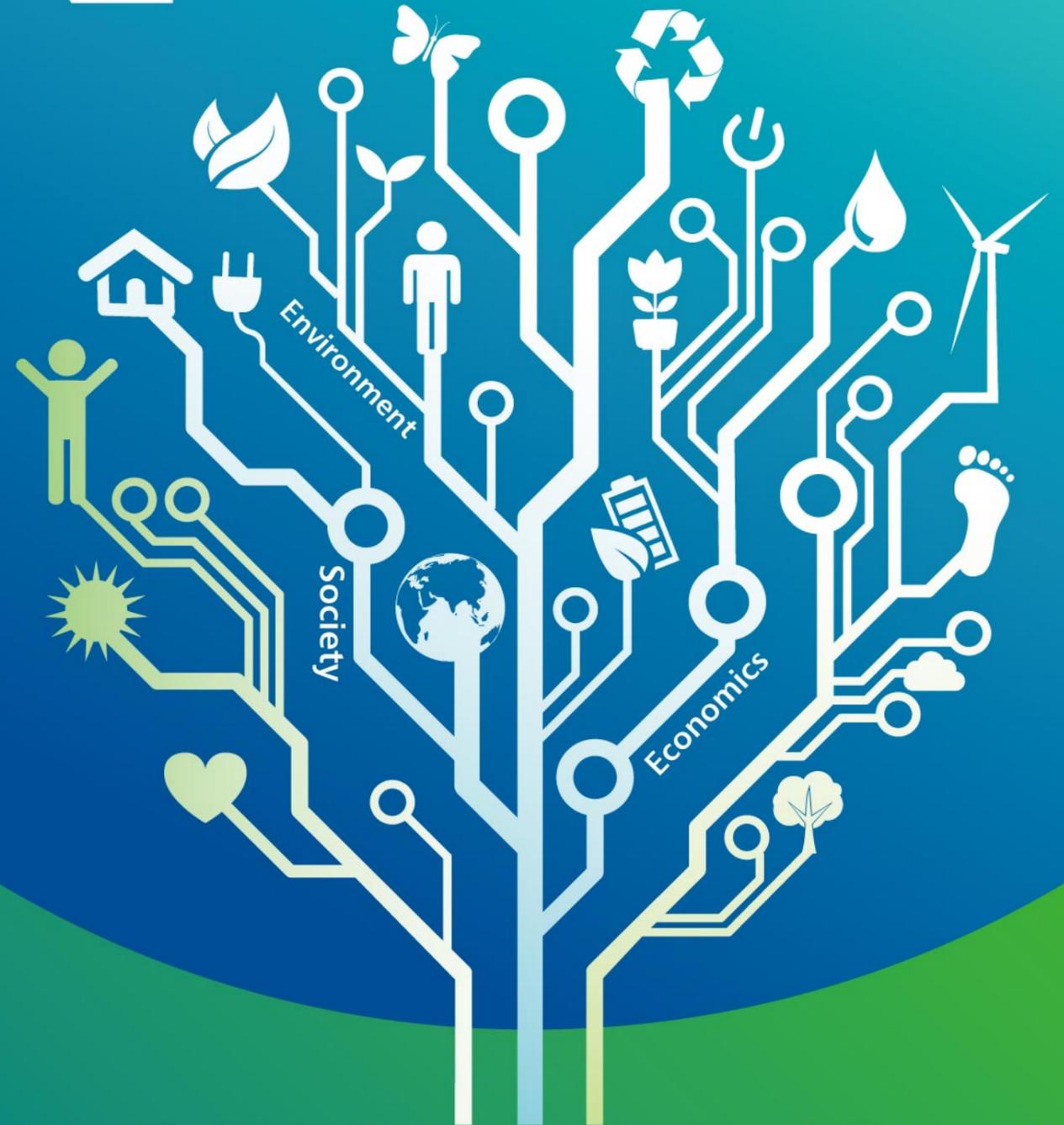




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2012 Corporate Social Responsibility Report

Universal Scientific Industrial Co., Ltd.

USI® Universal Scientific Industrial Co., Ltd.

2012 Corporate Social Responsibility Report

Published in July 2013

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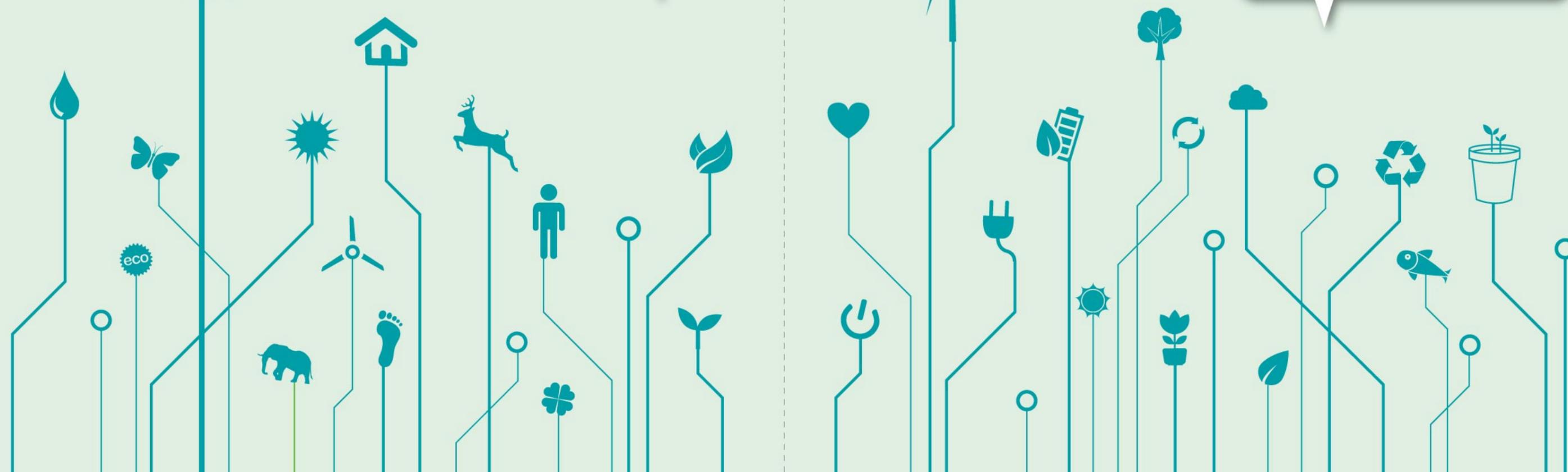
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About the Report

This is the first corporate social responsibility report ever published by Universal Scientific Industrial (Shanghai) Co., Ltd. (USI) and its subsidiaries. (The three corporate social responsibility reports published by Universal Scientific Industrial Co., Ltd., the parent company of USI Shanghai, covered the performance of USI Shanghai in this regard.) This report provides information about the concerns of the stakeholders of USI, including business information of facilities in Shanghai, Shenzhen, Kunshan, Taiwan and Mexico (note) (only information environmental and social information is provided for the facility in Mexico). The statistic data are in RMB; environmental, health and safety performances are expressed using accepted international indices.

In each chapter of this report, performances are based on the statistics and information of 2012 (from 2012/1/1 to 2012/12/31). The report refers to Global Reporting Initiative (GRI) 3.1 version, disclosing the executive achievements, responding policies, and future plans of various key issues about corporate social responsibility of USI. In order to improve the information transparency and accountability, this report has been verified by TUV Asia Pacific Ltd. Taiwan Branch (TUV NORD) and corresponds to the application level of GRI G3.1 A+ and the standard of AA 1000 AS: 2008. The statement is attached in the Appendices of the report.

Note: for the purpose of this report, the Shanghai facility or Shanghai factory refers to USI Shanghai as the parent company; Shenzhen facility or Shenzhen factory to USI Electronics (Shenzhen) Co., Ltd. as a subsidiary of USI Shanghai; Kunshan facility or Kunshan factory to Universal Global Technology (Kunshan) Co., Ltd. as a subsidiary of USI Shanghai; Taiwan facility or Taiwan factory to Universal Global Scientific Industrial Co., Ltd. as a subsidiary of USI Shanghai; and Mexico facility or Mexico factory to Universal Scientific Industrial de México, S. A.de C. V. as a subsidiary of USI Shanghai.

GRI G3.1 Application Level Criteria

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report on all criteria listed for Level C plus:	Report on all criteria listed for Level C plus:	Report on all criteria listed for Level C plus:	Same as requirement for Level B	Same as requirement for Level B
G3 Management Approach Disclosures	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.	Report Externally Assured	Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility.	Report Externally Assured	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	Report Externally Assured

*Sector supplement in final version

Publishing Cycle : USI will publish corporate social responsibility report regularly each year

Present Edition : July, 2013

Next Edition : July, 2014 presumably

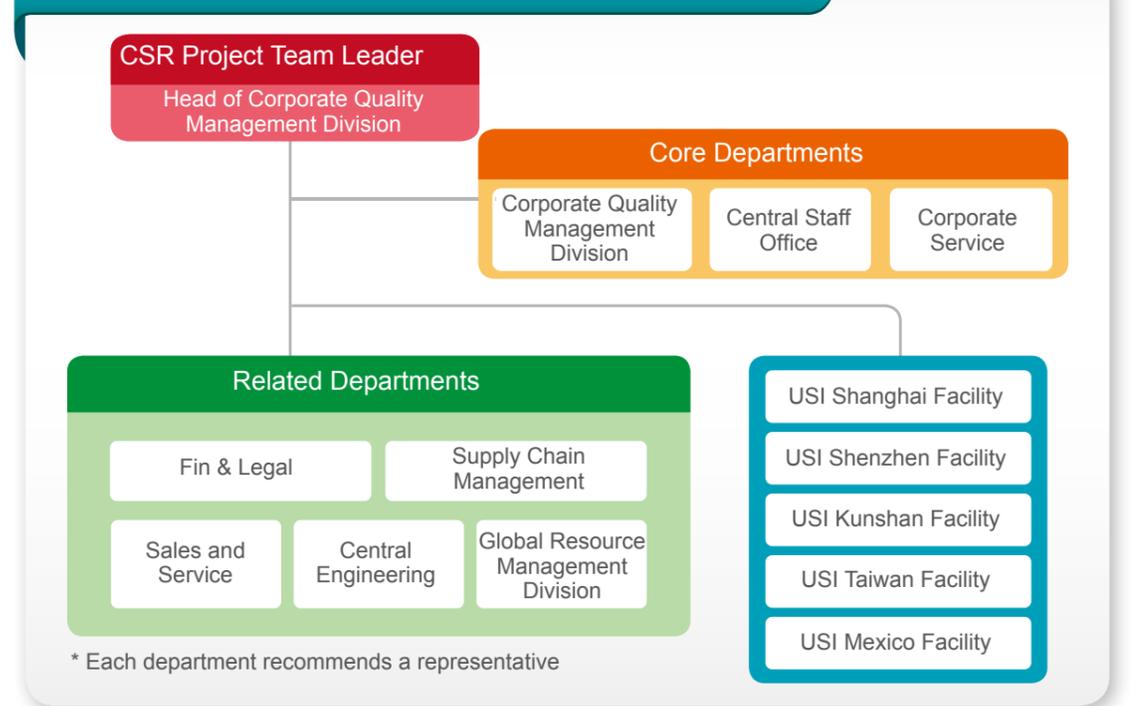
This report are written in Traditional/Simplified Chinese and English versions and published on the corporate website for reference. If you have any comments, questions, or suggestions, please contact us. The contact information is as follows:

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For making the contents of this report conform to the disclosing standards of sustainable indicators by Global Reporting Initiative (GRI), USI established "USI CSR Promotion Committee". The committee coordinated with each related department providing the information related to the corresponding indicators, and then edited this report systematically.

Structure of "USI CSR Promotion Committee"



"USI CSR Promotion Committee" is composed of 3 parts: core departments, related departments, and related units in all worldwide sites. The responsibilities of each part are listed as follows:

Core departments:

include Corporate Quality Management Division, Central Staff Office and Corporate Service. Corporate Quality Management Division drafts the report, specifies how the report will be done to related departments, and collects all data required. Green & Environment-Health-Safety Management Department is in charge of integrating and coordinating so that the efficiency of the report compiling will be enhanced.

Related departments:

include Fin & Legal, Supply Chain Management, Sales and Service, Central Engineering and Global Resource Management Division. All related departments collect and compile the data required based on their responsibilities and submit the data to the core department.

Related units in all worldwide sites:

include Shanghai, Shenzhen, Kunshan, Taiwan and Mexico sites. To collect and compile the data required based on their responsibilities and submit the data to the core department.

Operative Explanation of "USI CSR Promotion Committee"

- Core departments invited all related departments to hold corporate social responsibility report edition meeting
- Core departments explained editing principles and key information, and each related department collected and edited needed information about its business
- Collected information and edited contents were sent to core departments for further compiling and synthesizing
- The report was published after all contents were verified and confirmed



Letter from President

A gruesome challenge was thrown at the global economy as Eurozone debt crisis erupted in 2012. However, USI Shanghai achieved two milestones along its path of development. First, the company was public at the Shanghai Stock Exchange in February, the first Taiwan-invested major electronic design and manufacture service provider as a public company in China A Shares. Second, the business revenue of USI kept growing in 2012 and the net profits registered record high.

To become an A Shares company means that USI Shanghai has more economic, environmental and social responsibilities on the shoulders. Since 2008, USI has been promoting corporate social responsibility among employees internally and suppliers and contractors externally. Thanks to the close cooperation among all departments, Universal Scientific Industrial (a shareholder of USI Shanghai) published its "2008/2009 Corporate Social Responsibility Report." This indicates that "corporate social responsibility" is now part of our corporate business strategies.

This year is the first year of USI Shanghai publishes an independent corporate social responsibility report which will demonstrate to all stakeholders what we have done to facilitate the continuous development of economy, environment and society in 2012.



