

# Supply Chain Partnership Relationship



Far Eastern New Century cares not only for our employees and actively creating a safe and healthy work environment, we also use the same standards with our supply chain partners, focusing on their work environment and welfare, ensuring the health and safety of our supply partners through management and communication methods.



## Communication and Evaluation of Suppliers

In order for our supplier partners to understand and meet our standards regarding safety and ethics, we have stipulated supplier behavior principles, which clearly specify our ethics, compliance, and health and safety mechanisms. At the same time, we pass on our corporate spirit of "Sincerity, Diligence, Thrift, Prudence, and Innovation" via the home page of the ecome website (<http://ecome.com.tw/>), written materials and meetings, thus promoting our concept of corporate social responsibility.

From 2004 to the end of 2012, we were signatories to the "Supplier Behavior Principles and Promise Declaration." The ratio of domestic supplier stands at 85.80%. With regards to domestic suppliers with whom we cooperated with prior to 2004, we planned to complete the three stages of supplier behavior principles and promise declaration within three years, fulfilling our supply chain responsibilities, thus leading supply chain partners to respond collectively to their social and environmental protection responsibilities.

### Supplier Behavior Principles

1. **We comply with Labor Standards Law and relevant regulations:** we do not force labor, hire illegally or use raw materials that are prohibited by laws and regulations.
2. **Confidentiality of information:** we guarantee confidentiality of information regarding technology, quality, products, and services, and exhibit business ethics and responsibility.
3. **The limits of user units and purchase:** we set clear boundaries of requisition and purchase. Suppliers and user units can discuss technological topics such as assistance in drawing up specifications and explanations. They are not allowed to discuss or transfer any business clauses to user units.
4. **Occupational ethics:** suppliers and purchase centers engage in a professional relationship. They should avoid invitations, gifts, and social events.
5. **Fixed price:** Suppliers should not quote different prices to different user units in the organization.
6. **Planning for operational staff:** service items that are predictable, such as annual maintenance or specifically skilled maintenance projects, should be planned ahead of time. Suppliers should not give a case overload or holidays as excuses for price increase or not accepting the cases.
7. **Design and contract separation principle:** if suppliers are involved in design or planning, they should not participate in the follow-up execution work of those cases.
8. **Cost analysis:** when raw material or labor costs increase, suppliers should comply with the demands of the purchase center, and provide information on cost analysis.



In order to assure service quality, we use supplier evaluation records as references when selecting suppliers. We also look into records of bad transactions, using the violation point method to evaluate or eliminate suppliers, and also exercise strict control over one-time suppliers. In the future, we will look at concrete conditions, and include the CSR performance of suppliers in evaluation indices, lowering the risks of suppliers' CSR performance through active understanding and analysis.

1. We conducted supplier evaluation every year, making detailed records as the basis for selecting suppliers. Suppliers with bad record ratio higher than 15% or exceeding three instances are temporarily listed as observing suppliers. Regarding those with bad records exceeding five instances, we first try to understand the actual reasons for this, and then decide whether or not to penalize them.
2. When construction cases are being checked for acceptance, "supplier evaluation form" should be filled out. These are divided into four evaluation categories: joint evaluation items, including professional competency, service competency, and problem solving ability; delivery evaluation items, including product quality, on time delivery, defective product improvement speed; engineering evaluation items, including work progress control, expenditure control; and personnel service evaluation items, including personnel turnover and personnel attendance situation.
3. If suppliers are recorded as "improvement need" or "very poor," they are listed as observing suppliers; we will try first to understand the actual reasons for this, and then decide whether or not we will penalize them. In 2012, we evaluated 2,640 construction suppliers. 21.10% were listed in the excellent category, while 77.99% were listed in the good category.
4. We exercise strict control over one-time suppliers. A "one-time supplier" should not be involved in a second transaction within the year. They must provide requested information before continuing business transactions with us. If they have not completed corporate credit reports and relevant documents within two years, they will be removed.



Implementation of Supply Chain Communication and Interaction

We maintain good relationships with suppliers and user units through planned visits. With this face to face communication, we can build mutual trust as well as understanding each other's needs, this in turn benefitting the quality of our cooperation.

