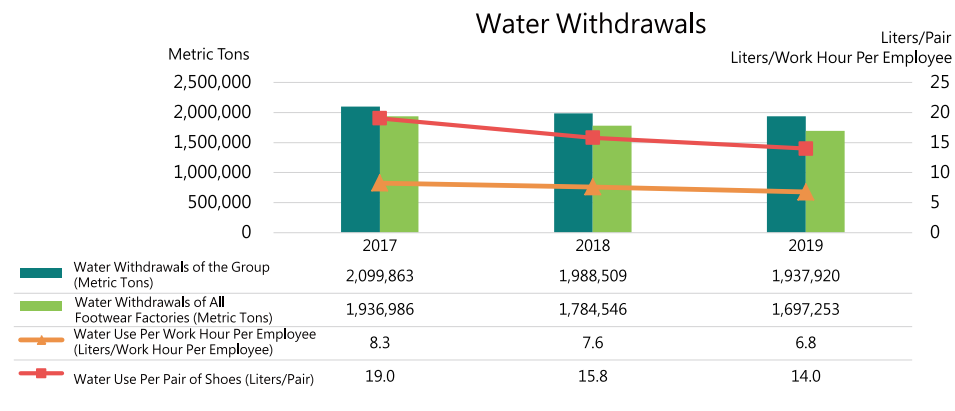
4.4 Water Management

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:

In 2019, the total water withdrawal¹¹ was 1,937,920 metric tons, 2.5% lower than in 2018, and the water use per work hour per employee¹² was 11.2%¹³ lower. The total water withdrawal at all footwear factories in 2019 was 1,697,253 metric tons, 4.9% lower than in 2018 and the average water withdrawal per pair of shoes¹⁴ was 11.4% lower. The average water withdrawal per pair of shoes at all major footwear factories was 13.3¹⁵ L/pair, 14.2% lower than in 2018. China region had the highest average water withdrawal per pair of shoes because water consumption in dormitories was included in the data; and India region had the lowest. In 2019, Feng Tay headquarters and 75% of footwear factories implemented water-saving projects that included setting up reclaimed water systems to use treated wastewater for toilet flushing. We will continue to improve water saving measures, in the hope of achieving zero wastewater discharge from the manufacturing process.



¹¹ Data on water withdrawals of the Group reported in 2017 have been revised to 2,099,863 metric tons; the data includes surface water, ground water, rainwater and city water.

¹² Water use per work hour per employee = total water withdrawal ÷ total work hours

¹³ This number is the calculation result from original data and will be slightly different from the calculation result from average data.

¹⁴ Average water withdrawal per pair of shoes = total water withdrawal in all footwear production plants ÷ total footwear outputs (pairs) of all footwear production plants. According to this definition, data reported in 2016 have been revised in the report.

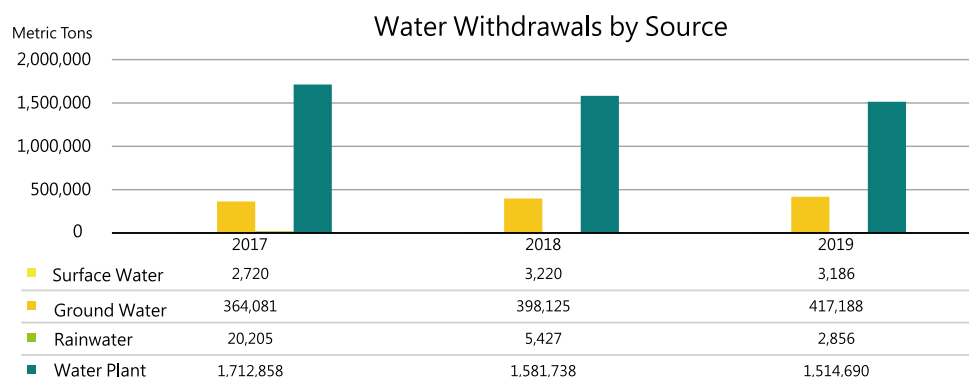
¹⁵ Average water withdrawal per pair of shoes at all major footwear factories = total water withdrawal at all major footwear production plants ÷ total footwear outputs (pairs) of all major footwear production plants.

Water Use Per Pair of Shoes at Major Footwear Factories

Region	China	Indonesia	India	Vietnam	Avg.
Water use per pair (L/pair)	23.6	11.4	9.7	13.9	13.3

Water Withdrawals by Source¹⁶:

About 78% of the total amount of water used by the Group came from water plants. In India and Indonesia regions, droughts caused by changes in rainfall led to increase in ground water usage. We continue to assess the feasibility of establishing new rainwater harvesting systems in our factories. For example, rainwater harvesting ponds were built in 2017 during construction of a new factory in India. The harvested rainwater could be injected into underground aquifers for storage.



Water Saving Practices

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

- Increase the proportion of recycled water usage: Continuously recirculate cooling water for process equipment. Set up water reclamation systems to use treated wastewater for flushing toilets, watering lawns and supplying water to the manufacturing process.
- Reduce water usage: Install low-flow faucets. Regularly inspect and repair water leaks. Develop water balance diagrams to better plan water-saving projects.

In 2019, the Group implemented 24 water savings projects. Around 3,513,841 liters of water were saved per working day.

Optimize water usage of the key water-consuming process

The IP washing process was identified as the key water-consuming process. After reviewing the difference between water consumption and water replenishment, we used a liquid level sensor to replace the original continuous replenishing method. Measurements at a major footwear factory indicated that the modification resulted in a 40% reduction in water use, without any impact on the product quality after washing. Meanwhile, we have implemented a project to install a water meter in each IP washing machine to monitor daily water usage. In 2019, we

had water meters installed in 60 washing machines. The goal was to optimize water usage by controlling water level and monitoring water consumption.

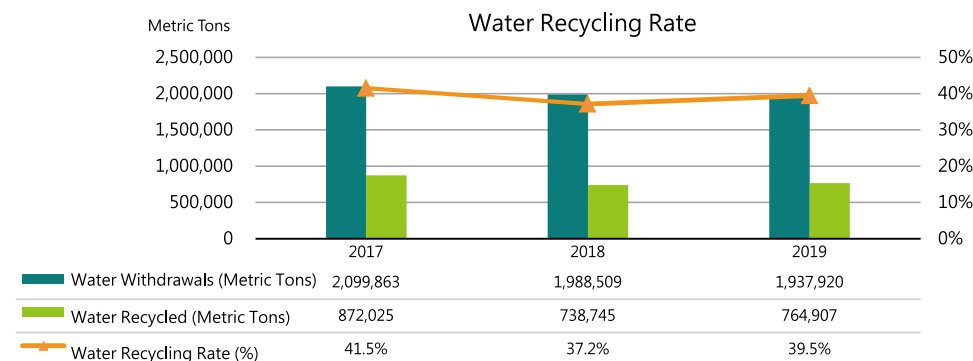
Recycled Water

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 water¹⁷ increased from 37.2% in 2018 to 39.5% in 2019.

The rainwater purification and groundwater replenishment project in China region

One factory in China region cooperated with the government's sponge city construction project to collect rainwater for green irrigation. Sponge-like infiltration and storage facilities such as rain gardens and raised flower beds were built on open spaces in the Factory to collect rainwater from road surfaces, roofs, and open spaces. In addition, some impermeable brick pavements were converted to permeable brick pavements and the roads in the living area were changed to permeable concrete roads. Rainwater was led through blind tubes with holes to low-impact development design facilities, such as rain gardens, for infiltrating and replenishing groundwater.

With the sponge-like facilities, up to 1,925.9 m³ of runoff rainwater were harvested, which was more than 1,895.2 m³ of surface runoff in the factory area. As a result, the target of 75% runoff harvest rate set in the original plan was achieved. Besides, runoff rainwater harvesting can reduce risk of flooding. And the sponge-like facilities can remove, on average, 63.8% of suspended solids in harvested rainwater, thereby reducing the environmental impact.



¹⁶ Data on city water reported in 2017 have been revised to 1,712,858 metric tons.

¹⁷ Percentage of recycled water = amount of recycled water ÷ total water withdrawal. In accordance with the definition given by GRI, harvested rainwater is not included in recycled water. This definition was used to calculate the data for 2018 and correct the data reported in previous years.