For many years, USI Shanghai has been dedicated in minimizing the negative impacts of our production processes to the environment. The safety, health, environmental protection and energy policies established were revised according to the Green Laws worldwide in order to ensure our product processes can minimize negative impacts to the environment. The consolidated revenue of USI Shanghai in 2012 was ¥ 13.335 billion, a growth by 4.94% compared to 2011. However, among the six major categories of raw materials we used for production, the five categories usage was lower than 2011. In 2012, the company realized ¥ 1.80 per share of social contribution (social contribution/share = EPS + (tax paid + payment of salary to employees + interest payment + public welfare expense)/ordinary shares circulating in that year).

Legislations have been made around the world trying to mitigate global warming. For example, carbon quota management is now in place in Shenzhen; legislation for reduction of greenhouse gas (GHG) emission is an ongoing process in Taiwan in terms of GHG emission management, trading system and possible energy or carbon taxes. The impact of climate change is foreseeable on businesses in terms of increased costs. Therefore, to reduce the risks from climate change, USI Shanghai managed to reduce 3% of GHG emission in 2012 compared to 2011 for the emission per million US dollars of production. For GHG reduction management, there are two long and medium-term plans were established and scheduled to launch in 2013. They are tree planting in Inner Mongolia and the establishment of ISO 50001 energy management system. The former is to plant 4,000 trees in Kulunqi, Tongliao, Inner Mongolia Province to remove 1,000 tons of CO2 which is part of GHG emitted from our production activities. The latter is to introduce ISO50001 energy management system at the facilities in Shanghai, Taiwan, Shenzhen and Kunshan in order to improve energy efficiency and reduce GHG emission. On the other hand, climate change brings an opportunity to the company to explore a new market. For example, for product development, as long as power supply design is involved, we will continue to work with clients on the effective use of energy in electronic products that we develop together with the idea of green energy.

Corporate social responsibility is part of USI Shanghai's sustainable engineering. We work hard to embody it at every link of our business operation and dedicate ourselves to making it part of our corporate foundation. For promises that are yet to fulfill such as hiring more physically and mentally impaired, we are developing plans to improve. Your comments and suggestions are welcomed and motivate us to innovate along this path toward an example for all electronic designs and manufacturing services.

Sincerely

CY Wei
President

01

USI and Corporate Social Responsibility

- 1.1 Vision and Promise
- 1.2 Policy and Operation
- 1.3 Identification and Selection of Stakeholders
- 1.4 Stakeholder Communication





1.1 Vision and Promise

USI is aware that modern industry should not only create economic value, bring in the most benefits for shareholders and investors, but create social value. As obeying morality and regulations, USI works hard to practice social responsibilities such as corporate management, environmental protection, community participation, and employee rights protection. USI pursues the sustainable development of co-existing economy, society and environment. USI extends industrial core values of "Practical Innovation" and "Enthusiastic Service" to corporate social responsibility. By integrating core values into the corporate policy and operation management, USI pursues the vision of sustainable development.

We commit to

Provide rewarding and challenging working environment for employees

Generate consistent return on investment for our shareholders

Build a better place to live for future

2012

USI Shanghai won the 45th place in the "2012 Top 100 Companies in Shanghai"
 USI Shanghai won the 19th place in the "2012 Top 50 Manufacturing Businesses in Shanghai"
 USI Shanghai was one of the "2012 Top 10 Semiconductor Companies with the Best Economic Performance"
 USI Taiwan was selected as one of the "2012 Largest Corporations in Taiwan – Top 5000"
 USI Taiwan was awarded the "Health Promotion Mark for Self Certification of Healthy Workplace"
 USI Taiwan was recognized for "Zero-accident work hour record from 05/2011~03/2012"
 USI Shenzhen was recognized as a "company of clean production"
 USI Shenzhen was recognized as an "Advanced company of occupational accident prevention"
 USI Shenzhen was recognized as a "Double-excellent company – national excellent foreign-invested corporations"
 USI Shenzhen won the "Harmonic labor relationship promotion award – national excellent foreign-invested corporations"
 USI Shenzhen was recognized as an "AAA trustworthy company – import/export corporations"
 USI Shenzhen was recognized as a "2012 Pongcheng Advanced Corporation of Waste Reduction"

2011

USI Shanghai was awarded "Cleaner Production Industry"
 USI Shanghai was recognized as a "2011 Double-excellent foreign-invested company in Shanghai City"
 USI Shanghai won the "2011 Contribution award for goods trading at New Area of Pudong"
 USI Shanghai was recognized as one of the "2011 Top 10 in the Best Economic Effects"
 USI Shenzhen was elected as one of "Top 100 Corporations in Shenzhen"
 USI Shenzhen was awarded "National Excellent Foreign Investment Corporation – Award for Facilitating Harmonic Employment Relation"
 USI Shenzhen was recognized as a "Pongcheng Advanced Corporation of Waste Reduction"
 USI Shenzhen was recognized as a "Quality-trustworthy corporation in China"
 USI Kunshan was recognized as a "2011 Level A company in Kunshan City for labor protection reputation"

1.2 Policy and Operation

USI, through the understanding of Corporate Social Responsibility (CSR), considers that the business sustainable development of USI is closely linked with benefits of employees, community, society, and shareholders. The scope of the CSR covers the issues of basic labor right, safe and healthy workplace, environmental protection, business ethics, and so on. In order to deploy the CSR in USI effectively and fit in with the expectancy of the stakeholders, USI will undertake the following measures to achieve the goal of CSR:

1. Comply with regional, national and international laws; and regulations signed by USI.
2. Labor Assurance:
 - i. Freedom of employment and association; humane treatment and non-discrimination.
 - ii. Legalize working hours, wages and benefits. Deductions from wages as a disciplinary measure shall not be permitted.
 - iii. Prohibit child labor* in any stage of manufacturing.
3. Ensure safe and healthy workplace, and minimize environmental impact on manufacturing, activities, and products.
4. Emphasize business ethics of respect for intellectual property, business integrity and disclosure of information. Besides,
 - i. Prohibit to provide or to receive bribes and other improper advantages.
 - ii. Conduct fair and free competition; carry out honest and fair corporate activities.
5. Participate in community activities.
6. Do not procure metals and raw materials originating in conflict regions (e.g. Democratic Republic of the Congo) by following measures:
 - i. Encourage suppliers to mandate this requirement to their supply chain.
 - ii. Implement supplier verification process if necessary.
 - iii. Collaborate with partners such as NPO, and trade organizations to provide solutions.
7. Strictly prohibit slavery and human trafficking; the supplier shall also comply.
8. Improve CSR achievement continually through effective management and public announcement.

* Child labors under the age of 16.

USI became part of the E-TASC platform (Electronics - Tool for Accountable Supply Chains) in 2008 and joined EICC-On platform in 2012 in order to evaluate the performance of company in terms of human rights of workers, health and safety of workplace, corporate ethics and environmental protection. The company follows EICC (Electronic Industry Code of Conduct) guidelines, and asks the facilities around the world to realize the corporation's social responsibilities. In 2012, facilities in Taiwan, Shanghai and Shenzhen went through clients' EICC auditing and were found conforming to relevant requirements. Internal audits are carried out every year in the company.

All worldwide sites have passed ISO14001 environmental management system, ISO9001 quality management system, and OHSAS18001 occupation health and safety assessment series. These authentications ensured the product quality and ESH management of USI correspond with international standards. USI cooperated with upstream and downstream companies to establish sustainable green supply chains. USI applied green environmental protection to raw material purchase, product designing, and production to meet EU environmental protection directives.

2012, clean production was in place at Shenzhen facility. Preventive environmental protection policies were implemented to minimize effectively the impacts of process, products and service to the environment. Also, USI is dedicated to protect the health of employees and ensure the health and safety at workplace. The Taiwan facility was recognized by Bureau of Health Promotion, Department of Health with the "Health Promotion Mark for Self Certification of Healthy Workplace" and by Council of Labor Affairs for "Zero-accident work hour record from 05/2011~03/2012," and Shenzhen facility was recognized as an "Advanced company of occupational accident prevention."

1.3 Identification and Selection of Stakeholders

For pursuing the sustainable management, USI put emphasis on the interaction and communication with all stakeholders. By understanding the issues concerned by all stakeholders, especially corporate social responsibility, USI keeps presenting and improving policies and practicing them effectively.

Chairs of all departments of USI were surveyed with questionnaires to assess stakeholders cooperating and interacting with USI. A thorough discussion was carried out in the initial meeting of CSR promotion committee. A significance analysis was performed for the issues concerning stakeholders and the influence of these issues on USI operations based on the results of questionnaire survey. Issues of high and intermediate levels were included as major issues in 1.4 Communication with Stakeholders to develop the content structure of this report. The current policies and future plans for USI to realize its corporate social responsibilities were disclosed in full details for the issues concerning major stakeholders. The analysis results are shown in the figure below:



1.4 Stakeholder Communication

For responding to requirements of all stakeholders and satisfying their expectations, USI established excellent communication platform and adopted related policies to maintain and strengthen mutual relationships.

Stakeholders	Major Issues	Communication Channels	Practice
Investors	Managing performance Financial transparency Disclosure of non-financial information	Annual report Investor section on corporate website Annual meetings of shareholders	<ul style="list-style-type: none"> USI reveals the company's financial information through stock exchange websites and annual financial statements, and review constantly the company's business status and data Shareholder meetings are held regularly for explaining managing performance to investors and responding to their concerned issues

Stakeholders	Major Issues	Communication Channels	Practice
Employees	Employing situation Employee welfare Education and training Employee behavioral principles Industrial relationships Occupational safety	Employees' Welfare Committee/Staff congress Employee relationship website Employee suggestion box "Meet the President" session Industrial relations meetings Training programs	<ul style="list-style-type: none"> Hold the principle of justice and anti-discrimination. Provide employees equal employing chances Set up complete salary and welfare systems. Give employees reasonable treatment and reward Establish USI University to provide various training courses for employees on an irregular basis as an effort to improvement their professional skills Be qualified for OHSAS 18001 occupational safety and health management system and maintain a safety and health work place for employees
Customers	Supply chain management Quality management Innovative research & development Green products	After-sales service system Customers' satisfaction questionnaire	<ul style="list-style-type: none"> Actively provide safe and healthy products. Self-developed products come with a manual of its ecological characteristics. All products and operating systems conform to international regulations, standards and authentication Design green products, reduce the usage of hazard substances in production, and increase the recycling rate of products
Suppliers	Quality management Supply chain management Innovative research & development Environmental policy Others: employing policy, green products, etc.	Quarterly QBR meetings Preferred supplier PSL assessment Purchase contracts Supplier auditing RFQ price negotiation	<ul style="list-style-type: none"> Continually promote green supply chain, ask and help suppliers to pass quality management system certifications. Control the usage of raw materials to ensure the products and materials correspond to the regulations of USI green products Ask suppliers to work with USI on realization of human rights policy and ensure employees' interests on an irregular basis
NGO	Communication with stakeholders Industrial relations Environmental policy	Attendance at the meetings	<ul style="list-style-type: none"> Participate in meetings held by Taiwan Electrical and Electronic Manufacturers' Association, Industrial Safety and Health Association of ROC and chambers of commerce
Local Communities	Communication with stakeholders Industrial relations Environmental policy	Attendance at the meetings Co-sponsorship of activities	<ul style="list-style-type: none"> Draw up environmental protection, occupational safety & health (ESH) SOP and measures of environment safety communication, consultancy, and participation. Keep friendly relationships with community residents Keep donating new books to elementary schools in Nantou County every year. Sponsor the tour of artist groups and join in emergency service and rescue
Government	Legal compliance Environmental policies	Participation in conferences	<ul style="list-style-type: none"> Actively participate in conferences held by competent authorities on an irregular basis





02

USI and the Economics

- 2.1 Corporate Operation
- 2.2 Investor Relations

2.1 Corporate Operation

The financial crisis gave rise to the expectation for new economic orders and the concern for corporate social responsibility (CSR). USI emphasizes honest industrial operation. Based on related national regulations, USI has established flawless managing framework and systems, drew up anti-bribery behavioral principles, realized internal audit and strengthened internal risk management. By promoting the governance of the corporation, USI seeks sustainable industrial development.

To safeguard investor interests, USI has set up a specialized unit to respond to the various needs of investors, and also appoints professional lawyers to provide appropriate legal advice services, in addition to the set-up of investor relations section on the company website to provide monthly updated business information in the purpose of revealing USI operation status transparently.

2.1.1 Corporate Introduction

Company Name	Universal Scientific Industrial (Shanghai) Co. Ltd.
Headquarter Location	No.1558, Zhang Dong Road, Zhangjiang Hi-Tech Park, Shanghai, P.R. China
Registered Capital	RMB 1,011,723,801
Location of Stock Issue	Shanghai Stock Exchange
Stock Number/ Name	601231/USI Shanghai
Date of Stock Issue	Feb 20 2012
Main Products and Services	Development and design, material purchase, production, manufacturing, logistics and maintenance of communication products, consumer electronics, computer products, storage products, industrial products and car electronics
Number of Employees	12,842 (As of 2012/12)
Area of Operation	Shanghai, Shenzhen, Kunshan, Taiwan, Japan, USA, Mexico, India

USI is committed to providing professional service of design and manufacture for electronic industry. We try hard to stay on top of development trends in the business and maximize value for global clients based on complete systems and advanced miniaturization solutions. We started from car electronic elements and industrial devices at the beginning and now we are capable of providing a wide range of high-quality and well-balanced products in fields such as wireless network access, digital storage and LCD panel control.

Currently a part of ASE Kaohsiung Group, USI exploits the company's own advanced miniaturization technology to establish unique competitive superiority. From the professional service spectrum covering development, design, material purchase, production, manufacturing, logistics and maintenance of electronic products, we provide clients with overall service that is high in timeliness, quality and cost effectiveness and has the biggest cost competitiveness.



At present, USI has R&D centers and manufacturing plants in China and Taiwan with a group of clients from all over the world. Our major production network includes facilities in Shenzhen, Shanghai and Kunshan, the first and second factories at Caotun, Taiwan, and the facility in Mexico. The global service network covers Asia and Americas.