Subjects Visited	Goal Values (Times/Years)	Actual Values in 2012
User units	20 times	25 units
Important suppliers	80 times	75 units



Encouraging Green Purchases

Through information collection, advocacy, promotion and product purchase, we lead those within the corporation and supply chain partners in green purchases. We hope that through this, we can guide the industry towards green production and being environmentally friendly.

Actions	Description
Information Collection	<ul style="list-style-type: none"><li>Through online research of green labels, we understand the green credentials of products, such as environmental protection labels (Environmental Protection Administration , Executive Yuan), energy labels (Bureau of Energy, Ministry of Economic Affairs), water efficiency labels (Water Resources Agency, Ministry of Economic Affairs), and green building material labels (Taiwan Architecture and Building Center).</li></ul>
Advocacy and Promotion	<ul style="list-style-type: none"><li>Internal departments: we have invited experts from the Bureau of Energy at the Ministry of Economic Affairs to introduce green purchases. We also invite companies with environmental protection or energy labels to introduce their products.</li><li>User units: we request that they purchase environmental protection and energy saving green labels. For large-sum (or large quantity) purchases of electricity and energy consuming products, we request that they conduct energy saving evaluations.</li><li>Suppliers: Corporations that receive the green or environmental protection and energy saving certifications have priority for purchase or increased weight.</li></ul>
Product Purchase	<ul style="list-style-type: none"><li>Product that receive the green or environmental protection and energy saving certifications have priority for purchase or increased weight.</li><li>The goal of green purchase is 5% of the sum of all annual purchases.</li></ul>

Safety and Health Management of Contractors



Far Eastern New Century not only emphasizes employees' safety, but we also care about the safety of contractors at work. We are dedicated to providing a safer work environment, and also try to reduce occupational hazards. We also work hard to ensure the safety and health of that all workers in the factory (including contractors). Having signed contracts with contractors, we then request that they sign safety and health documents such as the "Contractor Safety and Health Promise", "Preparation for the Establishment of Labor Safety and Health for Managerial Staff" and the "Contractor Operational Safety and Health Records." In addition, we require that contracted workers participate in safety and health educational training, and pass relevant tests. We also conduct occasional educational training and meetings of various kinds for contractors. These include safety and health standards that must be met by contractors' vehicles and machinery. We sign organizational agreements with contractors every year, in order to ensure safe operations. For the construction and assistance in contracting after winning the bids, through such undertakings, we ensure that safety and health are upheld on the part of contractors during construction and thus reduce the risk of accidents.

Item	Method
Signing of standards	Filling in work applications and relevant signing-in information
Contractor educational training	We conduct safety training and operational hazard awareness with newly hired contractors when first entering the factory. We request that they sign notices; they are then retrained twice a year.
Comment on operational hazards	We conduct 5~10 minutes of operational hazard awareness before entering the factory. We announce safety notices, and request that they sign the notices.
Alcohol test	Before they entering the factory, security staff perform an inspection upon operational staff. If security staff smell alcohol, they will perform an alcohol test. If staff are found to have consumed alcohol, they are not allowed to enter the factory.
Safety notices on the surrounding area	When entering the factory, contractors are notified regarding safety in the surrounding area. We also provide documentary films, education, and advocacy related to operations, and remind staff entering the factories to be aware of the importance of work safety.
Review and improvement	We review weaknesses in the work of contractors every day, and made improvement. Contractors are asked to take records of occupational safety lapses that happened on that given day, and are required to make improvements the following day.

Safety Partnership Plan

In order for Hsinpu Chemical Fiber Plant to upgrade overall safety and health performance, we applied to participate in the "safety partner plan" of the Northern Region Inspection Office, Council of Labor Affairs, Executive Yuan. The period of cooperation lasted from December 24th 2009 to December 31st 2011. The contents included: 1. Safety and health educational training. We have recorded case studies of occupational hazards in factories. 2. Contracted management. On occasion, we invited the Northern Region Inspection Office to come to the factories for themed speeches and sharing of experience. 3. Promotion of the "Taiwan Occupational Safety and Health Management System." 4. We have conducted high risk observing seminar of a chemical engineering plant. 5. Labor safety cooperative inspection. We invited experts to come to the factory and work with the safety inspectors to look into weaknesses in safety and health management, and to make improvements.