4.5 Pollution Control

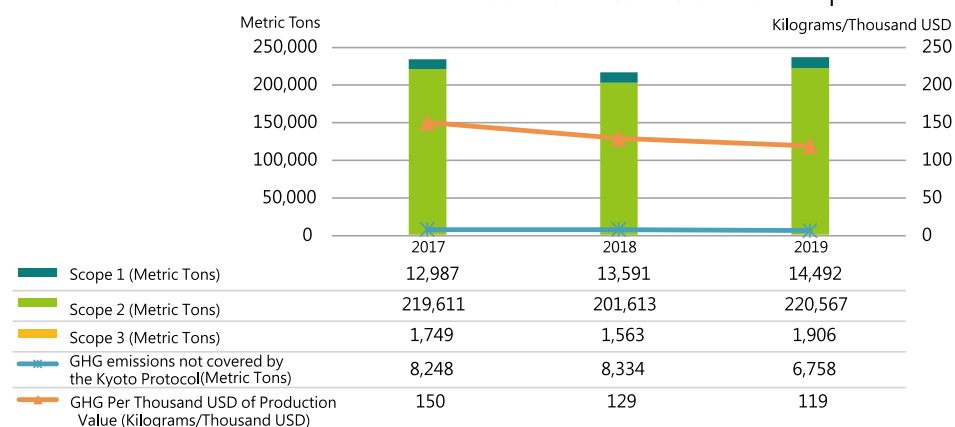
4.5.1 Greenhouse Gas Emissions¹⁸

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 greenhouse gas emissions are categorized into three scopes:

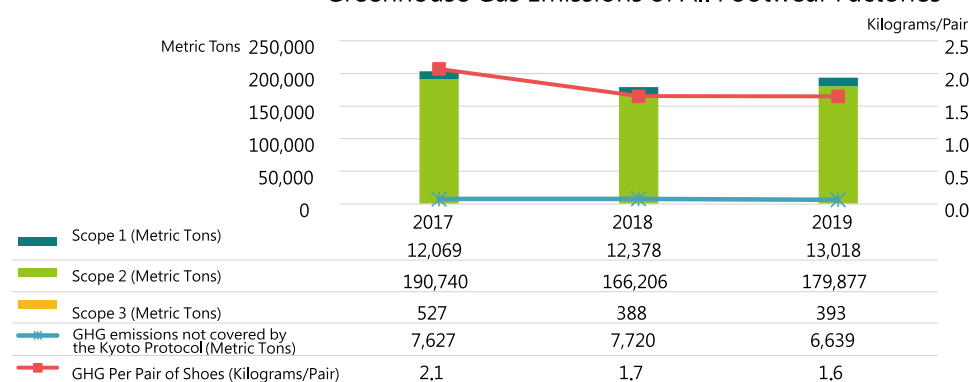
- Scope 1: generated from consumption of primary energy sources (e.g., diesel, fuel oil, and liquefied petroleum gas), company's vehicles¹⁹ and fugitive refrigerant gases (HFCs)
- Scope 2: associated with purchased electricity
- Scope 3: generated from transportation for employees' business trips, such as air travel²⁰

In 2019, our total greenhouse gas²¹ emissions were 236,965 tons²², 9.3% higher than in 2018. Greenhouse gas emissions per thousand USD of production value were 7.8%²³ lower than in 2018. For all footwear factories²⁴, greenhouse gas emissions per pair of shoes decreased from 1.7-kilogram CO₂ equivalent in 2018 to 1.6-kilogram CO₂ equivalent in 2019. The GHG emissions per pair of shoes at all major footwear factories were 1.7-kilogram CO₂ equivalent²⁵, 0.3% higher than in 2018. The higher emissions were a result of increase in complexity of the manufacturing process. China region had the highest GHG emissions per pair of shoes, while Indonesia region had the lowest.

Greenhouse Gas Emissions of the Group



Greenhouse Gas Emissions of All Footwear Factories



GHG Emissions Per Pair of Shoes at Major Footwear Factories

Region	China	Indonesia	India	Vietnam	Avg.
GHG emission per pair (kg CO ₂ e/pair)	4.2	0.7	1.1	1.8	1.7

GHG Emissions Reduction Plan – Solar Power Systems

To reduce indirect greenhouse gas emissions from consumption of purchased electricity, the Group has gradually established renewable energy power generation systems at the Headquarters and factories. The generated power is mainly used for lighting and ventilation in canteens. In 2015, one major footwear factory in China installed a solar power system on the rooftop of a factory building. We further invested around USD 600,000 to expand the capacity of existing solar power systems at the same factory to 515 kW in 2017, which generated about 620,000 kWh of electricity in 2019.

The Group Headquarters and the factories in India utilize solar water heating systems to provide 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.

¹⁸ GHG emissions are calculated using the updated CO₂ emission factor, which is provided by Center for Global Development Confronting Climate Change Initiative CARMA-Carbon Monitoring for Action.

¹⁹ Company's vehicles refer to company-owned vehicles used in non-production operations, including canteens, employee dormitories, guest houses, drinking water factories, and company cars for employee business travel.

²⁰ Incorrect data reported in 2017 and 2018 have been corrected in this report.

²¹ According to the definitions given by GHG Protocol (The Greenhouse Gas Protocol) and USEPA, the GHG emissions not covered by the Kyoto Protocol, e.g., CFCs and HCFCs, which have been included in Scope 1 in the past should be reported separately.

²² This number is the calculation result from original data and will be slightly different from the calculation result from average data.

²³ This number is the calculation result from original data and will be slightly different from the calculation result from average data.

²⁴ According to the revised definition, data on the Scope 1 GHG emissions of the Group reported in 2017 and 2018 have been revised in this report; and data on the Scopes 1 and 3 GHG emissions of all footwear factories reported in 2017 and 2018 have been revised in this report.

²⁵ The GHG emissions for major footwear factories include Scopes 1 and 2 but exclude fuel consumption of vehicles for non-production purposes, e.g., company's vehicles.

In India, we signed a Power Purchasing Agreement to import green energy produced by an external wind power plant, which has generated electricity steadily since it started to operate in May 2018. The wind power plant generated 31 million kWh of electricity in 2019, accounting for 43% of the total electricity consumption of Cheyyar Industrial Zone in India. In the meantime, we continue to assess the feasibility of installing solar or wind power systems at our new factory in India. To increase renewable energy usage, we are also seeking opportunities to utilize geothermal energy in Indonesia.

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:

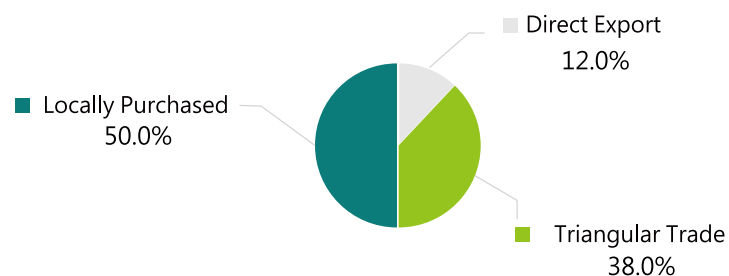
- Implementing multi-party video and phone conference systems at the headquarters and factories.
- Carpooling among factories located within reasonable distances of each other.
- Implementing Group-wide standardization of airplane flights taken, thereby enabling carpooling to and from airports; using 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 50%. Raw materials that are not purchased locally, including direct exporting from suppliers in foreign countries and triangular trade, accounted for 50%.

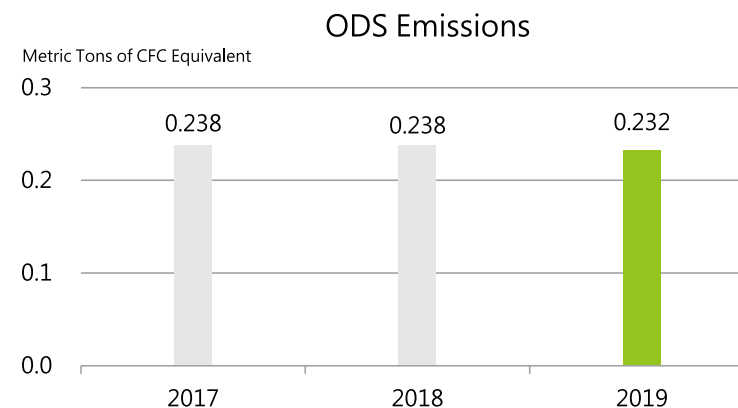
Materials and commonly used chemicals purchased from suppliers in Taiwan are shipped to the Headquarters, if only small amounts are needed at each factory. After inspection by Purchasing and Warehouse Departments at the Headquarters, all items for each factory are grouped into one shipment to reduce 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, and R-404A. 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 environmentally friendly R-410A refrigerant.

In 2019, ODS emissions²⁶ was 0.232 metric tons of CFC-11 equivalent, 2.4%²⁷ lower than in 2018. In 2017, we created a new internal regulation to stop purchasing any equipment that uses R-22. 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.



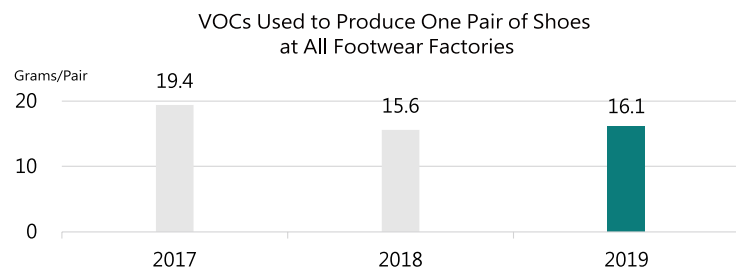
4.5.4 Volatile Organic Compounds (VOCs)

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 decrease the usage of solvent-based adhesives. Over the years, we have successfully reduced the amount of VOCs emissions generated during production.

In 2019, the average weight of VOCs used in producing one pair of shoes at our footwear factories was 16.1 grams, 3.2% higher than in 2018. The average weight of VOCs used in producing one pair of shoes at major footwear factories in 2019 was 8.2 grams, 1.2% higher than in 2018.

²⁶ Emissions of ozone-depleting substances = Refrigerant Usage × Ozone Depleting Potential.

²⁷ This number is the calculation result from original data and will be slightly different from the calculation result from average data.