2003	<ul style="list-style-type: none"> Shanghai Manufacture and Operation Center was established R&D center started operating
2004	<ul style="list-style-type: none"> Completed first plant in Shanghai Started manufacturing flat panel display control boards and wireless communication products Expanded production capacity to six SMT production lines Successfully integrated SAP, PDM and SFIS system
2005	<ul style="list-style-type: none"> Expanded production capacity to 15 SMT production lines Be ranked 71 in Shanghai Top 100 Import & Export Enterprises Taiwan Site became the first manufacturer to develop automatic vehicle navigation system
2006	<ul style="list-style-type: none"> Completed second plant in Shanghai Expanded production capacity to 30 SMT production lines Began to mass produce storage and palm appliances Implemented supplier management inventory system
2007	<ul style="list-style-type: none"> Expanded production capacity to 39 SMT production lines Began to mass produce automotive electronic products
2008	<ul style="list-style-type: none"> Successfully developed light weight Mobile Internet Device (MID)
2009	<ul style="list-style-type: none"> Continued to strengthen the penetration of ODM product, targeted wireless communication technology, digital storage and flat screen display
2010	<ul style="list-style-type: none"> Committed to rise ODM product ratio, developed miniaturization technology and enhance cloud computer technologies
2011	<ul style="list-style-type: none"> Official mass production at Kunshan Site Production automation improvement project initiated at Shanghai Site; introduction of test automation in SiP products completed
2012	<ul style="list-style-type: none"> Became a listed company in Shanghai A share 4 Siplace lines added in Shanghai facility in response to new orders 4 NPM lines added at Shenzhen facility in response to new clients and orders

2.1.2 Primary Products and Services

Product	Appliance
Communications	<p>Wireless communication modules of laptops, corporate-level wireless access points, wireless network NIC modules</p>
Consumer Electronics	<p>LCD control panels -- computer/monitor/TV, LED light bars -- computer /monitor/TV, LCD FET, LED driver boards for TV motherboards, LCD TV -- power control panel/keyboard</p>
Computer	<p>Computer motherboards, server motherboard, server expansion card, server adoption card, server back board, computer peripherals</p>
Storage	<p>Network storage equipment, dick array products, network storage server, solid state hard drives</p>
Industrial	<p>Hand-held smart terminal equipment, sales system, warehouse data collector</p>
Car Electronics	<p>Car electronic control boards, LED car light control boards, other electronics products</p>

2.1.3 Global Operative System

In order to provide global customers fast and timely comprehensive services, in addition to Taiwan, Shenzhen, Shanghai, Kunshan and Mexico, USI provides offices and after-sales service points in the North America region as well.



2.1.4 Business Geography

USI is one of the global leading manufacturers in design and manufacturing service. We provide complete Design & Manufacturing Services (DMSs) for clients in Americas, Europe and Asia. The following table provides revenue details by area:

Unit: in RMB 1,000

Area	2011	2012
China	1,107,934	1,666,099
Outside China	11,571,305	11,649,573
Total	12,679,239	13,315,671

Note: Consolidated results shown

According to the data of MMI (Manufacturing Market Insider) in Jan 2013, IDC estimated the revenue of Global Contract Manufacturing Industry (EMS+ODM) for 2012 in average was \$352.2 billion. Based on this, the consolidated revenue of USI in 2012 was RMB 13.335 billion, accounting for 0.59% of the market.

2.1.5 Financial Performance

The consolidated revenue in 2012 was RMB 13.335 billion, displaying an increase of 4.94% compared to 2011. The net profit was RMB 647 million, an increase by 43.29% compared to 2011 with a net profit margin of 4.85%. Our products are highly regarded by clients for quality management and after-sale service in addition to the good market competitiveness. We run a tight control over manufacturing costs and stocks, as well as dedicate ourselves in lowering sales and management expenses while keeping the company healthier business-wise.

Unit: in RMB 1,000

Items	2011	2012
1. Operating Revenue	12,707,590	13,335,295
2. Operating Costs	11,243,921	11,670,548
Business Taxes and Surcharges	8,778	7,123
Selling Expenses	234,844	210,674
Management Fee	671,607	684,013
Financing Expenses	15,862	11,211
Asset Devaluation	7,163	19,407
Add: Income from Changes in Fair Value	-514	-774
Investment Income	1,993	11,276
3. Operating Profit	526,894	742,820
Add: Non-operating Income and Expense	17,265	20,255
4. Total Profits	544,160	763,075
5. Net Profits	451,759	647,334

Note: Consolidated results shown

Payments to investors: stock dividends paid to all shareholders

USI distributed RMB 0.45/10 shares in 2012; in total RMB 45,527,571.05 was distributed.

Interests paid to loan providers

Unit: In RMB

Taiwan Facility	Shenzhen Facility	Shanghai Facility	Total
2,214,562	2,357,252	20,006,056	24,577,870

Payment to government: all taxes payable (business tax, income tax, property tax, etc.)

Unit: In RMB

Shanghai Facility	Taiwan Facility	Shenzhen Facility	Mexico Facility	Total
71,239,743	2,427,686	46,150,347	1,000,332	120,818,108



2.1.6 Honorable Records

The dedication and hard work of USI in the overall corporate performance in 2012 were recognized by many institutes in form of many awards and honors. In addition to good business performance and innovative development of products, USI is very active in realizing corporate social responsibility. For promotion of employees' health, Taiwan facility was recognized by Bureau of Health Promotion, Department of Health with the "Health Promotion Mark for Self Certification of Healthy Workplace." For safety and health at workplace, Taiwan facility was recognized by Council of Labor Affairs for "Zero-accident work hour record from 05/2011~03/2012" and Shenzhen facility was recognized as an "Advanced company of occupational accident prevention."

Industrial Performance

- USI Shanghai won the 45th place in the "2012 Top 100 Companies in Shanghai"
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- USI Shenzhen was recognized as an "AAA trustworthy company – import/export corporations"
- USI Shenzhen was recognized as a "2012 Pongcheng Advanced Corporation of Waste Reduction"



Product Research and Development

- USI filed 80 patent applications worldwide in 2012 and 78 are approved. As of now, there are 308 patents pending for review and 480 were approved.



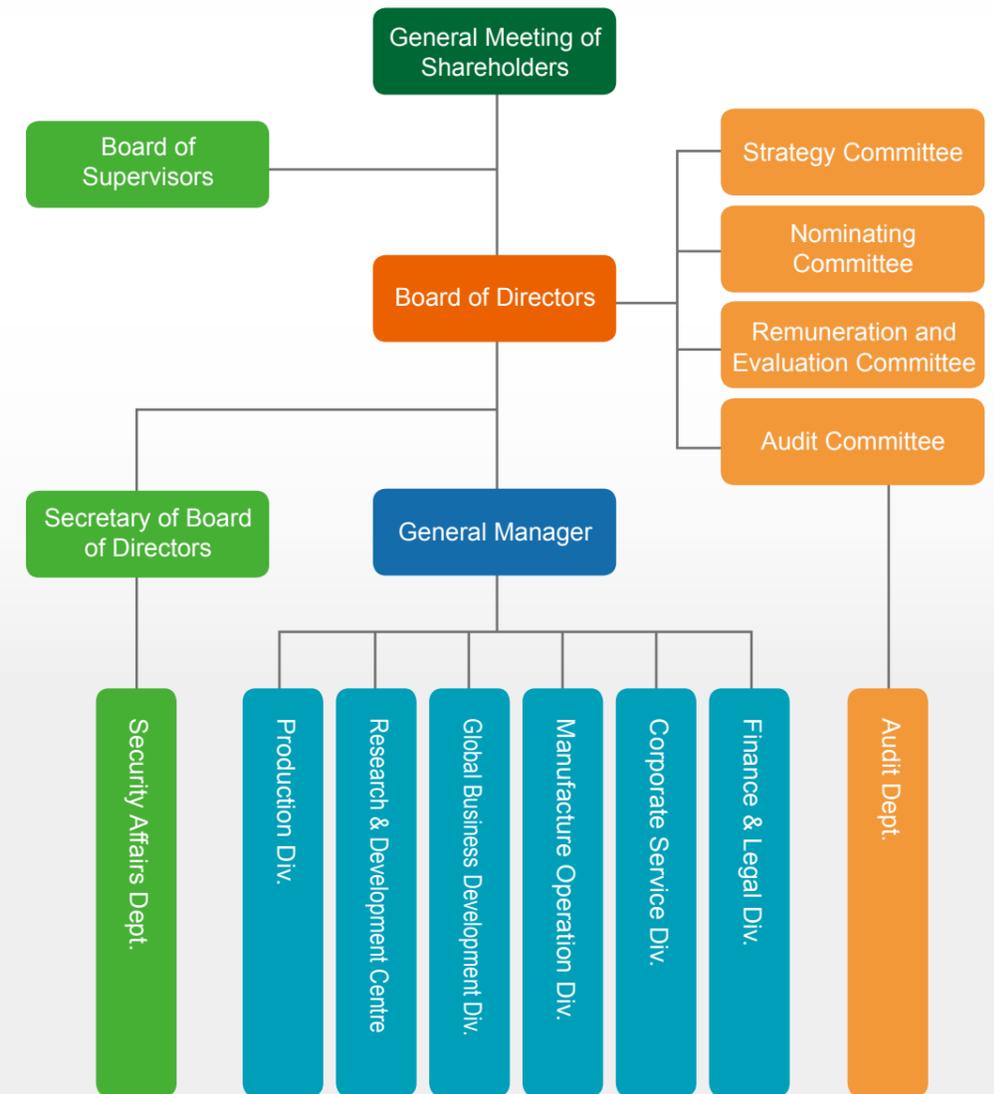
2.2 Investor Relations

Successful industrial operation depends on the common contribution of employer and employees, and on all-out support from investors. Therefore, we established managing mechanisms in charge for respective responsibility and publish the operative condition. All departments worked as one, creating the highest value for investors.

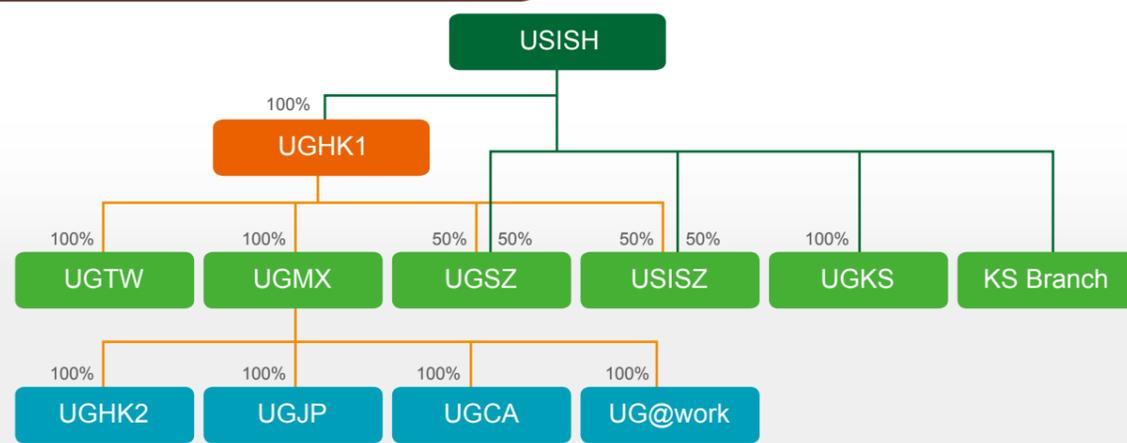
Through the investor relations section on the company website, USI publicizes the internal operating conditions, financial information and self-critic analysis openly to strengthen investors' confidence.

2.2.1 Corporate Governance

Managing Structure



Association Organization Map



Note: Oct 2012, USI Electronics (Shenzhen) decided to merge with Universal Global Technology (Shenzhen), and the merging is currently a working process.

USI has established a legal person governance mechanism consisting of shareholders' assembly, board of directors, board of supervisors and management level as legally required for public companies. The "company's constitutions", "rules of procedure for shareholders' assembly", "rules of procedure for board of directors", "rules of procedure for board of supervisor" and "code of conduct for president" were developed as well.

Board of Directors

Currently, USI has 9 directors and 3 supervisors selected among shareholders who are equal to the tasks. The duties of the board of directors are as follows:

- (1) Assemble the shareholders' assembly and report to the assembly;
- (2) Execute the resolutions of the shareholders' assembly;
- (3) Determine the company's business plans and investment programs;
- (4) Develop the company's annual financial budget and final account programs;
- (5) Develop the company's product distribution and loss compensation schemes;
- (6) Develop schemes for capital increase/decrease, issue of bonds or other securities and becoming a listed company;
- (7) Develop schemes for major takeover, purchase of company's stocks or merging, separation, dissolution and change of company's business pattern;
- (8) Decide the company's outward investments, purchase/sale of assets, asset pledging, guarantees, entrusted wealth management and related transactions within the authorization of the shareholders' assembly;
- (9) Determine the establishment of the company's internal management system;
- (10) Hire or dismiss the company's president and board of directors secretary; hire or dismiss high-ranking management personnel, such as vice president and head of financial department, according to the nomination of president; and determine remuneration, bonus, rewarding and punishment;
- (11) Establish the company's fundamental management system;
- (12) Develop amendments for these rules;
- (13) Manage the company's information disclosure;
- (14) Propose to the shareholders' assembly to hire or replace the CPA auditing the company's financial status;
- (15) Receive the president's work reports and examine the works done by the president; and
- (16) Execute other jobs authorized by law, administrative regulations, departmental rules or these rules.

List of Directors and Supervisors

Each of the company's directors and supervisor has at least 5 years of professional experience knowledge in business, legal affairs, financial affairs, accounting or company operations, and is committed to protecting shareholders' interests and stabilizing the company's business. All the directors and supervisors are male, and 10 of them are above the age of 50 and 2 below.