The Council of Labor Affairs Safety Foundation Plan

By 2010, the Hsinpu Chemical Fiber Plant had cooperated with the "Labor Safety and Health Foundation Plan - Labor Safety and Health for Registered Families" for three consecutive years. With large factories leading small factories, we have assisted and guided medium and small sized enterprises in improving their work environment. The Hsinpu Chemical Fiber Plant was voted as Hsinchu County's major company for "building safe families." We conduct regular family operational meetings, mutual safety inspection and on-site hazard recognition, accident case review meetings, and targeted training of safety and health staff, etc.

The Council of Labor Affairs TOSHMS Promotional Meeting

In 2010, Hsinpu Chemical Fiber Plant participated in the Council of Labor Affairs "Taiwan Occupational Health and Safety Management System TOSHMS Promotional Meeting." We were named the deputy director of northern region promotional meeting educational training group. We shared our practical experience with industrial circles, helping improve the safety and health technical abilities of other enterprises, in order to reach our goal of continuous improvement of the management system.

# Maintenance of Client Relationships

Far Eastern New Century emphasizes the pursuit of customer satisfaction. We continue to develop products and services that satisfy our clients. From product design, research and development, production and manufacturing to after-sales service, we continually pursue customer satisfaction. Even when customer satisfaction surveys are not carried out, we nonetheless collect client opinions and recommendations immediately through clear and direct feedback and communication mechanisms, sending these to various departments for analyses and responses, to deal with problems and promote overall measures. The corporation's channels of client communication include:

- 1. On occasion we use phone calls, e-mail, fax, letters, webcams, visits, business trips, and participate in exhibitions to maintain client relationships.
- 2. According to the various needs of clients and orders, we provide order progress reports, loading statuses or price changes of raw materials for the reference of our clients whenever needed.
- 3. We develop new products or cooperate with clients to develop new production processes and products.

When our sales or customer services representatives receive complaints or notices, they record the problem immediately, using paper documents or electronic information systems, and report client complaints to the managers.

If we receive complaints regarding quality, we will visit the client for inspection when required, or go with the technicians and other relevant staff to the factory and handle the case in accordance with the Far Eastern New Century "Customer Quality Complaint Handling Standards."

## Customer Complaints Handling Mechanism

Far Eastern New Century has stipulated "Customer Quality Complaint Handling Standards." Sales departments handle customer complaint letters with paper documentation or electronic information systems. In addition, the company website also includes functions such as FENC news and contact email addresses for recommendations and feedback, meaning that clients can respond immediately to problems when they receive important messages from the company.

All company units follow the processing of customer complaints, which are organized into files. If the results of this process require the company to pay compensation, the compensated amount is authorized by each of the business units.

## The Key Points of Customer Complaints

- 1. When we receive oral, paper, or e-mail customer complaints, we notify production units to look into the reasons and the parties responsible, and come up with a solution. Relevant units should bear the responsibilities for improvement and provide improvement proposals, in order to ensure that the same mistakes will not happen again. We respond immediately to clients, and send technicians promptly to handle customer complaints.
- 2. General cases should be responded to within 7 days, depending on cause analysis, improvement strategy, and compensation method.
- 3. If large cases need a lot of time to be analyzed and handled, we will notify the clients first, and after the process is complete, we will respond officially to the clients.



## Client Needs Management

Far Eastern New Century emphasizes satisfying client needs and the pursuit of customer satisfaction. In order to respond to client needs for product innovation, we provide products and services that fulfill client expectations through thorough research and development, and after-sales service mechanisms.