4.5.5 Wastewater Treatment

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

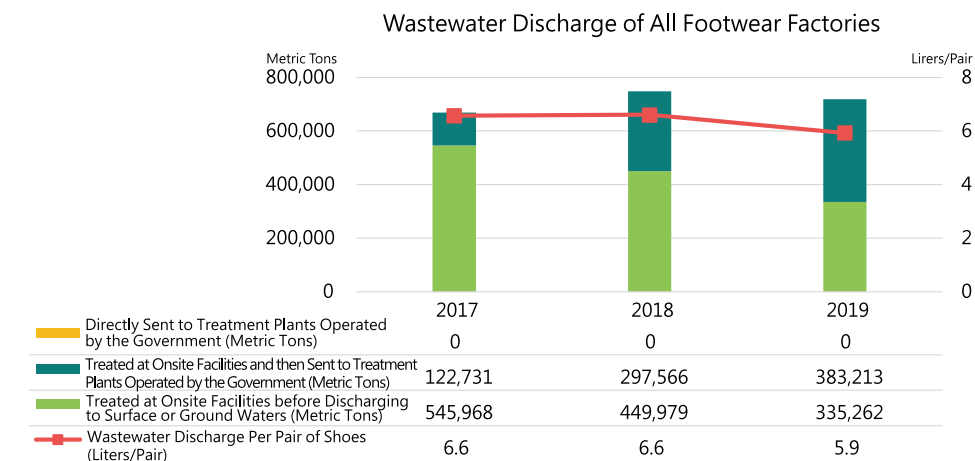
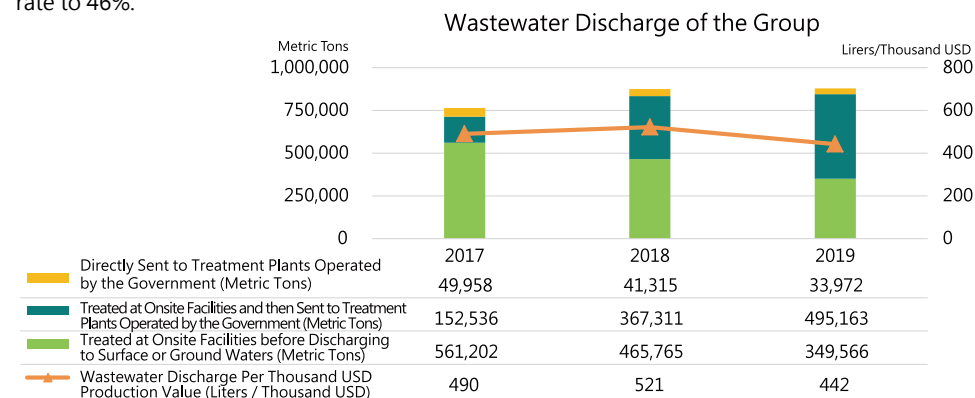
Most of the Group's factories handle wastewater by the second method. Except one factory in Vietnam, all factories have built on-site wastewater treatment plants (WWTPs) to provide adequate treatment for wastewater generated in different production processes. Before the treated wastewater is discharged, it must meet the effluent standards established by local regulations. In addition, the treated wastewater that our major footwear factories discharge directly to surface or river waters must meet the requirements of the progressive limits for conventional wastewater parameters established by ZDHC Foundation and must be tested twice a year. 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 2019, the Group discharged 878,701 metric tons of wastewater, 0.5% higher than in 2018. The wastewater discharge per thousand USD of production value was 15.2% lower than in 2018. For all footwear factories, the total amount of wastewater discharge²⁸ was 718,475 metric tons, 3.9% lower than in 2018; the average wastewater discharge per pair of shoes was reduced to 5.9 liters. The average wastewater discharge per pair of shoes at all major footwear factories was 5.4 L/pair²⁹, 14.4% lower than in 2018; Indonesia region had the highest average wastewater discharge per pair of shoes, while India region had zero discharge.

²⁸ Data on the wastewater discharge of all footwear factories "treated at onsite facilities and then sent to treatment plants operated by the government" reported in 2017 have been revised to 122,731 metric tons.

²⁹ Average wastewater discharge per pair of shoes at all major footwear factories = total wastewater discharge at all major footwear production plants ÷ total footwear outputs (pairs) of all major footwear production plants.

To ensure compliance with wastewater discharge regulations, all our factories in Vietnam implemented the plan to discharge wastewater to the WWTP in the industrial zone. In 2019, only one major footwear factory did not complete the plan because the WWTP in the industrial zone had insufficient capacity. As all other factories completed the plan in 2019, the connection rate reached 80%. The Group continues to assess the feasibility of adding recycling systems for water used in the manufacturing process. For example, construction of the water reclamation system at the Headquarters in Taiwan was completed in July 2018, which increased the water recycling rate to 46%.



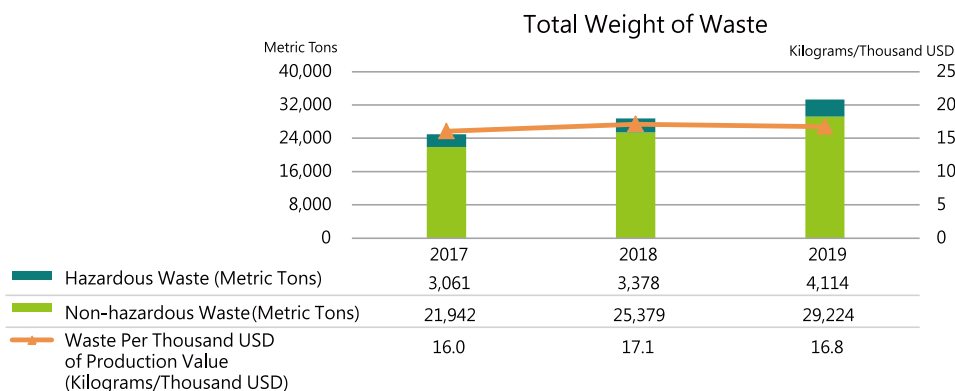
Wastewater Discharge Per Pair of Shoes at Major Footwear Factories

Region	China	Indonesia	India	Vietnam	Avg.
Wastewater discharge (L/pair)	3.5	10.3	0.0	7.3	5.4

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 different categories and specify for each category the proper storage method (e.g., 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 2019 was 33,337 metric tons³⁰, 15.9% higher than in 2018. The total amount consisted of 12.3% hazardous waste and 87.7% non-hazardous waste. Waste generated per thousand USD of production value was 2.2%³¹ lower than in 2018. The average non-hazardous solid waste per pair of shoes at all major footwear factories was 161 g/pair, 9.7% higher than in 2018. Vietnam region had the highest average non-hazardous waste per pair of shoes, while India region had the lowest. In Vietnam region, a large amount of leather was used to make the shoes and therefore a large amount of waste was generated. In 2019, we focused on improving the worker capability to reduce product defects, utilizing reusable packaging to reduce packaging material waste, and looking for alternative materials during the shoe model development stage to reduce product defect rates. In the meantime, we will actively search for better waste recycling techniques and partners to further increase waste recycling rate.

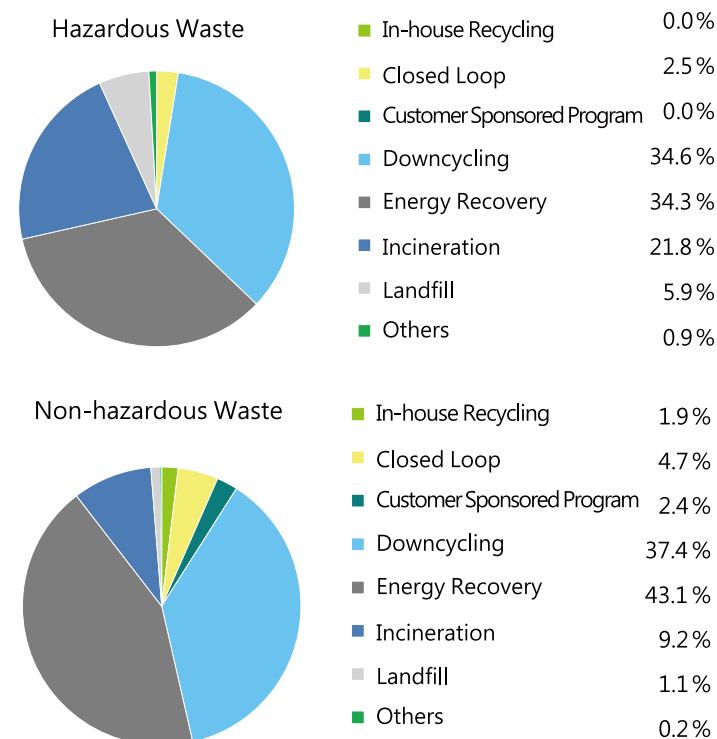


Non-hazardous Solid Waste Per Pair of Shoes at Major Footwear Factories

Region	China	Indonesia	India	Vietnam	Avg.
Solid waste per pair (g/pair)	139	160	131	182	161

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.

In 2019, 89.5% of the waste was disposed of by either energy recovery or recycling³², which was 0.4% higher than 89.1% in 2018. The total percentage of incineration and landfill decreased from 10.8% in 2018 to 10.3% in 2019. We will continue to work towards the goal of using the method of recycling for waste treatment and minimizing the use of incineration and landfill, in order to further reduce our environmental footprints. Following are the percentages of hazardous and non-hazardous waste disposed of by various methods in 2019:



4.6 Environmental Compliance Records

In 2019, there is no major incident of non-compliance with environmental laws and regulations.

³⁰ Following a recent revision of the annual report, the hazardous waste data reported in 2018 have been revised to 3,378 metric tons; and the non-hazardous waste data reported in 2017 and 2018 have been respectively revised to 21,942 and 25,379 metric tons.

³¹ This number is the calculation result from original data and will be slightly different from the calculation result from average data.

³² Recycling includes downcycling, close loop, in-house recycling and customer sponsored program.

05

Employee Relationship
and Social Engagement

5.1 Employee Relationship

Having operated the business diligently in Yunlin for over 40 years, Feng Tay considers employees to be the most important asset and indispensable partners for continuous growth. We endeavor to manage the company well, take care of employee needs and emphasize work-life balance. We aim at providing a good work environment, a competitive salary and benefits scheme, a fair and transparent performance evaluation and promotion system, professional training programs, and a comprehensive career development plan. The working environment for our employees is safe and equitable. In the future, we strive to foster a group of employees who are "committed to the value of work, supported by family, and proud of the company." We look forward to working with our employees toward a sustainable future.