Title	Name	Educational background	Present part-time duty in USI and other institutes
President	Chang Hong Ben	Department of Industrial Engineering, Chung Yuan University	Vice President and General Manager of ASE Inc.
Director	Chang Qien Shen	Master of Science, University of Illinois, America Department of Electrical Engineering, National Taiwan University	President of ASE Inc.
Director	He Hong	MBA, University of Iowa, America	Supervisor representative of ASE Inc., Representative board director of Universal Scientific Industrial Co., Ltd.; resigned as the company's board director on Dec 17 2012.
Director	Rutherford Chang	Wesleyan University	Director of ASE Inc.
Director	Cheng-Yen Wei	National Chiao Tung University	President of USI, director of USI Shenzhen, CEO of USI CA
Director	Fu-Hui Wu	PhD in Mechanical Engineering, Brown University	Sr. Vice President of USI, Vice President of USI
Director	Wei Tung		Board Chairman of Chung Lee Securities, Vice Chairman of Shanghai Fraternity Association
Director	Chi-Chieh Chen	PhD in Economics	Director of Graduate Study, Shanghai University of Finance and Economics, Instructor for PhD study program, School of International Business Administration, Shanghai University of Finance and Economics
Director	Fei Pan	PhD in Management	Deputy Dean of Accountancy, Shanghai University of Finance and Economics
Supervisors	Hung-Szu Tung	Master, University of California	Representative and Vice President of ASE Group, USI supervisor representative
Supervisors	Meng-Kuo Shih	Master, Graduate Institute of Management Science, National Chiao Tung University	Sr. Vice President and head of finance, USI
Supervisors	Tien-Yi Huang	United Junior College	Director of Purchase and Logistics Service Department

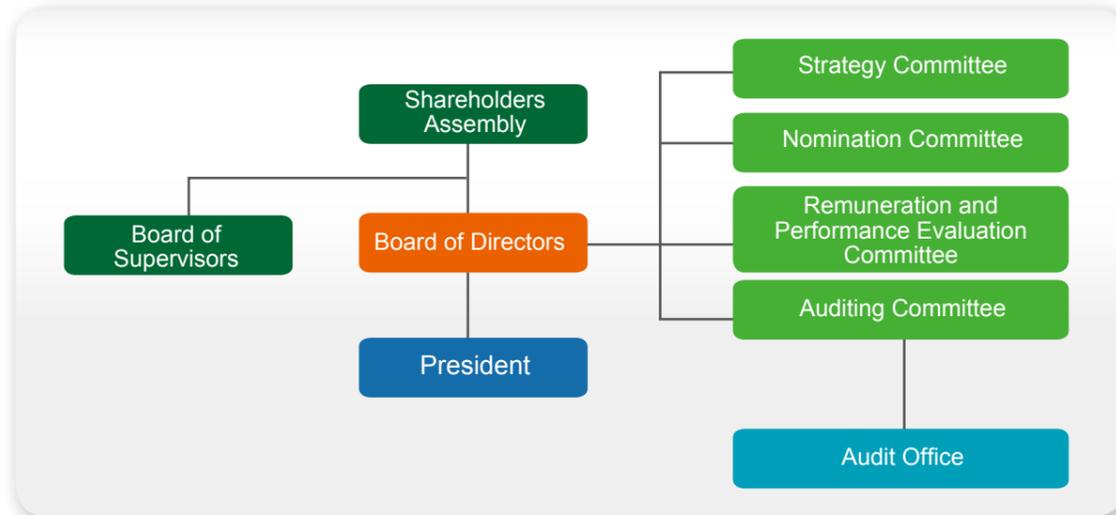
Note: Mr. He Hung resigned on Dec 17 2012 as board director.



The Organization and Operation of Internal Audit

Internal Audit Organization

The internal auditing of the company is charged to the auditing committee under the board of directors. The employment of the head of auditing has to be approved by half of the board members. A full-time head auditor is established with a staff of 4 auditors.



The Operation of Internal Audit

- Range of audit: all financial and operational business and management are included. According to related regulations, there are nine divided circles responsible for respective audit.
- Object of audit: all institutes and legal branches around the world of USI.
- Audit strategy: the regular audit is practiced based on the annual audit project decided by the board of directors. Special case audit will be practiced if needed. The goal is to prevent the possible mistake of internally controlled systems and present improving suggestions. Besides, the audit office urges all departments to practice self examination and assessment and to evaluate the rationality and effectiveness of the outcomes. The audit office produces an auditing report after the auditing is performed. The report, once compiled, is submitted to the President and board of directors as the realization of the company's governance spirits.

Salary Policy

The salary for general manager and vice general managers includes salary and bonus. Salary and bonus are given based on USI's regulations of personnel bylaws. The standard is based on each manager's seniority, duty, position, and performance.

2.2.2 Risk Management

USI belongs to electronic manufacturing industry. The techniques and products change fast. The market competition is fierce and the price is reduced soon. As for financial operation, USI drew up risk management measures based on each customer's industrial features, practicing regular management for reducing risks for customers. As for financial management, USI enhanced the management of cash flow, maintained appropriate property and financial structure, and strengthened corporate operation. Since 2010, we have established risk identification, assessment and response mechanisms about risk of fraud, financial reporting risks and the risks of related party transactions.

The Organization and Operation for Risk Management

According to the latest development and standard requirements of internal audit, USI enhances industrial risk management in recent years, including risk detection, report, and management. The risk management in USI is divided into three levels (mechanisms):

- Mechanism One (undertakers of administrative institutes and managers of all levels): they are responsible for detecting, evaluating, and managing the initial risk in the operation. They are in charge of operation designing and risk prevention, working out the solutions based on their authority.
- Mechanism Two (general managers and vice general managers of all institutes): they host monthly (seasonally) operation meetings or examination or evaluation committee of special cases. Besides reviewing all operational outcomes and estimating the possibility of future operative strategies, they are in charge of discussing various risks.
- Mechanism Three (legal affairs and audit office): detective examination and discussion with directors and supervisors.

Important risk assessment elements	Direct Institutes of risk management	Risk discussion and management	Board of directors and supervisors and audit office
1. Interest rate, exchange rate, and financial risk	General office of finance	Special investment case meeting (General Manager, general office of finance)	Board of directors and supervisors: decision and final control of risk evaluation and management Audit office: risk examination, evaluation, supervision, improvement, tracing, and report
2. High risk loaning capital to others, derivative trade, financial management and investment	General office of finance		
3. All offices	All offices	R&D general office	
4. Change of policy and law	General manager office, legal affairs department	Monthly (seasonally) meeting	
5. Change of technology and industry	All offices, general manager office		
6. Change of industrial image	General manager office		
7. Effectiveness of investment, spin-off, and incorporation	General manager office, general office of finance		
8. Expansion of plants or production	All offices, global sales, general manager office, global operation and management general office, general office of finance	Monthly (seasonally) meeting, annual operative strategy meeting	
9. Concentration of stock or sales	Supply Chain Management, all offices	Monthly (seasonally) meeting	
10. Concentration of stock or sales	Legal affairs department		
11. Other operative business	General manager office		
12. Behavior, morality, and virtue of employees	Managers of all levels and corporate service general office	WW Management Meeting	
13. Following SOP and regulations	Managers of all levels	Legal affairs, audit office	
14. Discussion and management of board of directors	Office of board of directors	Legal affairs, audit office	



2.2.3 Anti-Corruption and Anti-Bribery

To make sure USI employees do not have illegal profit exchanges with related institutes, USI employees must put more emphasis on incorruptible deeds. In employees' working regulations, they are definitely required not to deal with private affairs through USI's resources and to engage in activities for personal gain with their authority. When freshmen are accepting training, they are given related training courses. Currently, USI has drawn up "fraud risk management approach" and the sun procurement policies to strictly forbid any kind of corruption and bribery. Till now, there are no corruption and bribery happening in USI.

Examination Policy of Integrity Deeds

- Require employees to sign the commitment for incorruptible deeds and sign incorruptible clauses with related suppliers
- Set up prosecution box
- Enhance the promotion of Integrity deeds principles
- Draw up the examination scope of Integrity deeds
- Design examination program of Integrity deeds
- Expect to increase audit frequency and entrust responsible auditors

2.2.4 Regulations Abidance

USI worked hard to maintain its industrial image in these years, following regulations and rules related to corporate governance, financial management, environmental protection, employee welfare, and production supply. If some deeds cause influence on the industrial image or violate regulations, USI will establish special case group for drawing up responsible solutions. USI has not yet been seriously fined or punished in other forms due to illegal events till now.

And the product marketing efforts are in compliance with all applicable national or international law, including environmental protection and actively cooperate with the safety requirements, respect for intellectual property rights, promote fair market competition, emphasis on customer value and labor rights.

2.2.5 Government Subsidy

As one of global leaders in DMS, USI has well recognized R&D capability and manufacturing service. The following table provides the data of major financial estimations in 2012, for example, tax exemption/reduction, investment subsidies, R&D subsidies and other relevant subsidies.

Unit: In RMB

Facility	Item	Amount
Shanghai	Income tax subsidy provided by Shenzhen Financial Board	5,252,126
	Financial subsidy for high and new technology corporations	4,950,000
	High and new technology industrialization subsidy provided by Zhangjiang hi-tech park administration committee, Shanghai City	2,250,000
	Technology import interest subsidy of 2011	1,674,430
	Subsidy provided by Shanghai Technology Innovation Center	1,600,000
	Reformation project for 3G mobile broadband system level chip technology	1,008,000
	Subtotal	16,734,556
Shenzhen	The 4th property tax subsidy and 5th income tax subsidy provided by Shenzhen Financial Board for 2008	5,252,126
	Economic development fund provided by Nanshan District Financial Bureau	300,000
	2011 general energy incentive as part of economic development fund provided by Nanshan District Financial Bureau	205,000
	Pongcheng Waste Reduction Award provided by Shenzhen Environmental Protection Bureau	40,000
	Incentives provided by Shenzhen Disabled Persons' Labor and Employment Service Center	30,000
	Subtotal	5,827,126
Taiwan	"Project for Industrial Human Resource Improvement" by Central Training Center, Council of Labor Affairs, Executive Yuan	70,657
	Subsidy for industrial innovation and R&D (applied in 2011 and approved in 2012 by Industrial Development Bureau)	6,614,829
	Subtotal	6,685,486
Total		29,247,168



2.2.6 External Participation

USI took part in activities held by industrial organizations and associations. Through participating in meetings, exchanging information, and serving important positions, USI keeps close touch and communication with the industry, contributing to the development of Taiwanese electronic and engineering industry. The following is the list of organizations USI takes part in:

Shenzhen Facility	Taiwan Facility	Shanghai Facility	Kunshan Facility
Shenzhen Taiwan Business Association	MIC Institute for Information Industry	Shanghai Pudong Human Resources Association	Kunshan Taiwanese Businessmen's Association
Shenzhen Hi-tech Industry Association	IEK Industrial Intelligence Network	Pudong, Shanghai Institute of Social Security	Human Resource Superintendents' Association for Taiwanese Businessmen in Eastern China
Shenzhen Foreign Investment Enterprise Association	IEEE, Institute of Electrical and Electronics Engineers	Shanghai Pudong New Area Accounting Association	EICC-ON
Shenzhen Import and Export Chamber of Commerce	Chinese National Association of Industry and Commerce	Shanghai Foreign Investment Enterprises Association	
Shenzhen Integrity Alliance Association	Taiwan Industrial Technology Association	Shanghai Integrated Circuit Industry Association	
Guangdong Shenzhen Customs Brokers Association	SMT, Surface Mount Technology Association	Taiwan Association for Human Resources Head East	
Shenzhen Entry-Exit Inspection and Quarantine Association	Taiwan Electrical and Electronic Manufacturers' Association	Electronics - Tool for Accountable Supply Chains, E-TASC	
Shenzhen Investment Chamber of Commerce	Nantou County Industrial Association	EICC-ON	
Shenzhen Choral Society	Nantou County Nangang Industry Association		
Shenzhen Hi-Tech Association	Nantou County industrial development investment strategy for Advancement		
Shenzhen Federation of Industrial Economics	Industrial Safety and Health Association of the R.O.C.		
EICC-ON		Electronics - Tool for Accountable Supply Chains, E-TASC	
Shenzhen Corporate Social Responsibility Development Association	Taiwan Telematics Industry Association		



03

USI and the Environment

- 3.1 USI and Climate Change
- 3.2 EHS & Energy Policy of USI
- 3.3 Green Promise of USI
- 3.4 Environmental Protection of USI
- 3.5 Green Prospects of USI



3.1 USI and Climate Change

Given the record-breaking to the extreme weather and the fact that disasters are becoming the norm, industries nowadays are facing a brand-new operating environment and risks. The UN Climate Change Conference reached an agreement that calls on industries to pay extra attention to the reduction of greenhouse gas emissions and the green management at the corporate level in order to effectively alleviate the growing concern over global warming. With an emphasis on environmental protection, USI takes aggressive measures against climate change and has shown impressive results: It incorporates environmental concerns into the operating decisions and business management, with the board of directors and high-level executives both held accountable for such tasks as communicating with USI's stakeholders, proposing and implementing feasible improvements to cope with climate change. To fulfill its Green Responsibilities, USI also adopts a green management model by effectively disclosing environmental data.

Climate change has taken its tolls on USI. For example, carbon quota management is now in place in Shenzhen China, and legislation regarding greenhouse gas (GHG) reduction is in progress in Taiwan. Cap and trade system for GHG and possible energy or carbon taxes are issues USI is always paying attention to. In addition to the continuous efforts in energy efficiency improvement, the following measures will be in place 2013 to minimize risks from climate change and improve corporate competitiveness:

1. Establishment of ISO 50001 energy management system
2. Carbon footprint certification of products
3. Implementation and certification of clean production

3.2 EHS & Energy Policy of USI

USI is not only committed to providing high-quality products and services, it also keen to create an eco-friendly, healthy and safe working environment.