### Response Mechanisms

	Raw Materials	Production Procedures	Environmental Protection
Client needs	1. Diverse and functional options 2. Quality stability 3. Competitive price	1. Strict production management 2. Quality stability 3. Punctual and precise shipping	1. Reduce products' environmental impact 2. Reduce the materials used in production processes 3. Energy saving and carbon emission reducing measures
Response mechanisms	1. Search out and cooperate with users of the products in domestic and international raw material plants. 2. Long-term and diverse purchases to fulfill raw material resource needs. 3. We make purchases at appropriate times and continue to make improvements regarding production cost.	1. All unit managers conduct regular reviews 2. Machine maintenance and compliance with management standards 3. Fully communicate to ensure precise shipment dates	1. Search out and use raw material factories and products with environmental protection certification 2. Work together with downstream companies to collectively reduce the use of the raw materials in the supply chain. 3. Optimize production processes and re-install facilities in order to reduce energy lost through wear and tear.

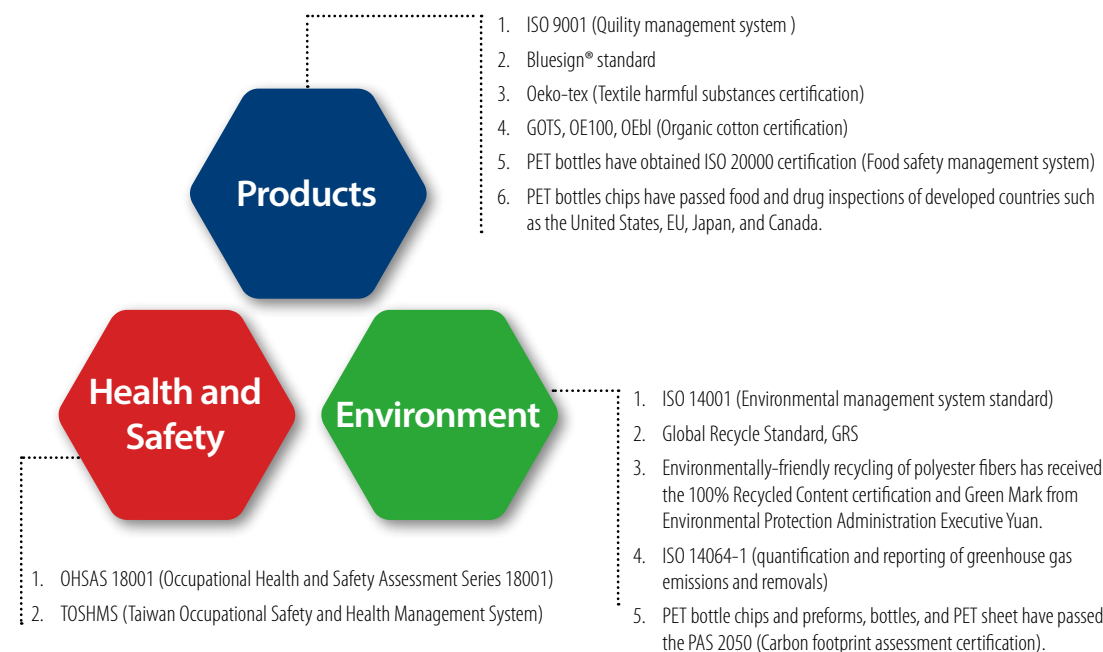
### Upgrading Mechanisms

	Raw Materials	Production Procedures	Environmental Protection
Research and development	1. We focus on and develop innovative raw materials and promote its application. 2. Collective and integrated development of supply chains. 3. Advanced research and development capabilities.	1. Continue with the optimization of production processes 2. Provide effective inspection/control methods, to make sure the quality of products meets standards.	1. Design products and procedures to use the newest environmentally-friendly materials and energy-conserving and emission reducing processes and facilities. 2. We choose reusable materials, while researching environmentally-friendly and energy-conserving packaging materials.
Production	1. Ensure raw materials meet required standards. 2. Similar products are produced with similar raw materials. 3. Purchase raw materials at the proper time, ensuring steady price and supply.	1. All production control points are implemented in full. 2. As stipulated by production records, we keep an eye on abnormal occurrence points and immediately make improvement. 3. Lower rate of abnormal occurrence during production.	1. Remove and renew old facilities properly, upgrade production capacity, and lower energy wastage. 2. Apply for international environmental protection certifications. 3. Production reviews and designs plan to reduce unnecessary wastage. 4. Concentrated processing to reduce use for raw materials and energy.
After-sales service	1. We record the status of raw material usage immediately and thoroughly. 2. When changing raw material, we notify clients and suggest production conditions. 3. Regularly record usage status.	1. Respond to the client response status, communicating and making necessary adjustments on the site. 2. We assist clients in setting the best production coefficients according to the product characteristics.	1. We assist clients in reducing raw material wastage during production. 2. Promotion of new production processes, new products, and environmental protection certification.



