

# Far Eastern New Century Corporation (FENC) Framework for Sustainable Bonds

## 1. Corporate Social Responsibility of FENC

Far Eastern New Century Corporation (“FENC”, “we”, “us”, “our”) has won international recognitions for its circular economy model. Through research, development and innovation, we infuse new life into waste PET bottles, hence reducing GHG emissions and waste in the environment; protecting land and marine habitats. In 2019, FENC’s performance in recycling and remanufacturing PET bottles has not only been witnessed by the Sustainable Products Division from Directorate-General for the Environment of the European Commission and International Resource Panel at the United Nations Environmental Programme”, but also been selected as one of the case studies for the side events during COP 25, which have enhanced Taiwan’s international reputation.

In 2020, the COVID-19 pandemic ravaged the world and severely damaged the global economy and the stability of supply chain in industries. As the world’s largest supplier of hygiene and medical application PE/PP and PE/PET bi-component fiber, FENC collaborate with the government to produce face masks, making every efforts to dispatch and supply a series of epidemic prevention products to protect the health of the entire nation. Besides, FENC has been upholding its sustainable sourcing policy for decades, for ensuring job opportunities for disadvantaged groups, supporting local small and medium-sized enterprises (SMEs), and enhancing the industry development in Taiwan.

To foster growth into the next stage, FENC formulate the development strategies that allow us to respond to rapid changes with agility and identified the 6 influential trends: “ Industry 4.0 , digital revolution, energy, environmental sustainability, transparency and traceability, protectionism” to follow with a keen focus on transition. Furthermore, FENC is devoted to link the said 6 influential trends into United Nation’s Sustainable Development Goal (SDGs), by connecting the group’s core business to echo these SDGs like: SDG1 (No Poverty), SDG3 (Good Health and Well-being), SDG4 (Quality Education), SDG6 (Clean Water and Sanitation), SDG7 (Affordable and Clean Energy), SDG8 (Decent Work and Economic Growth), SDG9 (Industry, Innovation and Infrastructure), SDG10

(Reduced Inequalities), SDG11 (Sustainable Cities and Communities), SDG12 (Responsible Consumption and Production), and SDG13 (Climate Action) etc. Through the issuance of Sustainable Bond, FENC has been expanding the business scope within the society and environment for creating a new era of sustainability.

## **2. Use of Proceeds**

FENC has established the Framework for Sustainable Bonds<sup>1</sup> in alignment with Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), administered by the International Capital Market Association (ICMA), and Taipei Exchange Operation Directions for Sustainable Bonds (the “Operation Directions”), administered by the TPEX. The Framework is composed of the four core components: Use of proceeds, Process for evaluation and selection, Management of proceeds, and Reporting. When issuing Green Bond, Social Bond, and Sustainability Bond (“the Sustainable Bonds”), we will follow the scope of application, related operations, and management procedures mentioned in this Framework, and make the assessment to confirm if the proceeds allocation and the intended benefits from the Eligible Projects meet the requirement in this Framework.

We intend to allocate an amount equal to the net proceeds from the sale of the Sustainable Bonds issuance to finance or refinance, in whole or in part, one or more new or existing green and/or social Eligible Projects.

### **2.1 Green Eligible Projects:**

We expect that each of our Eligible Projects will meet one or more of the following criteria when issue Green Bond or Sustainability Bond:

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<sup>1</sup> In accordance with the Operation Directions, the term "Sustainable Bonds" means green bonds, social bonds, or sustainability bonds that have been accredited by the TPEX.

Green eligible project category	Example projects	Eligibility Criteria
Development of renewable energy and energy technology	To install solar energy-based renewable energy installations and equipment, including but not limited to the purchase of solar power plants and construction expenditures	In response to the government's green energy development goals, it actively evaluates the possibility of self-built solar power generation in various domestic bases, and at the same time evaluates the feasibility of the construction of renewable energy equipment in foreign factories. The proceeds are expected to be invested in related equipment purchases and engineering expenditures or repayment of related financing.
Improvement of energy efficiency and energy conservation	To Improve or replace the product manufacturing process related equipment and green building construction, including but not limited to equipment purchase payment and green building construction material purchase and engineering expenditure	It is expected that more efficient production can be achieved through the update of process-related equipment, and the green building possibilities of various new projects are also actively evaluated. Projects will be selected for efficiency improvement of energy consumption sources with intensive greenhouse gas emissions. For green building projects, projects that have obtained the internationally recognized green building mark will be selected, and the mark cannot be the lowest level of the certification standard. The funds are expected to be invested in the purchase of related process-related equipment, green building materials and construction project expenditures.
Waste recycling or reuse	To recycle PET bottles/chips, including but not limited to the purchase of PET bottle bales and bottle chips, and reproduce them into r-PET chips for reuse	We purchased a large amount of recycled materials such as PET bottle bales/sheets, which significantly reduced the carbon emissions of packaging materials and textile materials compared to traditional petrochemical packaging materials. Funds are expected to be invested in the purchase of PET bottle bales/chips and renewable raw materials and the expenditure of the traceability certification system.