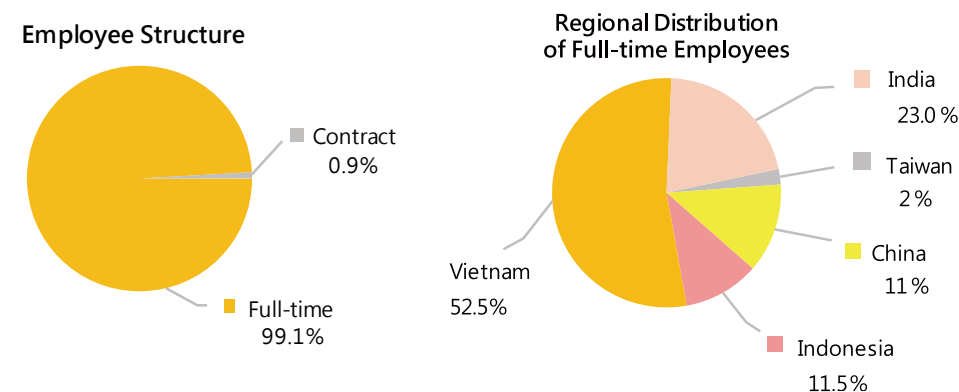
5.1.1 Employment

The employment policy of Feng Tay Group strictly follows national labor laws. We recruit workers through open channels and in a fair manner. Moreover, our principles are to employ local workers whenever possible and to prohibit hiring foreign migrant workers or workers under the legal working age.

Employee Compositions

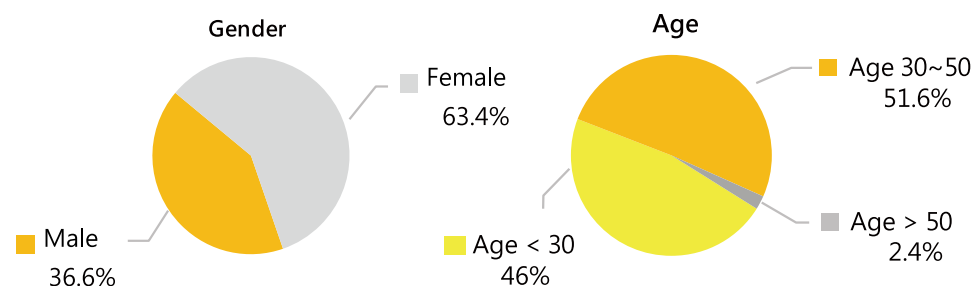
By the end of 2019, the workforce of Feng Tay Group was 133,737, of which 99.1% were full-time employees, while the others were workers of contract companies for food service, gardening and medical service. 2,607 worked in Taiwan; 14,563 in China; 15,218 in Indonesia; 69,641 in Vietnam; and 30,508 in India.

Among contract workers, 114 were in China, accounting for 9.5% of the total number of contract workers; 32 in Indonesia, accounting for 2.7%; 513 in Vietnam, accounting for 42.8%; and 541 in India, accounting for 45.1%. Among full-time employees, all employees in Taiwan worked full time.



Full-time employee compositions in all regions

Female employees comprised 63.4% of the total workforce at Feng Tay. The percentage of female employees in the workforce in China Region was the highest among all regions. In terms of age, employees who were between 30 and 50 comprised 51.6% of the total. In Taiwan, China, Indonesia and Vietnam, the largest age group was between 30 and 50 years old. The majority of employees in India were under age 30.



Unit: Percentage

Full-time Employee Composition	Male	Female	Age < 30	Age 30-50	Age > 50
Taiwan	52.1	47.9	14.5	61.1	24.4
China	25.5	74.5	7.3	81.8	10.9
Indonesia	42	58	45.2	53.8	1
Vietnam	33.9	66.1	46.8	52.3	0.9
India	44.3	55.7	64.4	35.5	0.1
Feng Tay Group	36.6	63.4	46	51.6	2.4

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.

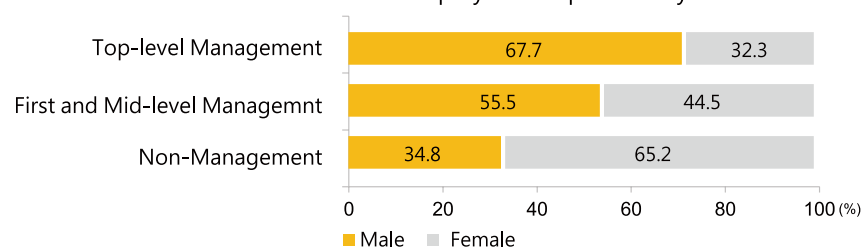
As of the end of 2019, 6 locals in China, 12 locals in Vietnam, 2 locals in Indonesia and 6 locals in India have held the positions of General Manager at factories. Locals accounted for 100% of top-level management in Taiwan, Indonesia, India and China, and 86% in Vietnam.

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"> Monitor 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 manager 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

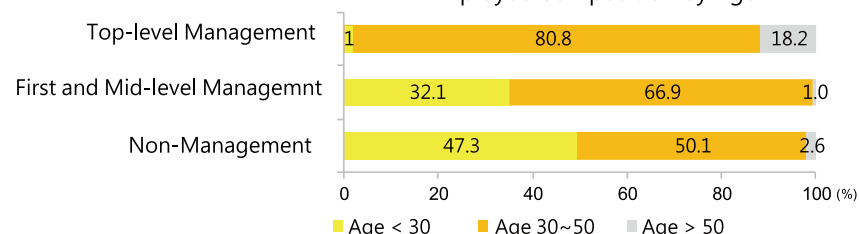
Among full-time employees, 11,638 were at management levels, accounting for 8.8% of the total workforce, with the majority of them in the 30-50 age range. And 99 employees were at the top-level of management, accounting for 0.1% of the total workforce. The first- and mid-level management comprised 11,539 employees, accounting for 8.7% of the total workforce.

The Group had 5,177 female employees at management levels, a 9.7% increase over 2018, which made up 44.5% of management levels. Among all female managers, 32 were at the top-level of management, making up 32.3% of the top-level management; 5,145 were at the first- and mid-level of management, making up 44.5% of the first- and mid-level management.

Employee Composition by Gender

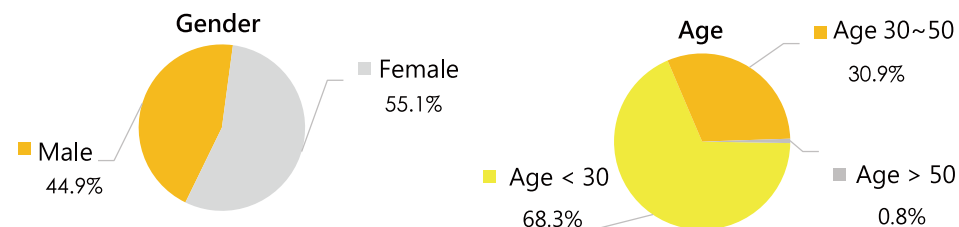


Employee Composition by Age



The Compositions of New Recruits

To meet our business growth needs, we recruited 39,864 new employees in 2019, of which 21,958 were female, accounting for 55.1% of the total new recruits. New employees younger than 30 years of age made up 68.3% of the total new recruits.



Unit: Percentage

New Recruits Composition	Male	Female	Age < 30	Age 30-50	Age > 50
Taiwan	41.7	58.3	68.3	31.7	0.0
China	36.1	63.9	30.0	64.7	5.3
Indonesia	28.0	72.0	91.2	8.8	0.0
Vietnam	48.0	52.0	68.0	31.7	0.3
India	46.1	53.9	83.1	16.9	0.0
Feng Tay Group	44.9	55.1	68.3	30.9	0.8

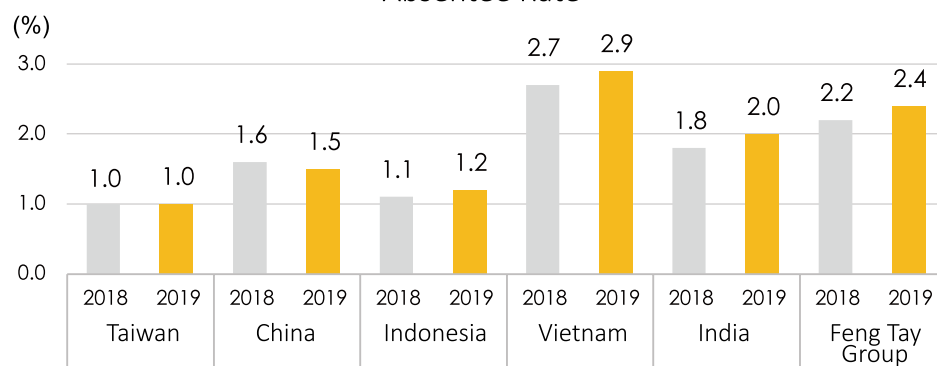




5.1.1.2 Absentee Rate³³ and Monthly Turnover Rate³⁴

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 increased from 2.2% in 2018 to 2.4% in 2019.