## Information Platform Integration Plan

### We Obtained Relevant Certification in Response Client Needs

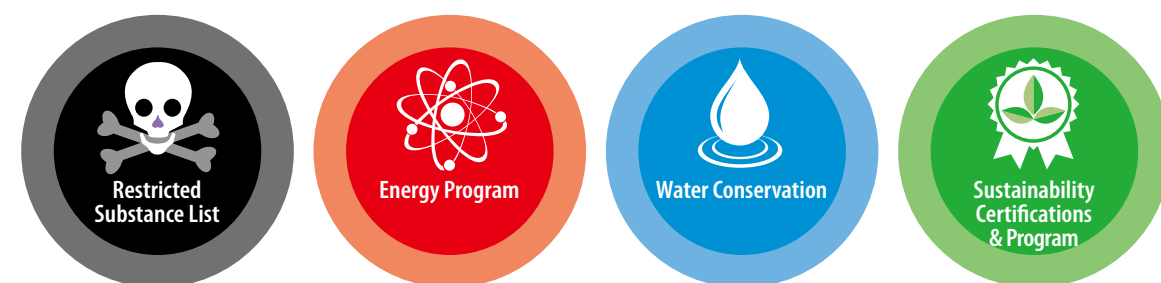


### Participating in Brand Sustainability Plans

Far Eastern New Century has fulfilled its supply chain social responsibility: we respond proactively to the concepts of sustainability of brand suppliers, and are striving onward towards the goal of using environmentally-friendly raw materials. We also respond proactively to green plans and standards promoted by suppliers.

Currently, brands who purchase Far Eastern New Century products use network platform mechanisms in evaluating the sustainability of the supply chain, requesting suppliers to send certification documents and then conducting a points evaluation according to the conditions of certification documents. We cooperate in fulfilling societal and environmental sustainability responsibilities.

The certification documents that Far Eastern New Century have uploaded upon request of clients are as follows:



With the development of global trade, Taiwan textile industry's environment is facing difficulties, such as the questions of how to develop new products in a timely manner, respond quickly to client needs and make production management information transparent. We will need to be actively involved in electronic operations, in order to improve competitiveness.

To this end, Far Eastern New Century is actively involved with internal and external procedural management information, and promoting the information platform integration plan. Through organizational restructure, we changed the one-way transfer mode of department information on supplies from chemical and fiber plants, apparel, and finished products, so that information relating to research and development, production, and marketing can reach multiple destinations through platforms of communication. At the same time, we share resources with external clients and satellite factories in order to optimize service quality. We can further boost the global efficiency, and promote industrial competitiveness. This way, we can boost the efficiency and effectiveness of Far Eastern's global operations and improve the competitiveness of the industry.

Orders are the main nucleus of our planning. When we receive order confirmation, we enter a global production planning integration platform. We conduct order production planning and abnormal status monitoring. We transform production procedures into searchable information feedback for clients to conduct statistical analysis. This forms a reference base for future research and development, developing into a comprehensive guidance service.

In addition, in order to strengthen internal production, control efficiency, optimize resource use and reduce rolling time, we use buyer prediction systems before clients officially confirm purchases. We first collect the predicted purchase quantity of each big brand buyer, then conduct purchase information integration. In the meantime, we transfer information to our cooperating raw material suppliers (yarns). We prepare the raw materials of yarns and fabrics in advance for large quantities, in order to speed up actual production and improve efficiency.