Water resource conservation, purification, or reclamation, recycling, and reuse	To Purchase and install the water resources recovery and recycling equipment, including but not limited to the construction of water resources system in T-Park (Banqiao)	Evaluate the possibility of installation of water resources recycling systems for new projects and old buildings or factories. The proceeds will be invested in related equipment purchases and construction project expenditures.
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The intended benefits of green investment projects are illustrated as follows:

Green eligible project category	Eligibility criteria and example projects	Intended environmental benefit	Sustainable development goal (SDGs)
Development of renewable energy and energy technology	To install renewable energy equipment and equipment based on solar energy	By installing renewable energy devices and equipment to supply some of our operating power, reduce greenhouse gas emissions and cope with risks related to climate change. It is estimated that every kilowatt of solar power plant construction can bring about 0.509 kilograms of carbon reduction benefits.	SDG 7  SDGs 13 
Improvement of energy efficiency and energy conservation	To improve or replace product manufacturing process and purchase of related equipment, green building construction	<p>By taking the annual data of the previous year as the benchmark value, the goal of energy saving and the reduction of carbon emissions per unit of product can be achieved through equipment improvement or replacement. The actual energy saving and carbon reduction benefits will be subject to the standard process and equipment at the time of bond issuance.</p> <p>To construct green buildings that comply with my country's EEWH standard or the international green building certification standard LEED to achieve the goal of improving energy efficiency. The target green building will be no less than EEWH</p>	SDG 7  SDG 11  SDG 13 

		gold or LEED gold certification.	
Waste recycling or reuse	To recycle PET bottles/sheets and make them into environmentally friendly packaging materials and textile materials	It is expected to recycle PET bottles/chips to reduce the pollution caused by waste burial or incineration, and to make materials that can replace traditional petrochemical materials and achieve the effect of reducing carbon emissions. The ester pellets made from PET bottle bricks per kilogram need to be 63% or more lower than the life cycle (LCA) carbon emissions (GWP100a) of traditional petrochemical raw materials.	SDG 9  SDG 12  SDG 13  SDG 14  SDG 15  SDG 17 
Water resource conservation, purification, or reclamation, recycling, and reuse	To purchase and install the water recovery and recycling equipment	By installing rainwater and reclaimed water recovery and recycling systems in buildings and public facilities for landscape irrigation and reducing process water. The actual benefits of the recovery and recycling system are based on the size of the target installable system at the time of bond issuance.	SDG 6 

**2.2 Social Eligible Projects:**

We expect that each of our Eligible Projects will meet one or more of the following criteria when issue Social Bond or Sustainability Bond

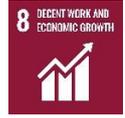
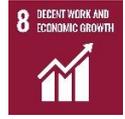
Social eligible project category	Example projects	Eligibility Criteria
Affordable basic infrastructure	To Construct the underground drainage pipes and sewage pipes, traffic roads and public recreational parks, including but not limited to the construction of parks and roads in and near T-Park (Banqiao)	In large-scale park construction cases, the construction and related maintenance of underground drainage pipes and sewage pipes, traffic roads, and public recreational parks are fully arranged. It can enhance local neighbors with more comprehensive infrastructure. The proceeds are expected to be invested in the related construction expenses and annual maintenance expenditure.
Access to essential services	To provide school opportunities and provide medical services, including but not limited to the establishment of barrier-free spaces in schools and hospitals and inclusive services for disadvantaged groups	Yuan Ze University and Far Eastern Memorial Hospital, both of which belong to Far Eastern Group, have assisted the disadvantaged groups to obtain equal education and medical services in the long term. The proceeds will be invested in infrastructure (such as barrier-free spaces) to serve disadvantaged groups and expenditures on education or medical subsidies and loans.
	To supply 90%-100% of the mask inner materials in Taiwan during the Covid-19 epidemic with full production and scheduling, to focusing on the research and development of anti-epidemic functional products, including anti-fog masks using recycled PET bottles as raw	The proceeds are used for the production of relevant raw materials for the national team of masks during the epidemic, and the production of raw materials for cheap medical devices outside the national team, including mask fabrics, protective clothing and mask plastics, and plastics for blood collection tubes. To provide affordable raw materials for medical equipment to help the society survive