Therefore, under three important goals : Environmental Protection, Occupational Safety and Health, USI established Energy, Environment, Health & Safety (EHS & Energy) policy. USI made good use of limited internal resources and required all staffs to comply with the policies below to reduce impacts on environment and employees' safety and health caused by activities, products and services. That way, USI will be able to fulfill the corporate social responsibilities. The following is an overview of USI EHS & Energy policy and measures :

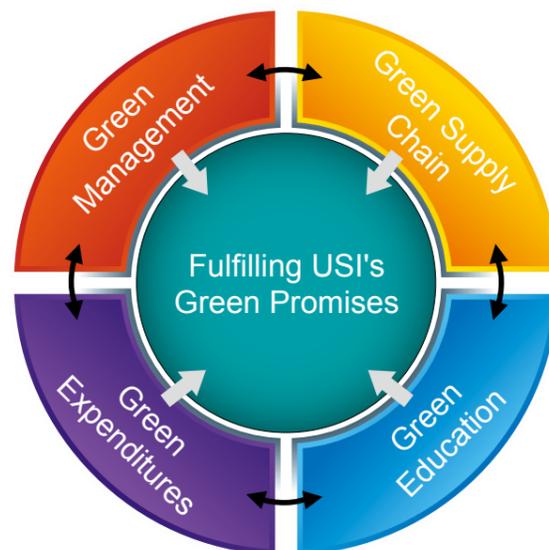


- Comply with EHS and Energy regulations, and participate in related global environmental campaign.
- Communicate, participate and consult the knowledge and the requirements of EHS and Energy Policy continually with all employees, suppliers and contractors. And implement trainings and drills to reduce EHS risks and Energy consumption, to prevent potential events from happening.
- Endeavor pollution prevention, energy management and promote environmental performance of products continuously.
- Increase resource utilization by energy conservation, production improvement, waste reduction & recycling, and other cost-effective measures.
- Maintain EHS and Energy Management system with objectives, targets and audits, in accordance with ISO 14001, OHSAS 18001 & ISO 50001 requirements.

3.3 Green Promise of USI

To fulfill industry green responsibility, USI established Green & Environment, Health and Safety Management Department, implementing Green Quality Management System to assure products and operating systems comply with international environmental regulations. Within the green supply chain, from product materials procurement to product final disposal, a series of preventive green-management measures were implemented in order to reduce the environmental impact of the product and production process.

Meanwhile, USI conveyed earth-loving, eco-friendly and green concepts through meetings, training sessions and forums. Through a 3-way partnership, enterprise, employees and suppliers, USI fulfilled Green Promises as an enterprise citizen.



Four Green Promises of USI

Green Management

- Build a comprehensive green quality management system
- Introduce Designs for Environment (DFE)
- Introduction of green product management system
- Build an EHS database
- Implement auditing for the hazardous substances management system
- Carbon footprint verification
- Implement cleaner production in Shenzhen site and Shanghai site

Green Supply Chain

- Control the quality of materials with suppliers
- Make sure all products are designed and produced in line with the energy conservation concept and environmental standards (i.e., non-toxic designs, halogen-free and energy-saving)

Green Education

- Provide employees, suppliers and contractors with environmental training, hold forums and meetings to underscore USI eco-friendly values

Green Expenditures

- Provide funding for pollution prevention initiatives, cut resource consumption, properly dispose industrial waste, build an environmental management system and obtain certifications

3.3.1 Green Management

With the implementation of environmental directives in recent years, electrical and electronics companies are facing various challenges, particularly the Waste Electrical and Electronic Equipment (WEEE) Directive and Restriction of Hazardous Substances (RoHS), introduced by EU in August 2005 and July 2006 respectively.

USI was aware of the international trend toward environmental protection and established a Green & Environment, Health and Safety Management Department under the Corporate Quality Management Division in 2002. The department actively promoted Green Product (GP) Management System and continually improved USI Green Product specifications to meet environmental directives as well as customer demands.

The R&D staff of USI is capable of eco-design. In response to the green product development trends, they have the ability to design green products that meet various international standards including ErP Directives, RoHS Directives and WEEE Directives of EU, RoHS regulations of China and CEC (California Standards for External Power Supplies).

USI's DFE Strategy

USI established an environmentally hazardous substance database (EHS Database), helping the sales and project management unit to confirm Green Product specifications with customers. It enabled the R&D staff to assess the life cycle of each Green Product and obtained environmental labels on customer's requirements to reduce environmental impact. Meanwhile, USI also facilitated all worldwide sites to pass strict audit for Hazard Substance Process Management by external assurance. This fully proved that USI's Green Product Management System can make fast and flexible adjustments to adapt to changes of international environmental protection regulations. The adapters sold to Europe fulfill ErP External Power Supplier (278/2009/EC) Step II, and the active efficiency is improved from 85% to 87%.

Environment Directives	Requirements	USI's DFEs
RoHS	<ul style="list-style-type: none"> • Low-polluting • Non-toxic 	<ul style="list-style-type: none"> • Phase out the use of BFRs • Phase out the use of PVC • Use non-halogen materials
WEEE	<ul style="list-style-type: none"> • Recyclable • Easy to take apart • Easy to process 	<ul style="list-style-type: none"> • Reduce the number of tools used to take machines apart • Introduce the labeling for recyclable plastics • Increase the percentage of recyclable module designs
ErP	<ul style="list-style-type: none"> • Energy-saving • Resource-saving • Reduced environmental impact 	<ul style="list-style-type: none"> • Reduce the energy consumption of machinery in stand-by or off mode • Increase the efficiency of energy conversion of EPS • Keep machinery in power-saving mode

Carbon Footprint Verification

Carbon footprint verification has become the concerning issue for global countries in the face of recent global warming. Following green house gas (GHG), carbon footprint is also the main goal for industries around the world that major countries of European Union has announced the carbon footprint and carbon labeling standards accordingly for manufacturers and consumers in the respect of choosing low-carbon products.

The carbon footprint of product refers to the total carbon emission accumulated in the courses of GHG emission directly and in directly on individuals, incidents and organizations plus the carbon emission in the product life circle from raw material, manufacturing, use, delivery to recycle based on life cycle assessment (LCA).

To be in line with international carbon footprint standards and trends, USI has introduced and promoted the concept to the internal departments; meanwhile it established a system for collecting information on product level, stage of product life cycle and product boundary via internal management system to meet the demands of customers, control the product quality and offer carbon information on products on a regular basis.

The cry for energy saving and carbon reduction is now a worldwide movement. For the company's sustainable development, we aim to combine energy saving and carbon reduction with production development. The carbon footprint inventory checks have been started at our facilities around the world. The data of these facilities are compiled and used for the control of current carbon footprint of our production activities and the development direction and strategies of the company.

Schedule for the Introduction of Green Management System

Management Systems	Shenzhen	Shanghai	Kunshan	Taiwan	Mexico
ISO 14001	2001	2004	2012	1998	2006
IECQ QC080000	2007	2007	2012	2006	2007
ISO 14064-1	2010	2010	2011	2009	

ISO14001, IECQ QC080000 and ISO14064-1 Certificates



By preventing pollution through sources at each site, USI saved usage of materials and energy consumption, used more recyclable materials and reduced the discharge and disposal cost of waste and exhaust gas. This way, USI can enhance the economic and ecological benefits at the same time.

Shenzhen and Shanghai facilities were certified for cleaner production. This call for a series of recautionary environmental measures applied to manufacture process, products and service to achieve the goal of cleaner production by, for example, reducing the use of organic solvent, lowering the company's energy consumption, greenhouse gas emission and total generation of wastes.

3.3.2 Green Supply Chain

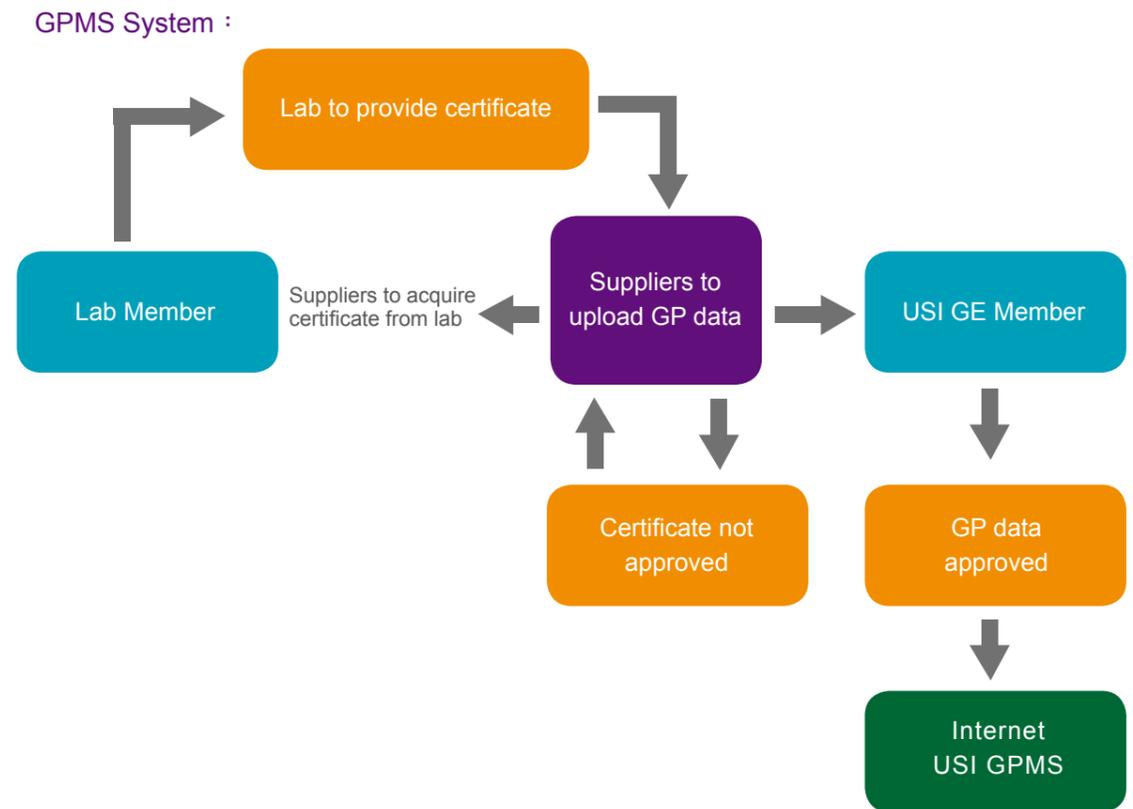
The trend toward sustainable development of Green Products is inevitable. Only by establishing long-lasting management model of green supply chain could allow industries face up-coming challenges. As a result, USI ensured that the entire production process---which involves product design, procurement of materials, manufacturing, sale and recycling of products --- generated the maximum environmental benefits. With an effort to integrate upper and lower-stream partners, USI vowed to create a safe, stable green supply chain and eventually be transformed into a Green Enterprise.

Many studies and empirical data indicated that the difference in manufacturing process will lead to varying levels of materials/resources consumption and environmental impact. USI conducted an evaluation of product life cycle stages. It ensured each stage of production---from planning and designing, manufacturing and packaging, to the later stage of waste recycling---met environmental protection standards and regulations. To effectively implement the energy-saving and waste-reducing policies, USI recycle and reuse 100% of the paper cartons, trays and stack boards. Also, significant environmental impacts of transporting products and materials used for the organization's operations were avoided at USI.

USI required upper-stream vendors to not only save materials and energy but also refrain from using any hazardous substances, in order to cut the amount and toxicity of waste.

USI introduced a halogen-free manufacturing process in 2008, which helped reduction of the hazardous substances volume in products, increased the recycling/reusing rate and low energy-consuming designs of products. These efforts have won many praises from customers.

USI launched a brand new GPMS (Green Product Management System) platform in 2011 to facilitate the process of uploading environmental protection information for suppliers which is more convenient for green information management.





3.3.3 Green Expenditures

Expenditures of Environmental Protection

Unit: RMB

Expenditure Items	Details	Amount of Expenditure in 2012
Cost of pollution prevention	Including the prevention of air, water and other forms of pollution	316,591
Cost of investing in energy-saving equipment	The investment in resource conservation (e.g. energy and water resources)	6,498,401
Cost of working environment improvement expenses		20,000
Cost of disposing industrial waste		939,799
Cost of building an environmental management system, and obtaining the certification	Fees for ISO14001 and ISO14064-1	172,200

Note: The statistics covered only Taiwan, Shanghai, Shenzhen and Kunshan facilities.

Benefits of Environmental Protection

Unit: RMB

Items	Details	Total benefits for 2012
Recycled industrial waste	Including waste paper, waste plastics, IC trays, solder residues/paste, waster products (registered quarterly), PCB end pieces, miscellaneous metal, used product trays, and wrapping materials	8,778,013

Note: The statistics covered Taiwan, Shanghai, Shenzhen, Kunshan and Mexico facilities.

3.3.4 Green Education

Besides implementing the green management internally, USI made stakeholders further aware of the importance of environment protection, and applied the correct environmental concepts to various steps in production process (i.e., the product planning, raw material control and greenhouse gas emission reduction).

USI keeps communicating with its employees, suppliers and contractors regarding USI's ESH-associated principles, knowledge and requirements. An e-learning program was added to USI's internal training that informed the employees of GP-related regulations, requirements, operating procedures and eco-friendly materials.

To meet customer requirements, USI was not only keen to participate in international forums that disclose carbon emission details, but also carried out plans for energy conservation and carbon emission reduction. By instilling the Green concepts at internal training programs while drawing from external experiences in this regard, USI conveyed its Green values and fulfilled the Green Promises.

The Green Education Training Program for Employees

Introduce the GP Quality Management System

- International environmental regulations and requirements for green products
- Framework of green management system
- The operating procedure for GP design/manufacture

Assess the Specs of GP and Parts

- Require the data about green parts
- Keep track of Green raw-materials inventory
- Recognition and change of Green raw materials

3.4 Environmental Protection of USI

For a long time, USI is committed to minimizing negative impacts of production process on the environment. USI has been practicing effective use of materials, energy saving, waste discharge, GHG reduction and the use of water resources in accordance with EHS and Energy Policies. All our facilities are located in industrial parks except for those in Taiwan. The impact of the emission of air pollutants, water pollutants, wastes, toxic materials and noise is very low to local communities. The impact to communities and the greater environment is minimized for the sustainable coexistence of environment and corporation.



3.4.1 Material Management

USI always performs ecologic assessment while developing products and confirms the efficiency of material use. For example, we use materials that are low in environmental impacts, recycled or reproduced, and select materials of low pollution and no toxicity, such as halogen-free materials. There are 268 materials used by USI that have influence on the environment, including 8 banned materials (there are 6 materials banned by RoHS Directives), 130 listed for restricted use and 130 that require reporting. A plan to increase the control over materials of environmental influence is being developed in order to increase the environmental performance of production process and the environmental value of hazardous materials of limited used in the process shared with clients and supply chain partners.