Absentee Rate



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 rate³⁵ of the Group in 2019 was 1.8%, 0.3% higher than 2018, with the

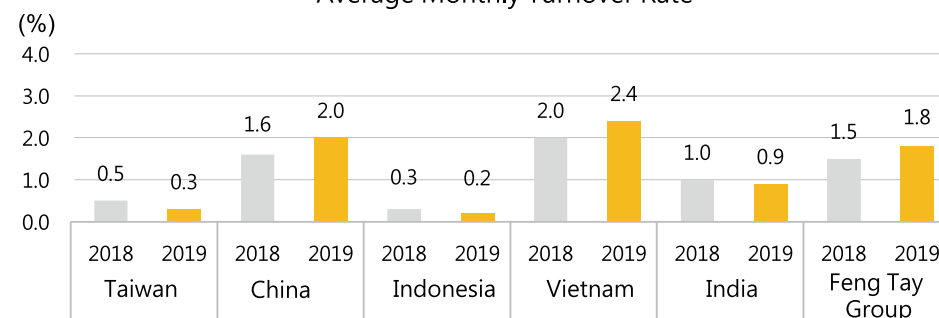
³³ Absentee rate refers to the number of actual absentee days expressed as a percentage of the total number of days scheduled to be worked by the workforce for the same period. Absentee days include work days lost due to injury or illness (either work or non-work related) and absences without approval. Permitted leaves of absences such as annual leaves, personal leaves, marriage leaves, compassionate leaves, parental leave, and maternity leaves are excluded from absentee rates.

³⁴ Monthly turnover rate refers to the monthly number of employees who leave the company expressed as a percentage of the total number of employees.

³⁵ Average monthly turnover rate refers to the sum of 12 monthly turnover rates divided by 12.

highest in Vietnam (2.4%) and the lowest in Indonesia (0.2%). For employees who had completed more than one year of service, the average monthly turnover rate was 0.8%, unchanged from the 2018 level, with the highest in Vietnam (1.0%) and the lowest in Taiwan and Indonesia (0.2%). Employees younger than 30 had the highest turnover rate at 0.9%, while the 30-50 age group's turnover rate was 0.7% and the older than 50 group's turnover rate was 0.6%.

Average Monthly Turnover Rate



Unit: Percentage

Average Monthly Turnover Rates		Overall	Male	Female	Age < 30	Age 30-50	Age > 50
Taiwan	All employees	0.3	0.2	0.3	0.8	0.2	0.0
	Employees with more than one year of service	0.2	0.1	0.2	0.5	0.2	0.0
China	All employees	2.0	2.7	1.8	6.5	1.7	1.2
	Employees with more than one year of service	0.6	0.5	0.7	0.8	0.6	0.4
Indonesia	All employees	0.2	0.2	0.2	0.3	0.2	1.7
	Employees with more than one year of service	0.2	0.2	0.2	0.2	0.2	1.7
Vietnam	All employees	2.4	3.3	1.9	3.3	1.6	1.3
	Employees with more than one year of service	1.0	1.1	0.9	1.1	0.8	1.2
India	All employees	0.9	0.8	1.0	1.1	0.5	0.0
	Employees with more than one year of service	0.6	0.5	0.7	0.7	0.4	0.0
Feng Tay Group	All employees	1.8	2.2	1.6	2.5	1.3	1.0
	Employees with more than one year of service	0.8	0.8	0.8	0.9	0.7	0.6

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 2019, we hired a total of 35 employees with disabilities at the Headquarters, 35% 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 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 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. We hold culinary, flower design and soccer contests to further enhance our female employees' sense of accomplishment and active participation. In India, female workers do not take shift work. Moreover, monthly awareness training classes are offered to nursing mothers at the Crèche.

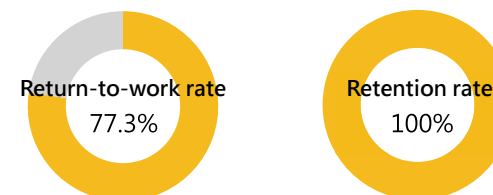


Medical camp activity in women Health month in China



Culinary contest in Vietnam

Data on Unpaid Parental Leave at the Taiwan Headquarters



To promote parent-friendly company culture, we provide employees with the right to take unpaid parental leave in accordance with local laws in each region.

The maximum period for an unpaid parental leave that an employee can take at the Taiwan headquarters is 2 years. In 2019, a total of 20 employees took unpaid parental leave, and the return to work rate was 77.3%.

The retention rate (the number of employees having stayed with Feng Tay for more than one year after returning from unpaid parental leaves divided by the number of employees returning from unpaid parental leaves in the preceding year) was 100% in 2019. All of the 13 employees who returned to work in 2018 were still in service at the end of 2019.

The result indicates that Feng Tay has provided a friendly workplace to returned employees, helped them re-adapt to their work, protected their employment rights, and allowed them to take care of their families.

Item	Male	Female	Total
The number of employees entitled to unpaid parental leave in 2019	52	32	84
The number of employees who took unpaid parental leave in 2019	2	18	20
The number of employees who planned to return to work after unpaid parental leave ended in 2019 (A) ³⁶	4	18	22
The number of employees who returned to work after parental leave ended in 2019 as planned or earlier than planned (B)	3	14	17
The number of employees who returned to work after parental leave ended in 2018 (C)	1	12	13
The number of employees who returned to work after parental leave ended in 2018 and were still in service at the end of 2019 (D)	1	12	13
Return to work rate (B/A)	75.0%	77.8%	77.3%
Retention rate (D/C)	100%	100%	100%

³⁶ A includes: (1) The number of employees who took the leave in 2019 and planned to return to work in the same year, (2) The number of employees who took the leave in 2019 and planned to return to work in 2020 or 2021 but returned to work in 2019, (3) The number of employees who took the leave in 2017 or 2018 and planned to return to work in 2019 (and did not return to work earlier than planned), and (4) The number of employees who took the leave in 2018 and planned to return to work in 2020 but returned to work in 2019.

India Factories- 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, 1,343 female employees took part in this program. A total of 184 employees received graduation certificates in 2019.



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.
- Nursing rooms are provided at the Headquarters and factories for employees who are nursing babies to use one hour a day during working time.
- 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.



Employees care activity in Indonesia



Scholarship awarding ceremony in India

5.1.3 Overall Compensation

Entry-Level Wage

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 2019:

Region (Currency)	Local Legal Minimum Monthly Wage	Entry-level Wage of Feng Tay Group
Taiwan (NTD)	23,100	28,200
China (RMB)	1,570 / 1,720 / 2,020*	1,800 / 1,800 / 2,580
Indonesia (Rupiah)	2,893,074	2,916,000
Vietnam (VND)	4,180,000 / 3,710,000 / 3,250,000**	4,654,000
India (Rupee)	3,906+DA***	6,575+DA

* RMB 1,570 is the local legal minimum monthly wage in Putian, Fujian Province; RMB 1,720 is the local legal minimum monthly wage in Fuzhou, Fujian Province; RMB 2,020 is the local legal minimum monthly wage in Taicang, Jiangsu Province.

** VND 4,180,000 is the local legal minimum monthly wage in Vung Tau, Trang Bom Province; VND 3,710,000 is the local legal minimum monthly wage in Xuan Loc Province; VND 3,250,000 000 is the local legal minimum monthly wage in Chau Duc Province.

*** DA: 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 talents.

The "Propose for Improvement" system is established at factories in China, Indonesia, Vietnam and India. A mailbox 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 12 recipients in 2019.



At Group Headquarters, employees who have completed 8 years of service receive travel allowance. An "Improvement and Innovation Award" program is established in Taiwan to encourage employees to be constantly improving and innovative in daily work. In 2019, there were 140 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



Continuously implementing human resource development program is one of the management strategies we adhere to. 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. 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.

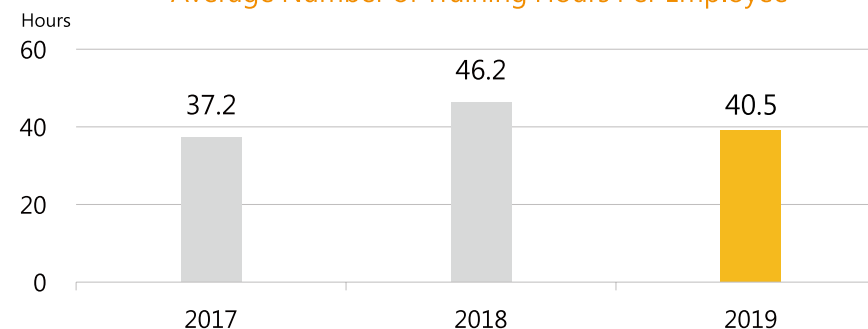
Category	Content	Objective
Core Competence	<ul style="list-style-type: none"> New employee orientation General education for employees 	Help new employees settle into their work environment and company norms. Raise employee life values and promote team spirits.
Management Competence	<ul style="list-style-type: none"> Training for first- and mid-level management Training for top-level management 	Use E-learning, classroom lecture, case study, and practical training to strengthen management capability so that managers can effectively lead team members to achieve organizational goals.
Professional Training	<ul style="list-style-type: none"> Professional training for new employees Professional training in 7 occupational competencies 	Help employees gain an understanding of the latest technologies and industry trends to develop professional talents.

Self-Learning Center

At the Headquarters in Taiwan, we joined the Company's clubs to offer after-work self-study courses since 2017. To offer courses that were oriented toward employees' learning needs, the employees who were specialized in related fields were invited to be lecturers. By providing one computer to everyone for classroom practice, we created a learning group that can be continuously improved and a platform for employees to share their experiences and technical knowledge. In 2019, we held a total of 82 courses with 1,392 people participating.

In 2019, the total training hours in the Group reached 5,280,709 hours, 4.5% lower than in 2018. There was a total of 1,479,195 attendees. The average number of training hours per employee was more than 40 hours, 12.3% lower than in 2018.