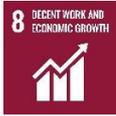
	materials, protective clothing fabrics that meet the highest medical standards, and polyester (PET) blood collection tubes, to provide stable quality in the global medical and health industry medical equipment	the Covid-19 epidemic and stabilize social development.
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	To provide regular employment opportunities for disadvantaged groups and organize irregular activities to help alleviate economic pressure, including but not limited to the employment of labor employees in the T-Park (Banqiao)	The large-scale parks of Far Eastern Group provide certain jobs in the parks for disadvantaged groups to ensure employment opportunities, and funds will be invested in the salary expenditures for such employment opportunities.
	To support domestic small and medium-sized enterprises during the Covid-19 epidemic, to maintain the employment of important employees of small and medium-sized enterprises, to assist in getting through the epidemic, and to avoid economic crises and unemployment caused by the epidemic	The proceeds will be invested in maintaining the jobs of local SME employees during the epidemic. FENC will strictly define the SMEs affected by the epidemic in accordance with the SME standards defined by the World Bank Group, and continue to conduct transactions with domestic SMEs that consider FENC as its main customers to avoid the epidemic. Severance of employees due to decline in income or bankruptcy.
Socioeconomic advancement and empowerment	To increase employment opportunities and salary guarantees for disadvantaged groups to ensure their basic human rights	The proceeds will be invested in purchasing recycled PET bottles and PET bottle bales with local recyclers in the country, and working with local recyclers in the country to identify independent recycling self-employed individuals of disadvantaged groups,

		and assist in the purchase of recycled PET to protect the income of disadvantaged groups during the epidemic. Maintain local economic growth and employment opportunities.
	To hold charity sales and various public welfare activities from time to time to help alleviate the economic pressure of disadvantaged groups and help the public to establish a sustainable concept, including but not limited to the guidance of the sustainable concept of the student population and the expenses for holding the bazaar and related venue construction and maintenance expenses	Provide space for disadvantaged groups to hold public welfare activities and markets in large parks. The proceeds will be invested in the space construction and maintenance expenditures.

The intended benefits of social investment projects are illustrated as follows:

<b>Social eligible project category</b>	<b>Eligibility criteria and example projects</b>	<b>Intended social benefit</b>	<b>Sustainable development goal (SDGs)</b>
Affordable basic infrastructure	To Construct the underground drainage pipes and sewage pipes, traffic roads and public leisure parks	Hope that through the establishment of drainage and sewage pipes and traffic roads around our buildings, it will assist the surrounding residents to achieve the purpose of flood prevention and traffic improvement. Also, through the establishment of public	SDG 6  SDG 11

		recreational parks, it will provide the surrounding residents with games places for the elderly and young.	
Access to essential services	To provide school opportunities and provide medical services	Establish , maintain, and update the hardware and software equipment of schools and hospitals, continue to provide services to the general public, and additionally assist the disadvantaged groups to obtain the same quality of service.	SDG 3  SDG 4 
	To provide the relevant raw materials to masks producers in the epidemic and other cheap raw materials to medical equipment suppliers	During the epidemic, assist the government to provide medical equipment manufacturers sufficient raw materials to produce affordable medical equipment, including mask fabrics, protective clothing and mask plastics, and plastics for blood collection tubes, so as to provide high-quality and affordable medical equipment for the local people and medical personnel. The spread of the epidemic caused by people's inability to obtain medical equipment.	SDG 3 
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	To provide regular employment opportunities for disadvantaged groups	Provide disadvantaged groups with certain positions in FENC and assist environmental protection business suppliers to hire disadvantaged groups to create relevant jobs.	SDG 1  SDG 8 
	To support local SMEs	The proceeds will be invested in transactions with domestic small and medium-sized enterprises that regard FENC as their main customers to avoid dismissal of employees due to decline in income or bankruptcy caused by the epidemic.	SDG 8 

	<p>To Ensure independent recyclers from disadvantaged groups</p>	<p>The proceeds will be prioritized in use to the purchase of recycled PET bottles from independent recyclers from disadvantaged groups to assist the disadvantaged groups in their economic independence and social rights.</p>	<p>SDG 1</p>  <p>SDG 8</p>  <p>SDG 10</p> 
<p>Socioeconomic advancement and empowerment</p>	<p>To hold charity sales and various public welfare activities from time to time to help alleviate the economic pressure of disadvantaged groups and help the public to establish and advocate the concept of sustainability</p>	<p>Provide venues to hold public welfare fairs in T- Park (Banqiao) from time to time, invite disadvantaged groups to participate in the booths and donate all our market proceeds to disadvantaged groups to alleviate their economic pressure.</p> <p>Provide T-Park (Banqiao) for students to register and visit, and provide professional interpretation services in the disaster prevention center and green building model room to establish the concept of disaster prevention and sustainability for the student population.</p>	<p>SDG 1</p>  <p>SDG 4</p>  <p>SDG 10</p> 