The statistics of major material use below suggest that the material use efficiency is better in 2012 than in 2011, the quantity of materials used is reduced and the consumption of environmental resources is lowered.

Consumption of Main Materials

Category	2011 Total weight (Tons)	2012 Total weight (Tons)
IC, Chip, Resistors, Conduct Cords	2,275	2,112
PCB Boards	1,324	1,084
Package Materials	11,206	3,804
Metals	812	787
Solder Bars/Paste, Ink and Adhesive	1,411	1,177
Organic Solvent	136	188

Note1: The consumption data covered Shanghai, Shenzhen and Kunshan facilities.

Note 2: the use of package materials in 2012 is much less than in 2011. A close look suggests that it is the result of the use of electronic files instead of paper copies and the use of recycled and reused paper or plastic containers.

3.4.2 Greenhouse Gas Emission Reduction Management

Global warming and climate change are now very important issues of sustainable development. Being a corporation that is willing to do its part as a world citizen for sustainable development, USI continues to launch greenhouse gas reduction policy. The greenhouse gas emission inventory check was performed in 2007 according to ISO14064-1. Another check was conducted in 2010 on our worldwide production bases and the results were verified by third party institution for the establishment of USI inventory benchmark data.

USI will continue to collect and reveal relevant data as government regulations require, and publish the data of greenhouse gas emission in the corporate social responsibility report.

Greenhouse Gas Emissions

The last report of USI covered the year of 2012. The boundary included the 4 production bases in Taiwan, Shanghai, Shenzhen and Kunshan. The emission increased by 6,961 tons of CO₂e compared to 2011. However, if compared with the emission produced for every million USD of production, there is in fact a 3% decrease compared to 2011.

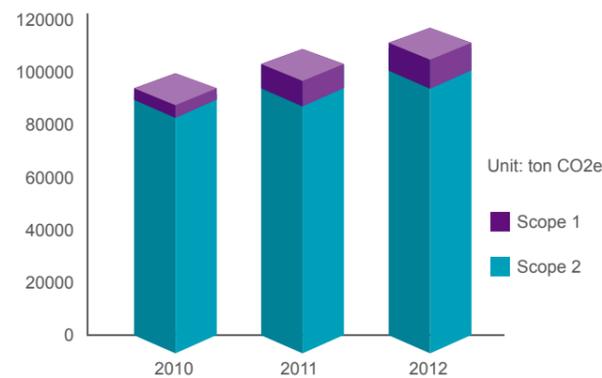
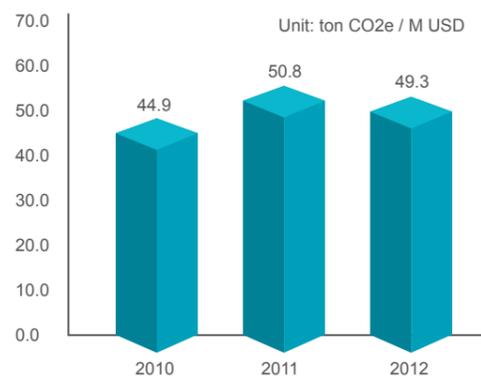
The third party certification was secured for both 2010 and 2011, and the certification statement of a reasonable level of certification was acquired. For the year of 2012, UL-DQS was entrusted for the certification in 2013, and the certification statement of a reasonable level of certification was obtained in April.

Table 3.4.2.1 All Greenhouse Gas Emissions

Year	Greenhouse Gas Emissions (Tons, CO ₂ e/year)				
	Fixed Burning Emission	Mobile Burning Emission	Fugitive Emission	Processing Emission	Indirect Energy Emission
2010	1,194	212	1,079	0	88,208
2011	3,249	254	1,139	0	94,140
2012	3,935	283	1,147	0	100,379

Table 3.4.2.2 Categories of Greenhouse Gas Emissions

Year	Emissions of Each Category (Tons, CO ₂ e/year)		
	Category 1	Category 2	Total
2010	2,485	88,208	90,694
2011	4,642	94,140	98,782
2012	5,364	100,379	105,743



Note : Data illustrations:

- The data collected above were rounded
- GWP data source: IPCC AR4(2007)
- The 2010 data included Taiwan, Shanghai and Shenzhen facilities; Kunshan facility was added after 2011.

USI set up targets for greenhouse gas emission reduction according to inventory for 2010 :

- 2011 : 50 tons CO₂-e / M USD
- 2012 : 45 tons CO₂-e / M USD
- 2013 : 43 tons CO₂-e / M USD
- 2014 : ≤42 tons CO₂-e / M USD
- 2015 : ≤42 tons CO₂-e / M USD

3.4.3 Energy Management

To consume less energy and lower costs of business operations and manufacturing process, USI gave priority to low energy-consuming external power suppliers in product-design stage, and conducted an assessment to make sure each product meets the requirements for an energy-saving design. All USI sites took energy-saving measures for the air-conditioning, lighting and equipment of factories, keeping reducing both the energy consumption and electricity expenditure. For example, USI sites adopted innovative, energy-saving lighting fixtures, adjusted temperatures of air-conditioning seasonally, and monitored the electricity expenditure.

In the future, USI will continue to realize the actions to practice energy efficiency improvement and energy saving, for example, evaluation and modification of air compressors, modification of shop lighting using LEDs and solar power installation to reduce energy consumption. It is estimated by the end of 2013 the ISO50001 energy management system will be introduced in all major production bases.

Energy Consumption

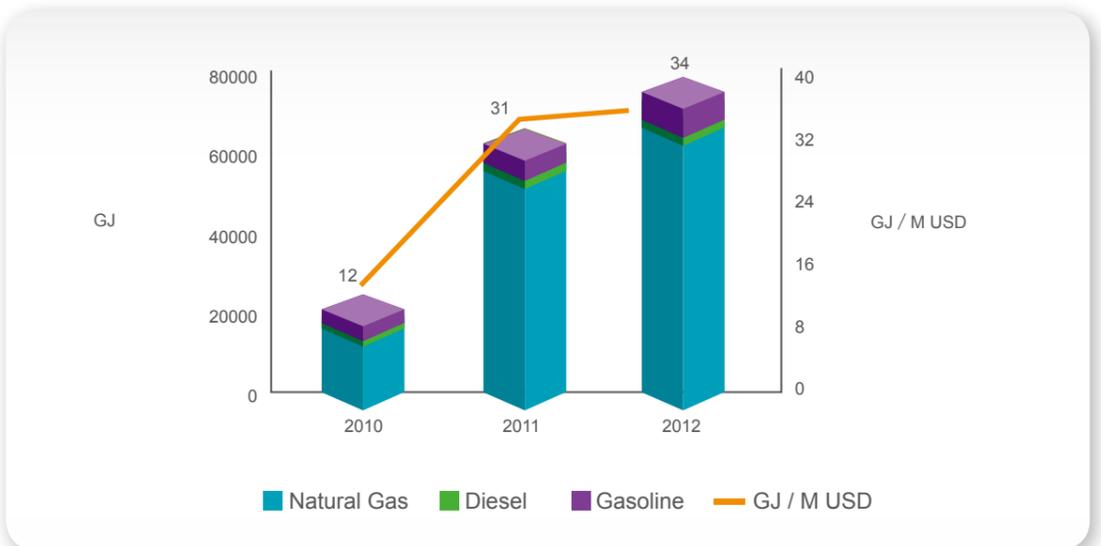
	Direct Energy Consumption			Indirect Energy Consumption
	Diesel	Gasoline	Natural Gas	Electricity
	GJ	GJ	GJ	GJ
2011	941	2,560	57,750	411,132
2012	1,211	2,786	69,856	439,572
Amount of Change	270	226	12,106	28,440
Percentage of Change	22%	8%	17%	6%

Note : Data illustrations:

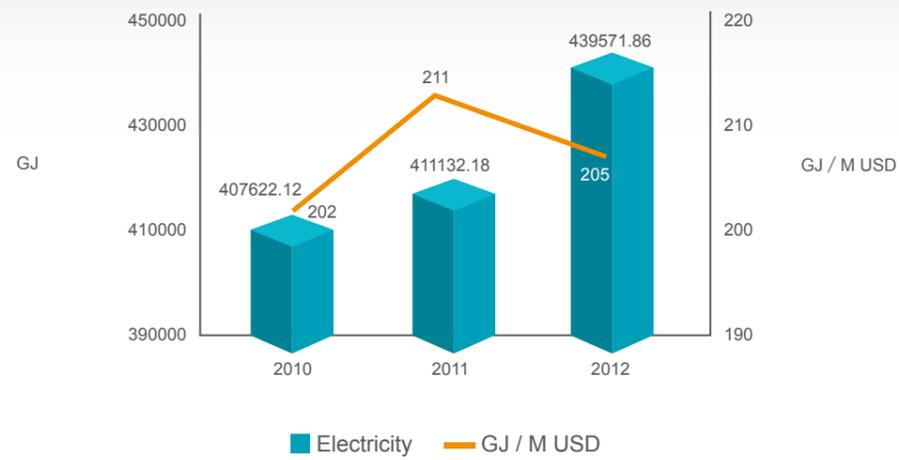
- The data mentioned above are data obtained based on ISO14064 inspection procedure via external and internal inspections.
- The data collected above were rounded.

The table above shows the energy consumption in 2012 is more than that in 2011. The increase comes mostly from utility power and natural gases. The increased use of utility power comes from increase production (the power consumption for every million USD in 2012 is 6.45 GJ (or 3.15%) less than in 2011). The natural gases are used for gas boilers which are in turn used for humidifying in summer and heating in winter. This is linked directly to climates. The analysis is shown in the figure below:

Direct Energy Consumption



Indirect Energy Consumption



Note: The boundary covered the second facility in Taiwan and the ones in Shanghai and Shenzhen in 2010; Kunshan facility was added in 2011.

Measures Taken to Save Energy and the Results

Improvement of energy-saving in existing equipments - Electricity-saving measures

Facility	Electricity-Saving Measures	Results
Shanghai	N2 production system	Saving approximately per year 6,667 kWh (23,975 GJ)
Shenzhen	Central air conditioning and water heating combined with cooling and heating storage at employees' dormitory	Saving approximately per year 550 kWh (1,997.8 GJ)
Taiwan	Lighting improvement for energy saving	Saving approximately per year 92 kWh (331 GJ)
Taiwan	Integration of exhaust system	Saving approximately per year 4 kWh (14.4 GJ)

Note: The results above were the estimations based on the potential running time.

3.4.4 Waste Management

To reduce and recycle industrial wastes for effective use of resources is what USI always strives for. USI has established industrial waste cleaning plan to categorize wastes and recycle PC scraps, waste paper, waste plastics, waste package materials, waste wood pallets and waste metal in accordance with applicable government regulations.

Statistics show that compared to 2011, the generation of industrial wastes in 2012 was reduced by 9.06%, hazardous industrial wastes increased by 76.92% and recycled wastes increased by 18.87%. In addition, more than 84% of wastes were recycled in 2012, an increase by 3.69% compared to 2011. USI will continue to realize the waste reduction policy and achieve the sustainable goal of recycling and reuse of resources. The target for waste recycling in 2013 is set at 84%.

The Total Waste

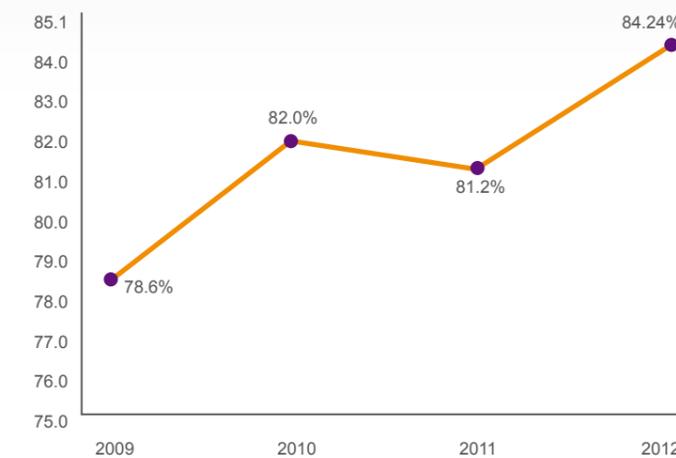
Unit : tons

Facility	General Waste		Hazardous Waste		Recycled and Reduced Waste	
	2011	2012	2011	2012	2011	2012
Taiwan	156	185	2	0.3	274	293
Shanghai	113	84	25	55	701	542
Shenzhen	244	212	11	10	1,395	1,994
Kunshan	30	33	0	1	178	260
Mexico	42	18	2	3	154	123
Toal	585	532	39	69	2,702	3,212
Amount of Change	-9.06%		76.92%		18.87%	

Note 1: Wastes are given to licensed recyclers for recycling and reuse; hazardous wastes are given to qualified waste processing companies for disposal; and general wastes are shipped to local licensed incinerators for incineration.

Note 2: Wastes to be recycled or reused include metal wastes, PC trimmings, plastics, package materials, pallets and waste paper/paper boxes; hazardous wastes include electronic wastes, soldering slag and waste solutions (the only hazardous waste of Taiwan facility is waste solutions).

Percentage of Waste Recycled



Note: The data covered Taiwan, Shanghai, Shenzhen, Kunshan and Mexico facilities.



3.4.5 Water Resource Management

USI collects data of drainage reduction and water saving at all 5 facilities around the world (Taiwan, Shenzhen, Shanghai, Kunshan and Mexico) on a regular basis for the control of water consumption at these facilities. The statistics show that the water consumption of USI in 2012 increased by 6.69% compared to 2011; wastewater discharge increased by 1.41%; and the average water consumption per person in 2012 was 2.82 m³/person (this number consists of Shenzhen, Shanghai and Mexico facilities). For realization of water resource control, the water use target set for 2013 is 2.6 m³/person in average. The hope is to save water in a continuous effort.

Total Amount of Water Consumed and Wastewater Discharged

	Total Water Consumption (tons)	Total Amount of Wastewater Discharged (tons)
2011	502,524	441,809
2012	530,971	448,035
Percentage of Change	5.66%	1.41%

Note: 1.The water consumption data covered Taiwan, Shanghai, Shenzhen, Kunshan and Mexico facilities.
 2. The wastewater discharge data covered Taiwan, Shanghai, Shenzhen and Kunshan facilities.
 3. The water comes from utility water and groundwater; groundwater is used only at Taiwan facility. The quantities of utility water and groundwater used are 28,116 tons and 54,250 tons, respectively.