Average Number of Training Hours Per Employee



Unit: Hours

Region	Top-level Management	First- and Mid-level Management	Non-Management	All employees
Taiwan	11.8	29.4	34.6	33.5
China	15.5	19.4	41.8	39.9
Indonesia	38.0	24.4	23.7	23.7
Vietnam	1.5	19.9	38.1	36.5
India	8.3	64.6	50.3	51.6
Feng Tay Group	9.9	31.9	39.6	40.5

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 face-to-face meetings with employees, care interviews and exit interviews 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 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 prospects, and to reaffirm the Group's values and common goals.

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, and 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 2019, 702 cases of grievances and suggestion were resolved. 91% of the cases received were related to labor practices, mainly concerning management style, work arrangement, and work environment. There were 655 cases of grievances, 1% lower than in 2018, which suggest that there is room for improvement in employee relationship. This also 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 2019 are shown below:

Region	Taiwan		China		Indonesia		Vietnam		India	
Category	G*	S**	G	S	G	S	G	S	G	S
Social	2	0	0	0	0	0	0	0	0	0
Environment	0	0	0	0	0	0	0	1	0	4
Labor	39	4	124	5	12	1	99	25	319	12
Human rights	0	0	0	0	10	0	6	0	44	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%	93%	99%	100%

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 subsidiary companies in each region. Except for executives at top-level management, 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. General Affairs (GA) and Human Resource (HR) 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	Local Legal Maximum Allowed Overtime	Feng Tay Maximum Allowed Overtime
Taiwan	8 hours a day 40 hours a week	4 hours a day 46 hours a month	2 hours a day 24 hours a month
China	8 hours a day 40 hours a week	3 hours a day 36 hours a month	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	2 hours a day 14 hours a week
Vietnam	8 hours a day 48 hours a week	4 hours a day 30 hours a month	2 hours a day 30 hours a month
India	8 hours a day 48 hours a week	4 hours a day 12 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, we provide health insurance. In 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, the employees in Taiwan who have worked for six months and the employees in China, Indonesia and Vietnam who have worked for one year are entitled to paid annual leaves.

5.1.6 Employee Care and Welfare

Employee Family Day and Employee Service Recognition

We hold "Employee Family Day" events at factories. We take these opportunities to explain company's visions to employees' families, and hope to obtain the support from them and the sense of identifying with the company, which will be the best backing for the company to move forward. In Taiwan, employees who have completed 25 years of service will receive trophies, souvenirs, and recognition from the management team at the anniversary celebration. In 2019, 57 employees received recognition.



Fun sports day in China



Annual celebration activity in Taiwan

Employee Assistance Program (EAP)

In Taiwan and India, we have launched an EAP program to offer professional consultations to employees who have alcohol, marriage, or psychological problems, and set up a free 24-hour hotline to help them overcome difficulties in life. In India, more than 22,000 consultations were provided in this program and 186 individuals overcame their suicidal thoughts after consultations in 2019. To closely meet employees' needs, 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.



Taiwan: Feng Tay Nursery School

Feng Tay is one of the earliest companies that established nursery school in Taiwan. 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 schoolteachers. By attending the event, parents can observe their children's school life and interaction with the classmates closely, and thereby understand them better.

Year established	1979
Area (Square Meters)	8,054.63
Student age range	2-6 years old
Number of Students	242
Number of Teachers	24
Number of Alumni	2,869

China: Li Feng and Xie Feng Nursery Schools

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 is currently designated as the "showcase" nursery school in Putien and the pilot center of teaching and research for model teachers of nursery schools. It is also open for study to all preschool education institutions in the region.

School Name	Li Feng	Xie Feng
Year established	1993	
Area (Square Meters)	10,000	23,300
Student age range	3-6 years old	
Number of Students	235	384
Number of Teachers	16	30
Number of Alumni	2,563	4,167





Vietnam: Nursery Schools at Two Locations

Two nursery schools, one in Trang Bom District and another in Xuan Loc, are both rated as excellent nursery schools repetitively. They are highly commended by the Vietnamese Central Government and recognized as the role models for 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.

School Name	DO	DS
Year established	2008	2016
Area (Square Meters)	12,000	22,400
Age Range	3-6 years old	
Number of Students	832	873
Number of Teachers	60	64
Number of Alumni	2,248	641

India: Crèches

The crèches can care 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 another in the afternoon.

School Name	LU1	LU2	EW1	EW2	FA1
Year established	2009	2014	2011	2012	2017
Area (Square Meters)	608	801	351	416	583
Age Range	Under 6 years old				
Number of Students	120	60	136	76	133
Number of Teachers	1	1	1	1	1
Number of Caregivers	15	11	12	9	6
Number of Assistant Teachers	0	0	0	1	0
Number of Alumni	1,235	55	66	67	NA

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 volley ball court, a golf short game area, a skateboard-practicing facility, barbecue equipment, a karaoke system, a banquet room, and a multi-functional room. In 2019, the facilities were used over 23,767 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 services are available for employees 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 three 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, and club activities. Furthermore, our employees can enjoy discounts at over 219 stores which have signed special agreements with Feng Tay.

To promote physical and psychological health, we provide spaces and subsidies for our staff to organize various clubs. By the end of 2019, we gave a total of NTD 3,558,000 to subsidize the activities of 25 clubs at the Group Headquarters. Among these clubs, 52% are sports clubs. Uncommon clubs, such as board game club, survival game club and self-defense martial arts club, provide the employees with more activity choices.



By the end of 2019, we gave a total of
NTD 3,558,000
 to clubs at the Group Headquarters



Basketball Club

Work-out Club

5.1.7 Employee Safety and Health

5.1.7.1 Environment, Safety, and Health (ESH) 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' rights, 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. Starting in 2016, a quarterly review meeting on ESH management performance is also held at each factory. Chaired by the factory general manager, the meeting provides 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 is 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. Starting in 2017, we have been creating standard instructional diagrams for high-risk machines, which fully illustrate the prescribed safety measures and make existing and newly purchased machines at all factories comply with the Group standards. The standard instructional diagrams have been created for 326 types of machines by the end of 2019. 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 specific 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 in Taiwan and all subsidiary companies in each region. 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

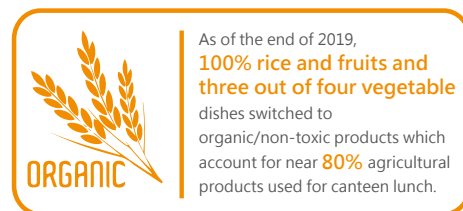
To supply our employees with safe meals, Feng Tay Headquarters and factories impose strict hygiene standards on practices in canteens. Meals are prepared in three different ways: cooked



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 elected 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 2019, there were no food poisoning incidents in the entire group.

Use of organic/non-toxic agricultural products³⁷

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. As of the end of 2019, all of rice and fruits have been switched to organic/non-toxic and three out of four vegetable dishes have been prepared with organic/non-toxic products, which together account for around 80% of all produce 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 (which filters and boils tap water), 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. 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 SMD department at the Headquarters for two years. To strengthen drinking water hygiene management, we conduct monthly inspections on drinking water equipment to ensure that the cleaning and maintenance procedures meet hygiene requirements. Since 2017, the Headquarters in Taiwan has established standard operating procedures (SOP) for the maintenance and improvement of drinking water equipment. Through an SOP flow diagram and video demonstration, the steps to clean drinking water equipment are described in detail and the frequency of maintenance are prescribed, in order to reduce the water quality noncompliance rate. As of the end of 2019, the test results for drinking water at all factories fully complied with regulatory standards. To strengthen the maintenance of drinking water equipment, inspections were regularly conducted. The pass rate was 99.7% in 2019, 1.4% higher than in 2018. And to ensure the safety of drinking water, if a drinking fountain failed inspection, it was immediately removed from service.

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.

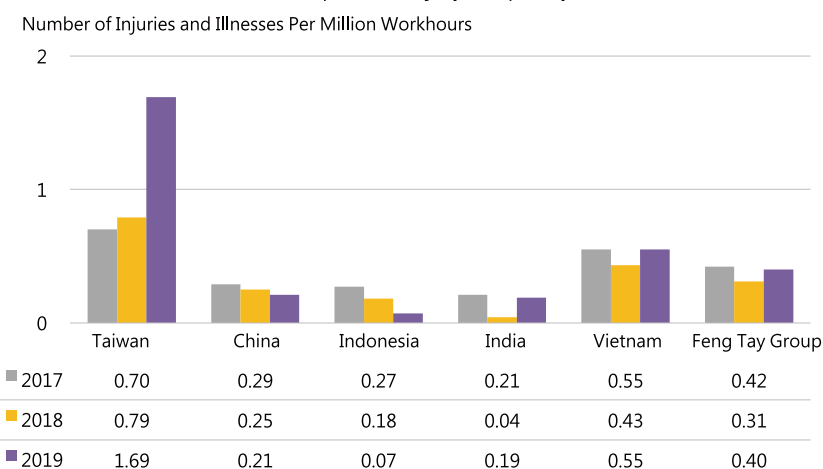
The emergency response team at the Headquarters receives training once a year, as required by law, for firefighting, emergency evacuation, and emergency response to accidents in special

workplaces. For 11 consecutive years, we have placed number one in Yunlin County's emergency response team evaluation.

5.1.7.4 Occupational and Commuting Injuries³⁸

In 2019, the on-site occupational injury frequency rate was 0.4, 29% higher than in 2018, and the on-site occupational severity rate was 84, 63% lower than in 2018. We have appointed ESH auditors to examine the safety performance at each factory regularly. And we have continued to review the safety features of all high-risk machines and correct any deficiencies discovered accordingly. A program to improve machine safety was initiated in 2018. By the end of 2019, we have invested USD 2,040,000 to upgrade the safety features of over 5,000 machines. Prior to being introduced into production processes, any new machine must be examined by ESH Department to ensure the safety features meet our standards. Moreover, we continue to implement machine safety improvement projects and set up standard operating procedures for all machines. 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. We developed a system to evaluate the safety performance of supervisors and promoted training on safety awareness for them. To raise the safety consciousness and responsibility within the workforce, safety campaign activities were undertaken in each department. Through case study and data analysis on injury, safety training and inspection of operational permit were strengthened for workers in the department that had a high injury frequency rate, and their safety performance was used in job evaluation. We will continue to improve our management system and safety culture to achieve zero occupational injuries.