### **3. Process for Project Evaluation and Selection :**

The eligible projects are evaluated and selected in compliance of FENC's direction of the long-term development strategy of the business units and our corporate social responsibility report, aligned with the green bond principles, social bond principles, and sustainability bond guidelines administered by ICMA; for certain green eligible projects we further refer to the CBI Green Bond Database Methodology administered by the Climate Bond Initiative (CBI). These green and social eligible projects are conducted in accordance with our internal process and management procedures. Our Sustainability Committee has been established and responsible for identifying, evaluating and selecting based on the eligibility criteria in this Framework to ensure alignment with this Framework for Sustainable Bonds. Eligible Projects will be reviewed periodically.

### **4. Management of Proceeds :**

An amount equivalent to the net proceeds from the Sustainable Bonds issuances will be allocated in accordance to our internal process and management procedures to the Eligible Sustainable Projects as mentioned above. The sole bank account is opened and managed to track the allocation of proceeds to the Eligible Sustainable Projects. Pending proceeds from the Sustainable Bonds issuances may be temporarily invested or otherwise maintained in cash, cash equivalents, short-term investments or any other short-term money market operations that do not involve any equity. The use of proceeds will be reported to the authority concerned annually in compliance to relevant regulations.

### **5. Reporting :**

During the life of the Sustainable Bonds or the period of allocation of the proceeds raised by the bonds, we will commission an independent review and disclose with the intention of confirming that the proceeds have been allocated in accordance with the Uses of Proceeds specified in this Framework document, including the list of the environmental or (and) social benefit investment plans, the allocation among the eligible project categories, the

intended benefits of environmental or/and social eligible projects , the allocation between financing and refinancing ratio, and the use of pending proceeds. The independent review shall be conducted by a qualified certification body.

FENC will strive to report on the environmental or/and social impacts of Eligible Projects financed by the issuance of sustainable bonds based on the Framework when feasible and subject to data availability:

Bond Type	Eligible Project Category	KPI
Green Bond & Sustainability Bond	Development of renewable energy and energy technology	<ol style="list-style-type: none"> <li>1. Number of renewable energy equipment installation buildings or plant areas</li> <li>2. Total installed capacity of renewable energy equipment (MW)</li> <li>3. Estimated annual total power generation of renewable energy equipment (MWh)</li> <li>4. Estimated annual total carbon reduction of renewable energy projects (tons CO2e)</li> </ol>
	Improvement of energy efficiency and energy conservation	<ol style="list-style-type: none"> <li>1. Update the number of devices (#)</li> <li>2. Estimated total energy saving with base year (MWh)</li> <li>3. Estimation of total carbon reduction in the base year (tons CO2e)</li> <li>4. Certified by Green Building</li> </ol>
	Waste recycling or reuse	<ol style="list-style-type: none"> <li>1. Total weight of recycled materials (kg)</li> <li>2. Estimated carbon reduction compared with traditional petrochemical raw materials (kg CO2e)</li> </ol>
	Water resource conservation, purification, or reclamation, recycling, and reuse	<ol style="list-style-type: none"> <li>1. Annual total amount of recovered water resources (tons)</li> </ol>
Social Bond & Sustainability Bond	Affordable basic infrastructure	<ol style="list-style-type: none"> <li>1. Estimated number of beneficiaries (#)</li> <li>2. Construction road length (KM)</li> </ol>
	Access to essential services	<ol style="list-style-type: none"> <li>1. Number of schools or hospitals (#)</li> <li>2. Total value of services provided to disadvantaged groups (NTD)</li> <li>3. Number of beneficiaries of affordable medical equipment (#)</li> </ol>

	Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	<ol style="list-style-type: none"> <li>1. Number of employees employed by disadvantaged groups (#)</li> <li>2. Total salary provided each year (New Taiwan Dollar)</li> <li>3. Number of SME jobs assisted in maintenance (#)</li> </ol>
	Socioeconomic advancement and empowerment	<ol style="list-style-type: none"> <li>1. Estimated number of beneficiaries (#)</li> <li>2. The total number of public welfare activities held each year (#)</li> <li>3. Estimated number of beneficiaries of public welfare activities (#)</li> <li>4. Assisted independent PET bottle recycling merchant times (#)</li> </ol>

This Framework may be amended or/and updated periodically to reflect changes in market standards or practices.

This Framework for Sustainable Bonds will be reviewed by qualified certification body.

**Issuer: Far Eastern New Century Corporation**

**Chairman: Douglas Hsu**

**Date: May 4, 2021**