Water saving solutions are adopted in USI in order to minimize unnecessary waste of water resource. For example, flow rates of water using facilities in the bathrooms at every floor are reduced to prevent unwanted waste. RO pure water system wastewater recycling plan is in place at Shanghai and Kunshan facilities. The utility water saving per year is estimated to be 5,000 tons for Shanghai facility and 5,155 for Kunshan facility with a recycling rate of 12%. The wastewater recycling and reuse help reduce water consumption.

Furthermore, USI sites are nowhere near water sources, hence polluting the water sources will not occur. Also, USI does not own, rent or manage any sites in ecological protection areas or water resource protection areas to affect the water sources. All the waste water is treated to meet the discharge standard.

3.5 Green Prospects of USI

USI will continue to incorporate customers' environmental requirements into both the green management system and green manufacturing process, so as to facilitate the growth of green industry. USI will also disclose environmental data regularly, discuss USI Green Promise (as well as the results) with stakeholders, and collect the stakeholders' opinions for quick adjustments in green management strategies. Meanwhile, USI will require the entire staff to participate in environmental protection and recycling actions while saving money on utilities, not only to lower the operating costs at worldwide sites, but also to boost the economic benefits of eco-friendly initiatives. USI hopes to reach a balance between business expansion and environmental protection to fulfill CSRs, and eventually achieve the sustainable development of both the company and the ecological environment.



04 USI and the Society

- 4.1 USI and Its Employees
- 4.2 USI and Its Customers
- 4.3 USI and Its Suppliers/Contractors
- 4.4 USI and the Community

4.1 USI and Its Employees

Human capital is important seed for the constant growth of USI, requiring considerate care and irrigation. Therefore, we contributed to build high quality, safe, and challenge working environments. Besides strictly ensuring the safety and health in the workplace and caring of employees' physical and mental health, we also provided well systematic training programs. Through multiple training and development programs, employees could continually grow and increase their professional value. There is also comprehensive welfare system in the company to ensure various employee rights, keeping engaged employee relations and providing equal employment opportunities. Managers base on human oriented management philosophy to foster employee's sense of achievement and commitment.

USI Promises for Employees From Five Aspects



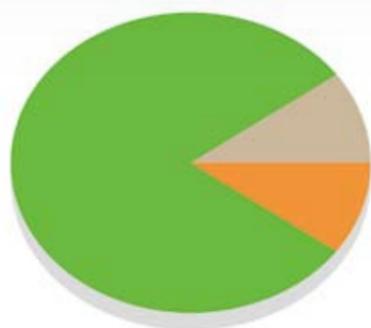
4.1.1 Employee Composition Profile

Employee Structure

USI has a workforce of 12,842 in total up to the end of 2012, including 11,086 in China, 1,422 in Taiwan and 334 in Mexico. It consists of 1,256 in technical departments, 1,266 at the management level and 10,320 assistant technicians. 7,197 or 56% of USI's workforce composes of women.

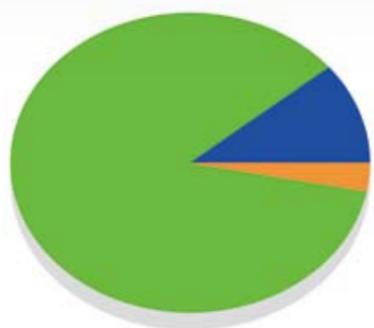
100%, 75%, 87%, 94% and 96% of management-level workers are hired locally in Taiwan, Shanghai, Kunshan, Shenzhen and Mexico, respectively, and the rest are managers assigned from Taiwan.

According to Job



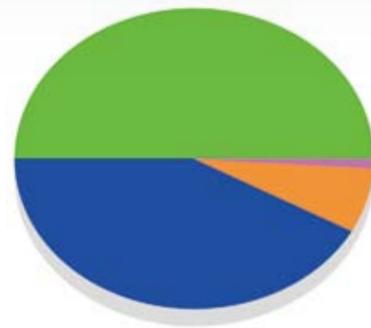
- Assistant technician (80%)
- Technician (10%)
- Administration and business personnel (10%)

According to Region



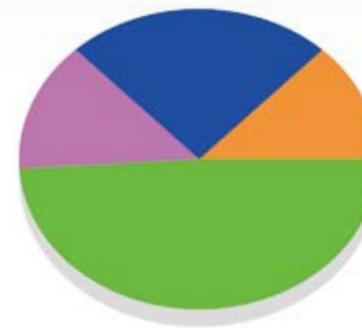
- Taiwan (11%)
- China (86%)
- Other foreign sites (3%)

According to Degree-RD



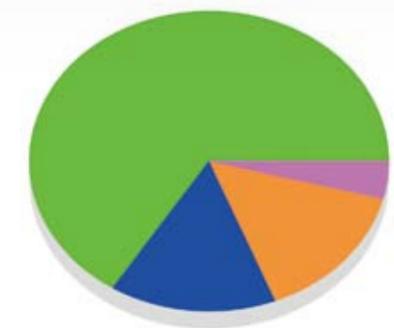
- Doctor(1%)
- Master(50%)
- Bachelor(43%)
- Senior high school(7%)
- Under senior high school(0%)

According to Degree-IDL



- Doctor(0%)
- Master(13%)
- Bachelor(49%)
- Senior high school(24%)
- Under senior high school(14%)

According to Degree-Total



- Doctor(0%)
- Master(4%)
- Bachelor(15%)
- Senior high school(14%)
- Under senior high school(66%)

Percentage of Workers at These Facilities by Type

Facility		Taiwan		Shanghai		Kunshan		Shenzhen		Mexico		Total	
Age	< 20	14	1%	1,598	31%	544	36%	1,100	25%	10	3%	3,266	25%
	21~30	165	12%	2,941	57%	829	54%	2,752	62%	103	31%	6,790	53%
	31~40	808	57%	535	10%	141	9%	518	12%	99	30%	2,101	16%
	> 40	435	31%	66	1%	12	1%	50	1%	122	37%	685	5%
Gender	Male	829	58%	2,333	45%	786	52%	1,602	36%	95	28%	5,645	44%
	Female	593	42%	2,807	55%	740	48%	2,818	64%	239	72%	7,197	56%
Management level	Management	170	12%	284	6%	85	6%	187	4%	26	8%	752	6%
	Non Management	1,252	88%	4,856	94%	1,441	94%	4,233	96%	308	92%	12,090	94%
	Male	148	87%	204	72%	66	78%	114	61%	15	58%	547	73%
	Female	22	13%	80	28%	19	22%	73	39%	11	42%	205	27%
Total		1,422	100%	5,140	100%	1,526	100%	4,420	100%	334	100%	12,842	100%
Number and percentage of managers hired locally		170	100%	212	75%	74	87%	176	94%	25	96%	657	87%

Facility	Taiwan		Shanghai		Kunshan		Shenzhen		Mexico	
High-level managers hired locally	95	100%	6	12%	1	13%	22	71%	2	100%
High-level managers not hired locally	0	0%	46	88%	7	88%	9	29%	0	0%

Note 1 : A high-level manager is one at Grade 9 or higher; not including member of board of directors.
 Note 2 : A management-level position refers to one at basic level of management or higher.
 Note 3 : The data cover the facilities in Taiwan, Shanghai, Shenzhen, Kunshan and Mexico.

Employment of the Mentally/Physically Impaired and Minorities

Facility	Taiwan	Shanghai	Shenzhen	Kunshan
Number of the mentally/physically impaired hired	35	4	23	0
Number of minorities hired	0	155	417	47

Note: The data cover the facilities in Taiwan, Shanghai, Shenzhen, and Kunshan.

Employee Retention

USI provided developmental training programs, comprehensive welfare system, comfortable and convenient working environments. USI also established excellent communication channels, cared conditions for building up a sense of belonging and reducing employee turnover rate.

Turnover Rate by Gender

Sites / Gender	Male	Female
Taiwan	7.1%	2.4%
Shanghai	59.1%	119.8%
Shenzhen	49.7%	105.6%
Kunshan	47.5%	70.2%

Turnover Rate by Age

Sites / Age	<20	21-30	31-40	>40
Taiwan	0.0%	9.2%	4.7%	1.9%
Shanghai	111.5%	93.3%	43.2%	3.2%
Shenzhen	98.9%	96.0%	33.0%	0.0%
Kunshan	78.1%	56.8%	12.4%	0.0%

Note: The data cover the facilities in Taiwan, Shanghai, Shenzhen, and Kunshan.

Maternity/Paternity Leaves

Percentage of female workers returning to work after having babies in 2012 by facilities:

Facility	Taiwan	Shangha	Shenzhen	Kunshan
No. of workers aping for maternity leave	34	98	98	20
No. of workers returning from maternity leaves	34	80	95	17
Percentage of return	100%	82%	97%	85%

Percentage of male workers returning to work after paternity leaves in 2012 by facilities:

Facility	Taiwan	Shanghai	Shenzhen	Kunshan
No. of workers aping for paternity leave	74	49	49	17
No. of workers returning from paternity leaves	74	49	49	17
Percentage of return	100%	100%	100%	100%

Note: The data cover the facilities in Taiwan, Shanghai, Shenzhen, and Kunshan.

4.1.2 Equal Employment Opportunity

USI recruited professional talents according to objectives and competency. In worldwide sites, USI established systematic employment policies and standardized procedures. According to the human resource requirement lists verified by each department, the recruiting department announced advertisements and recruitment procedure, and then hold recruitment publicly.

As recruiting employees, USI also followed fair and righteous principles regardless of age, sex, race, religion, nationality, or political party. USI treated all employees equally without bias and discrimination.

Employee Recruitment

New Staff Ratio-According to Gender

Facility / Gender	Male	Female
Taiwan	71.0%	29.0%
Shanghai	42.8%	57.2%
Shenzhen	62.0%	38.0%
Kunshan	48.7%	51.3%

New Staff Ratio-According to Age

Facility / Age	<20	21-30	31-40	>40
Taiwan	6.0%	45.0%	35.0%	14.0%
Shanghai	52.4%	44.3%	3.1%	0.2%
Shenzhen	41.5%	55.1%	3.4%	0.04%
Kunshan	55.1%	42.5%	2.4%	0%

Note: The data cover the facilities in Taiwan, Shanghai, Shenzhen, and Kunshan.



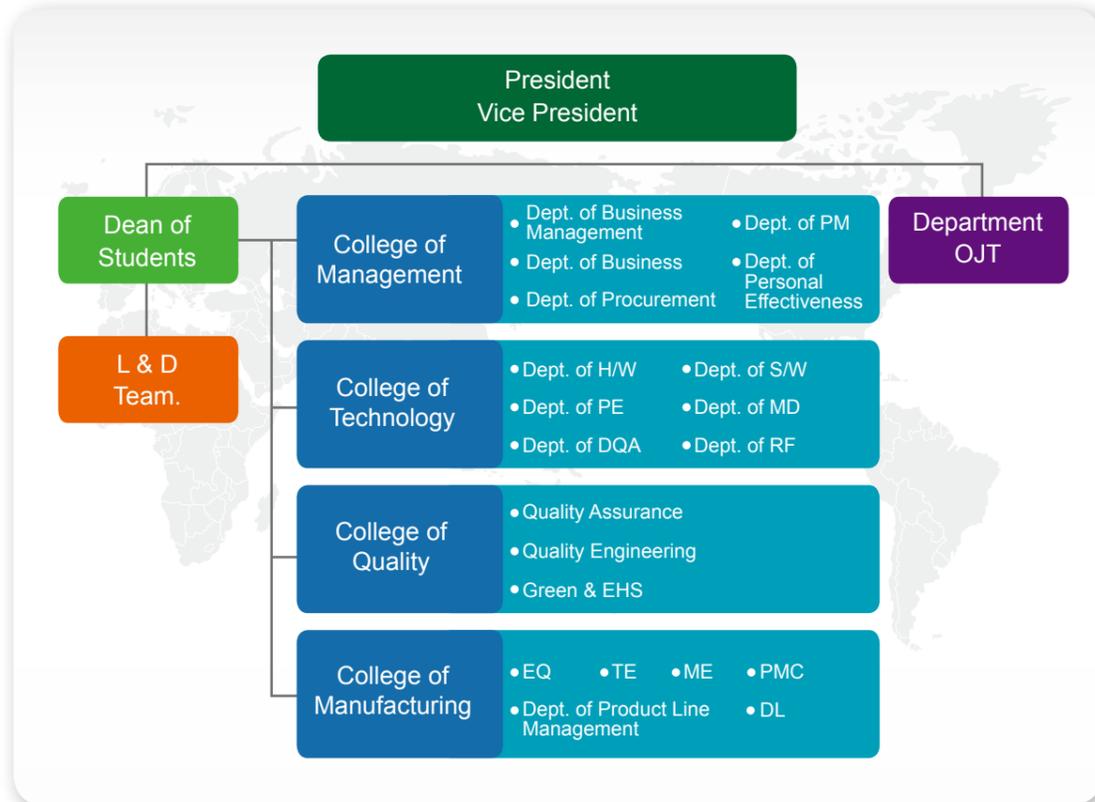
Recruitment Activity at Taiwan Facility



4.1.3 Integral Learning and Development Program

Employee Learning and Development

In the big family of USI, our mission is to help colleagues solve work problems, develop their expertise, and achieve the goal of the organization effectively. Therefore, we planned various training courses for employees in different professional fields and provided them integral learning systems. USI established USI University (USIU) with four main pillars, "R&D College," "Management College," "Quality College," and "Manufacturing College." USIU integrated worldwide learning resources and created innovative learning environment for all USI employees' learning and development. In the library of USI, more than 100 periodicals and journals relating management, electronic techniques, and computer information are prepared from various countries, allowing the employees to flexibly and instantaneously enhance professional expertise.



Vision of USIU

Based on the organization strategy, USIU integrated personal experiences and background, working skills requirements, performance evaluation, and career development, tailor-making each employee's Individual Development Plan (IDP). USIU helped employees to learn and to grow with goals and principles; fulfilling each professional knowledge and skill gradually.