Occupational Injury Frequency Rates

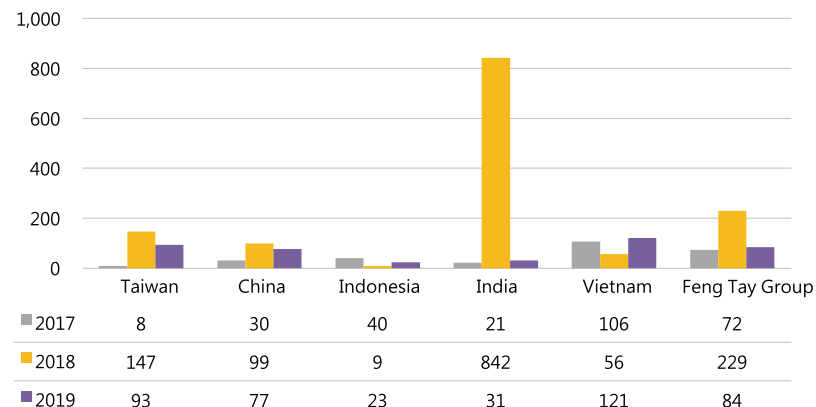


³⁷ According to Council of Agriculture, Executive Yuan, Taiwan, a non-toxic agricultural product refers to a product that does not use chemical pesticides, chemical fertilizers or antibiotics during its growth and is tested free of pesticide and heavy metal residues.

³⁸ Occupational injury frequency and severity rates do not include cases incurring less than eight hours of work loss.

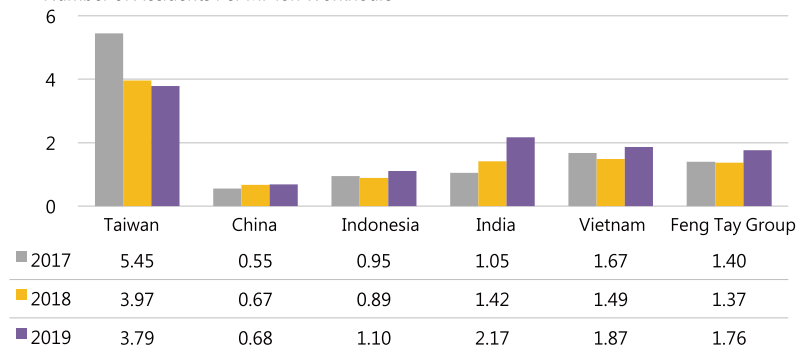
Occupational Injury Severity Rates

Workhour Loss Per Million Workhours



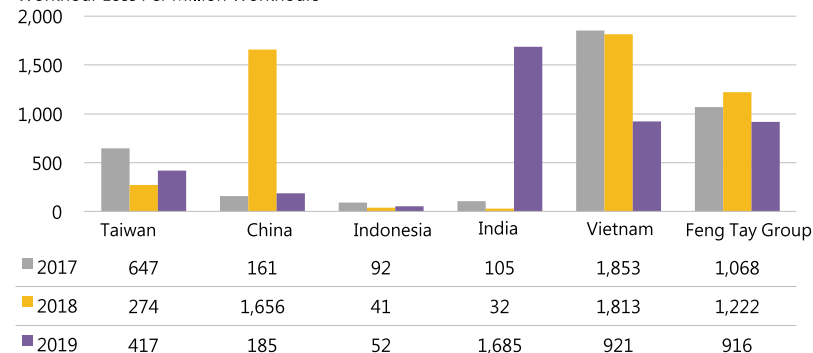
Commuting Injury Frequency Rates

Number of Accidents Per Million Workhours



Commuting Injury Severity Rates

Workhour Loss Per Million Workhours



In 2019, the commuting injury frequency rate was 1.76, 28% higher than in 2018, and the commuting injury severity rate was 916, 25% lower than in 2018. Two employees at factories in India and one employee at a factory in Vietnam lost their lives in traffic accidents. In addition to traffic safety instructions and quiz contests which are routinely given to employees, our employees' attention is called to dangerous road sections where accidents have occurred frequently, and traffic accident videos are played to raise employees' safety awareness. And efforts are made to persuade our employees not to take overloaded commuter vehicles. Evacuation drills are conducted to increase employees' familiarity with the correct way to escape from bus in case of emergency. We have worked with local government agencies to help employees obtain valid driver licenses and to ensure 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, and all employees are required to wear helmets when riding motorbikes. We also plan to collaborate with local governments to improve road quality, with the aim of continuing to work toward a safer workplace.

5.2 Social Contribution

Feng Tay believes that a long-lasting company is rooted in a sustainable community. Since day one, it has taken on the mission of caring for the community and giving 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 2019 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
5,202,000	326,000	37,000	456,000	277,000
(NTD 155,762,000)	(RMB 2,270,000)	(IDR 510,006,000)	(VND 10,562,994,000)	(INR 19,652,000)

5.2.1 Giving Back to Our Local Communities

Emergency Aid to Disadvantaged Families

Feng Tay's Headquarters and factories strive to support disadvantaged families and victims of natural disasters to overcome economic difficulties. The foundations and factories in each region would arrange volunteers to visit the disadvantaged families to understand their actual needs before providing emergency aids and supplies.

- **Taiwan (the Feng Tay Cultural and Educational Foundation)**

Once notified by schools or communities, the foundation would arrange volunteers to visit the disadvantaged families to help them receive support immediately. In 2019, the Foundation gave a total of approximately USD 10,000 (NTD 320,000) to ten families who had experienced unexpected financial hardships.

- **China**

Through the home repair project, we help local disadvantaged families repair their houses to improve living conditions. In 2019, the houses of six disadvantaged families were repaired.

- **Vietnam**

Through the Future Pilot project, we continue to support local disadvantaged families by providing emergency funds and supplies. We also help residents with disabilities and low-income families to build houses. In 2019, a total of USD 20,000 (VND 500 million) was donated and 700 people benefited.

Sponsoring Community Activities and Resources

Feng Tay's Headquarters and factories continue their efforts, such as sponsoring community activities and providing resources, to meet the needs of local residents and to support community development activities.

- **Taiwan (the Feng Tay Cultural and Educational Foundation)**

To promote reading activities, we made donations to township libraries in Yunlin county every year. With the cooperation of local government, we encourage local community to promote reading activities. In 2019, a total of NTD 3.6 million (USD 120,000) was donated.

- **China**

We participated in road repair projects in the villages of Bojongmanggu and Langonsari. A total of IDR 110 million (USD 8,000) was donated and about 1,000 local villagers benefited.

- **India**

Through the Beyond program, we offered public infrastructure to local disadvantaged villages for improving living conditions, such as donating chairs and desks to nearby schools, providing drinking water filtration systems and constructing water well facilities in water-deficient villages. In 2019, a total of INR 3 million (about USD 45,000) was donated and 7,800 local villagers benefited.

Sports and Arts

The Feng Tay Cultural and Educational Foundation held sports events for local community. To promote arts and culture in the community, we also collaborated with local musicians and artists to hold concerts and workshops. In 2019, 8 large scale sporting events, 18 arts and cultural events, 15 community activities and sponsored projects were held, by which our social participation was extended to every corner of the local community.



Asia Dodgeball competition

The Headquarters in Taiwan continued to donate sports shoes to the team members of Douliu High School sports teams. Our hope is to provide more resources and care to our local students, thereby helping them to achieve better results in sports competitions.

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 2019, a total of USD 6,510,000 (NTD 195,280,000) has been given to 11,121 students.

Improving Educational Resources in Remote Villages

To help students from disadvantaged families, we have provided after-school tutoring and educational resources to remote villages. In addition, we have provided funding for a special project at a national university in Yunlin county,

- **Taiwan (the Group Headquarters)**

To cultivate local talent with automation specialties, we have provided financial aid to students at National Formosa University to take shoemaking related courses. In 2019, the Group Headquarters gave a total of NTD 500,000 in scholarships.

- **Taiwan (The Feng Tay Cultural and Educational Foundation)**

The 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 2019, a total of 1,313 volunteers and 743 students have participated in the program.

The foundation has provided financial resources to schools and non-profit organizations in remote villages for them to continue their after-school tutoring programs. The programs offer free after-school classes (between 17:00 and 21:00) to help children, whose parents cannot return home from work until late at night, receive appropriate instruction and care in a safe environment. In 2019, a total of NTD 8,180,000 in scholarship were donated for 123 classes with 1,782 students.

To support high-quality research and cultivate research talents, we have donated NTD 20 million every year since 2016 to the "Improve the University's International Recognition" project at the National Yunlin University of Science and Technology.

- **China (The Da Feng Cultural Foundation)**

Since 1991, the Foundation has provided scholarships to 6,931 students in need and has supported building construction or maintenance at 161 schools.

- **India**

Through the Beyond program, the factories in India donated books to libraries. We also offered after-school tutoring, English classes, handicraft workshops, arithmetic courses and field trips. The program motivated children to improve self-confidence and enthusiasm for learning. In 2019, a total of INR 3.95 million (USD 570,000) was donated and more than 8,530 students benefited from the program.



Donating chairs and desks to nearby schools in India



Holding sport contests for local community in Vietnam

Summer Camps and Science Events

The Feng Tay Cultural and Educational Foundation in Taiwan hosted Reading and Creative Writing Summer Camp and Summer Music Camp, in hopes of helping students learn peer interaction and mutual respect through group activities. The Foundation also held robotics competition event to promote science education and to inspire creativity in students. The event attracted a total of 560 contestants and teachers.

5.2.3 Health Care and Hygiene

Improving Medical Resources

Through our factories in each region, we provided free medical clinic and health check, and held blood donation events, in order to improve local healthcare quality and to promote healthy lifestyles.

- **Offshore factories**

Sponsored blood donation activities, in which around 2,800 employees have participated.

- **Vietnam**

We sponsored various medical services for residents of local communities. In 2019, 15 sessions of medical services were held, a total of VND 700 million (USD 30,000) was donated and about 6,600 people benefited from the project.

- **China**

We collaborated with Putian Union Hospital to provide free medical and health services for local community, including consultations on internal medicine, gynecology, pediatrics and other specialties blood pressure test and blood sugar test. We also used the occasion to promote healthcare knowledge. About 200 residents benefited from the project.

- **Indonesia**

Griya Sehat, the clinic at our factory, has joined the national health insurance plan since 2015, and has been considered the best medical institution in local community. The clinic 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.

In Indonesia, drought and water shortage are likely to occur in summer. We have helped build artesian wells and provided purified water for local community. About 1,550 residents benefited from this project in 2019.

- **India**

Based on the Beyond program, one of our primary targets is to promote healthy lifestyle 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. In 2019, more than 12,000 residents benefited from this project.

We continued to carry out 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 to improve the local healthcare service quality. In 2019, about 8,500 people benefited from the Beyond program.

Furthermore, we built public toilet blocks and conducted sanitation campaigns to improve hygiene and living standards of the community. In 2019, a total of INR 2.7 million (about USD 40,000) was donated and about 38,800 people benefited from the project.



5.2.4 Environmental Protection Environmental Protection Projects

To raise public awareness, our factories in each region were actively engaged in environmental protection projects. We sponsored environmental protection programs in schools and participated in tree planting events in the neighborhoods of our factories.

● Taiwan (the Group Headquarters)

We organized a trail cleanup hike in Linnei Township. Our employees and their families were invited to collect trashes on Longguomai Forest Trail while hiking. The event provided benefits of environmental education and healthy living.



● India

To raise environmental awareness in local community, we promoted the ideas of water conservation and plastic reduction at local schools. We encouraged students to adopt an environmentally friendly habit and learn about water conservation to achieve the goal of living in harmony with the environment.

● Indonesia

The factory actively took part in tree planting activities in the Bandung community. To reduce local flood risk through soil and water conservation, we planted 500 trees in 2019.

Organic Farming— AGRIC Social Enterprise

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. 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.

AGRIC continued to contract with small organic farmers to grow rice crop and black soybeans. In 2019, the number of contract farmers increased to 13. AGRIC uses Foodprint, a farm management system, to provide consumers with traceable agricultural products. The crop in every farm is sampled and tested prior to harvest to ensure the safety of the product before it enters the market or processing plants.

- Contract farming area: 9.61 ha
- Organic farming area: 5.45 ha
- Transitional farming area: 4.16 ha

Promoted by AGRIC, these local organic agricultural products have been successfully sold to canteens at various organizations and corporations. In 2019, AGRIC has supplied 30 tons of rice and 61 tons of vegetables to the Group Headquarters in Taiwan. Besides rice and vegetables, black soybeans were grown in 0.82 ha of farmland to support black soybeans cultivation in Taiwan. Following the "Ganyuan" series of organic black soybean products rolled out in 2018, AGRIC launched a new "Gung-ho" project in 2019. All of the three parties in charge of the production project, which included providing raw materials, manufacturing and project planning, were responsible for promotion of the new products. The local "I-fu Organic Farm" was selected to partner with the well-loved soy sauce producer, Ruei-Chun. The idea was to bring together the experts in farming, manufacturing and tasting. Tainan No.5 black soybeans, selected as the raw material, were fermented in urns under the sun for 180 days to produce the soy sauce, which was well received as soon as it was rolled out. Meanwhile AGRIC continued to partner with manufacturers to make a variety of baked rice products.



To support "The happiness of sharing food" project, AGRIC has donated 3% of the sales volume of organic rice to elementary schools in remote areas every year. Since 2017, 6 schools have benefited from this project and 3,000 kgs of rice, which make around 39,000 bowls of cooked rice, have been donated.

AGRIC is hoping to get more organic farmers to join contract farming in the future. It is also hoped that more consumers will cherish the environment and buy more organic agricultural products.

Feng Tay Group
2019 Corporate Social Responsibility Report
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204-1	Proportion of spending on local suppliers	26	4.5.2 Raw Materials Transportation
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	14	3.1.3 Compliance with Regulations and Norms
205-2	Communication and training about anti-corruption policies and procedures	14	3.1.3 Compliance with Regulations and Norms
		19	3.3.3 Anti-corruption Provisions of the Purchasing Department

GRI Standards	Indicator Description	Page	Report Section or Explanation
205-3	Confirmed incidents of corruption and actions taken	14	3.1.3 Compliance with Regulations and Norms
GRI 301: Materials			
301-1	Materials used by weight or volume	-	Not applicable
301-2	Recycled input materials used	19	3.3.2 Development and Use of Environmentally Preferred Materials
301-3	Reclaimed products and their packaging materials	-	Product reclamation is managed by brand customers.
GRI 302: Energy			
302-1	Energy consumption within the organization	23	4.3.2 Energy Consumption
302-2	Energy consumption outside of the organization	-	Information cannot be obtained
302-3	Energy intensity	23	4.3.2 Energy Consumption
302-4	Reduction of energy consumption	23	4.3.3 Implementation of Energy-Saving Projects
302-5	Reductions in energy requirements of products and services	23	4.3.2 Energy Consumption
GRI 303: Water			
303-1	Water withdrawal by source	24	4.4 Water Management
303-2	Water sources significantly affected by withdrawal of water	24	4.4 Water Management
303-3	Water recycled and reused	24	4.4 Water Management
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	25	4.5.1 Greenhouse Gas Emissions
305-2	Energy indirect (Scope 2) GHG emissions	25	4.5.1 Greenhouse Gas Emissions
305-3	Other indirect (Scope 3) GHG emissions	25	4.5.1 Greenhouse Gas Emissions
305-4	GHG emissions intensity	25	4.5.1 Greenhouse Gas Emissions
305-5	Reduction of GHG emissions	25	4.5.1 Greenhouse Gas Emissions
305-6	Emissions of ozone-depleting substances (ODS)	26	4.5.3 Emissions of Ozone-Depleting Substances
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	27	4.5.4 Volatile Organic Compounds (VOCs)
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	27	4.5.5 Wastewater Treatment
306-2	Waste by type and disposal method	28	4.5.6 Waste Treatment
306-3	Significant spills	-	There is no such spills in Feng Tay Group.
306-4	Transport of hazardous waste	-	Not applicable
306-5	Water bodies affected by water discharges and/or runoff	-	No significant effects were caused by the operations of Feng Tay Group.
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	28	4.5.7 Environmental Compliance Records
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	19	3.3.1 Management of Suppliers' ESH and Workers' Rights
308-2	Negative environmental impacts in the supply chain and actions taken	19	3.3 Supply Chain Management
GRI 401: Employment			
401-1	New employee hires and employee turnover	32	5.1.1 Employment
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	37	5.1.5 Employee Communication and Rights
401-3	Parental leave	38	5.1.6 Employee Care and Welfare
401-3	Parental leave	34	5.1.2 Protection of Worker's right
GRI 402: Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	-	Feng Tay Group follows government rules of noticing procedure under mentioned circumstances.

GRI Standards	Indicator Description	Page	Report Section or Explanation
GRI 403: Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	40	5.1.7.1 Environment, Safety, and Health Management
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	33	Absentee Rate and Monthly Turnover Rate
403-3	Workers with high incidence or high risk of diseases related to their occupation	41	5.1.7.4 Occupational Injury
403-3	Workers with high incidence or high risk of diseases related to their occupation	40	5.1.7.1 Environment, Safety, and Health (ESH) Management
403-4	Health and safety topics covered in formal agreements with trade unions	40	5.1.7.1 Environment, Safety, and Health (ESH) Management
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	36	5.1.7.1 Environment, Safety, and Health Management
404-2	Programs for upgrading employee skills and transition assistance programs	36	5.1.7.1 Environment, Safety, and Health Management
404-3	Percentage of employees receiving regular performance and career development reviews	-	Feng Tay Group carries out performance evaluation with each employee regularly.
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	31	Full-time Employee Compositions in All Regions
405-2	Ratio of basic salary and remuneration of women to men	-	The ratio of basic salary of men to women is one to one
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	34	5.1.2 Protection of Workers' Rights
GRI 407: Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	37	Freedom of Association
GRI 408: Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	31	5.1.1 Employment
408-1	Operations and suppliers at significant risk for incidents of child labor	19	3.3 Supply Chain Management
GRI 409: Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	31	5.1.1 Employment
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	19	3.3 Supply Chain Management
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	42	5.2 Social Engagement
413-2	Operations with significant actual and potential negative impacts on local communities	-	There was no such negative impacts on Feng Tay Group
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	19	3.3 Supply Chain Management
414-2	Negative social impacts in the supply chain and actions taken	-	There was no such negative impacts on Feng Tay Group
GRI 416: Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	16	3.2 Customers Satisfaction and Services
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	There was no such negative impacts on Feng Tay Group
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	There was no such complaint against Feng Tay Group
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	-	There was no such case on Feng Tay Group.



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