By providing training courses for omnipotent talents, USIU offered multiple course contents, where the approaches and activities were designed according to course attributes. Proceeding case study or group discussion along with E-learning course trainings allowed USI employees to learn and pursue education in a more effective and flexible way.

For many years, USIU has developed excellent teachers and fine knowledge for delivering culture. And by providing employees with high quality and compromising courses, USIU developed world-class talents and promoted industrial competition for USI.

Various Employee Education and Training Courses of USI

Orientation training program :

When newcomers enter the company, USI quickly arranges guidance courses with three phases to help them understand the operation of company. Then, USI will provide tailor-made professional skill courses for each newcomer to quickly get into the working environment. The training program include EICC (Electronic Industry Code of Conduct) training courses.

Professional development course :

To keep promoting employees' expertise, "R&D College", "Management College", "Quality College", and "Manufacturing College" will set up professional training toward the requirements of each department, such as series of production management and quality management courses.

Management training course :

USI plans a series of management courses for administrators in the company, promoting administrators' ability of communication and negotiation and their leadership.

Direct employee training :

In order to keep developing operative ability of production for direct employees after entering the manufacturing plants, USI invites engineers or administrators with excellent expertise as internal lecturers. USI also teaches employees working methods and skills directly according to their different operation features.

Indirect employee training :

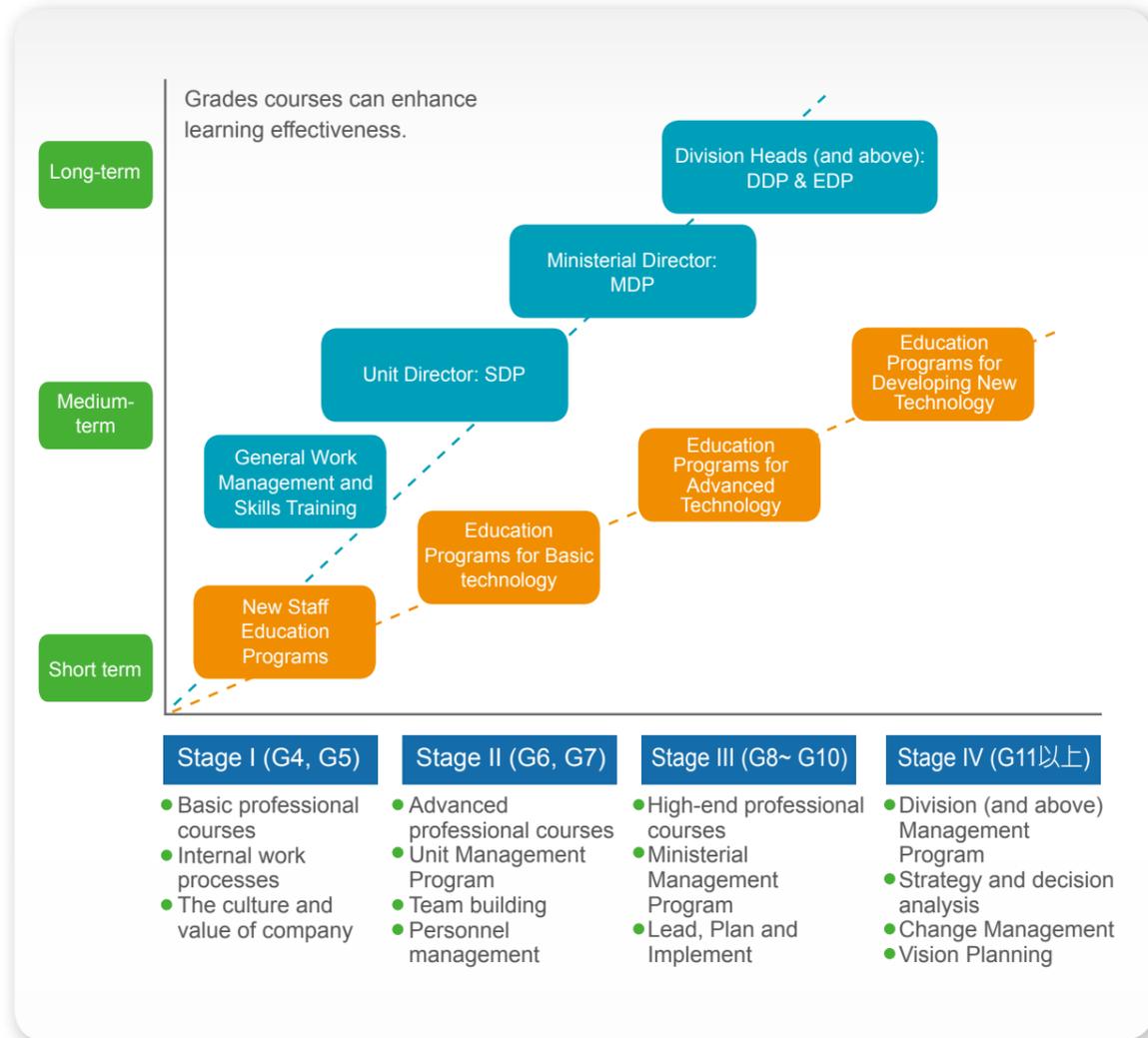
According to position and working features, USI designs different required and elective courses. The course planning is practical work-oriented. Lecturers share experiences, provide case study, and simulate the real working condition. After the training, trainees must pass the test to make sure they will imply what they learn to their work effectively.

External training :

Employees are sent to various training organizations, schools, and business management consultancies inside and outside the country for accepting on-the-job training. Teachers are invited to give lessons in USI irregularly.



Development of Employee Education and Training



Average Time of 2012 Employ Education and Training (hour)

Facility	Direct Employees			Indirect Employees		
	Male	Female	Average	Male	Female	Average
Taiwan	2.1	3.1	2.9	10.9	9.7	10.5
Shanghai	7.9	8.0	7.9	4.0	3.9	4.0
Kunshan	11.1	15.5	13.2	9.5	8.3	8.8
Shenzhen	10.1	11.2	10.7	6.1	6.2	6.1

Facility	Supervisor			Executive		
	Male	Female	Average	Male	Female	Average
Taiwan	10.3	12.4	10.7	11.6	13.7	11.9
Shanghai	8.1	8.3	8.2	6.0	5.3	5.7
Kunshan	22.2	21.4	22.0	21.0	12.8	20.5
Shenzhen	9.1	9.2	9.2	6.0	5.9	6.0

Note : Data covered Taiwan, Shanghai, Shenzhen and Kunshan sites.

The mission of USI is to set up a learning organization and help employees realize their self growth. In the future, we will keep emphasizing human resource development, scheduling comprehensive training programs and improving the development of the company.

Employee Performance Appraisal

USI established a comprehensive performance evaluation system. Based on the organization strategy, guideline, and goal of USI, employees' personal working goals and working performance evaluation standards were set up to execute after the discussion and agreement between administrators and employees. The evaluating items included: working goals and professional performances. Professional performances included: professional skills, learning and applying ability, soft skills, and working attitude. Through the performance evaluation system, we hoped to help employees reach their personal and organizational performances targets, stepping forward to the integral goals set up by USI.

4.1.4 Perfect Welfare System

"Employees Welfare Committees" are established at each of the facilities to provide all employees (full-time employees) of USI a comprehensive welfare policy in the hope that committee members will make the best of their expertise in entertainment, medicines, continued education and other aspects of employee welfare for the better well-being of all fellow workers. USI also follows local regulations by distributing a certain percentage of work payments as retirement pension fund.

Employee Recreation

There are recreation activity rooms for special purposes in the company, such as computer and internet classroom, library, KTV room, fitness, and recreation room. Many other recreation facilities such as table tennis, billiards, basketball machine, outdoor basketball, badminton and tennis courts are also available. There are many clubs for employees to relax, such as table tennis club, badminton club, basketball club, softball club, bowling club, golf club, bicycle club, swimming club, fishing club, Tai Chi & Qigong & Yoga health club, caring club, camping club, roller skating club, and choir, etc.



USI encourages employees to achieve a balance between physical and mental health by participating in club programs and outdoor activities

Taiwan Facility

MARATHON



SWIMMING



Taiwan Facility

BASEBALL



RIDE A BICYCLE





USI encourages employees to achieve a balance between physical and mental health by participating in club programs and outdoor activities

Shanghai Facility

TRAVEL



SING SONG



Shenzhen Facility



BIRTHDAY

Kunshan Facility



COOKING





Employee Incentives

USI rewards its employees by various incentive systems, such as R&D prizes and achievement bonus for employees with excellent performances. Remarkable employees are elected by ballot and are awarded in public. Employees also get bonuses and share USI's operating achievements.

Kunshan facility held Advanced deeds Contest to praise and reward employees for advanced deeds.



Employee Insurance and Retirement

Following governmental regulations, Taiwan site takes part in labor insurance and national health insurance, and holds group insurance covering life insurance, accident insurance, and occupational accident insurance. USI will be responsible for all insurance premium to ensure employees' life. As for employees' retirement policy, USI established Employee Retirement Fund Supervisory Committee. According to the regulations, the retirement fund is contributed monthly, saves in the special retirement fund account in Central Trust of China. Based on the regulations in Labor Pension Act, fixed ratio of employees' salary is contributed to their personal retirement fund account.

Social insurance and accident insurance policies are purchased at Shenzhen Facility as legally required. At Shanghai Facility, workers are provided with urban employee insurance along with commercially available employee accident insurance as extra. Employees working for USI for more than 2 years are provided with commercial ER insurance coverage. At Kunshan Facility, social insurance (endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, childbirth insurance and housing accumulation funds) is provided as required, and employees and the company pay for their share of payment based on government regulations. In addition, the company pays for workers' group insurance that covers clinic treatments and hospitalization as part of employees' life protection.

Percentage of employees' or USI's contribution to retirement pension funds by facility:

Pension fund	Employee contribution %	Employer contribution %
Taiwan	0~6%	6%
Shanghai	8%	22%
Kunshan	8%	20%
Shenzhen	8%	10%

Welfare Systems of USI

Bonus	Full attendance bonus, birthday gift certificate, annual bonus, overtime wage, R&D incentive bonus, patent incentive reward, performance bonus, three festival gift certificate and DL senior bonus.
Holiday and Vacation	Besides national holidays and weekends, there are accompanying maternity leave for male employees, female employees to take prenatal visit leave, parental leave for female employees, nursing leave, menstrual leave, earned paid sick leave, annual leave and paid-time off.
Insurance	Labor insurance, health insurance, employee comfort and compensation, employee/dependants group insurance
Dining	There is broad and sanitary employee restaurant and meal subsidy.
Accommodation	Different types of accommodations with household appliances, air-conditioner, hot-water heater, wireless net, and furniture. USI pays for all full-time employees' housing accumulation funds and provides housing subsidies. Employees of Grade 3.1 or lower are provided with accommodations free of charge.
Transportation	USI provides comfortable and convenient transportation between plants and well-equipped exclusive parking lots for employees.
Recreation	Domestic and foreign employee travels, family day, parent-child activities, end-of-the-year banquet and drawing lots Birthday celebration, athletic meet, singing competitions, and chorus.
Health	USI sets up professional dispensary providing free health consultancy. USI holds free health examination for employees annually.
Other	Other employees' welfare bonuses include wedding subsidies, subsidies for continued education at a domestic or foreign institution, child birth subsidy, education subsidies and scholarships for employees' children, hospitalization benefits for employees and their families, communications expenses, care for work groups, and application of residence permits for current employees.

Various Leisure Facilities

Taiwan Facility



Recreation Area



Indoor Gym

Shanghai Facility



Table Tennis Room



Badminton Courts



Reading Room



Indoor Childcare Facility



Shenzhen Facility



Table Tennis Room



Basketball Court



Pool Room



Library

Kunshan Facility



Sports Ground



Recreation and Entertainment Facility



Fitness Room



Children's Playground

4.1.5 Harmonious Industrial Relations

Salary Management Strategy

USI is willing to give employees reasonable rewards for what they have given for the company. A competitive remuneration system is established based on salary standards in the market, workers' competitive outside of the company and the demand and supply in the employment market. USI provides reasonable payments to employees by adjusting their salaries and providing bonuses based on company's business status, annual employee performance assessment and auditing results and how well the workers perform in their positions. The salaries paid to workers of USI around the world are paid according to local laws and the principle of equal pay for equal work for both genders. The pays meet the minimum wage criteria as well as the principle of fairness without any gender-based discrimination. The basic salary ratio between men and women is 1:1. For example, the Shanghai City Government required the standard minimum wage of RMB 1,450 from Apr 1 2012, but Shanghai facility met the criteria as early as in Jan 2012.

USI sets up salary systems according to the following concepts:

- Recognize employees' contribution to the company, formulate the differences between each position, and maintain the balance of paying salaries.
- Respond to employees' performances appropriately for encouraging employees and recruiting required human talents.
- Provide employees fair and reasonable treatment and adjust the salary as responsibilities are increased.
- Adjust flexibly with the human recourse market and the changes of organization.

Industrial Relations Communication Mechanism

To establish a good employer-employee communications mechanism, USI establishes an employee relationship network (or employee assistance and interaction center in the cases of Kunshan and Shenzhen) and employees' comment mailboxes. Every season there are the communication meetings with GM (or conversation sessions with site GM every month in the case of Kunshan). GM and management level executives are invited with have conversations with employees. There are the employee communication and interaction meetings every 2 months at Kunshan Facility. In addition, employee satisfaction surveys are carried out on a regular basis in order to establish an open and trusting management environment and an obstacle-free communication channel for better employer-employee relationship and improvement of coherence of employees.

Interviews with employees are arranged at every department of Shanghai and Shenzhen Facilities on a regular basis. Counselors have conversation with employees to help them with their problems. Employees' comments and suggestions, including employees' needs, law and regulations and company's regulations, are collected through various channels. Also, the management level of Shanghai Facility helps basic-level foremen and leaders to make arrangement of excursions for relief of work stresses, and there are company vacations and movies for employees regularly.

Conversation Session with General Manager (Taiwan Facility)

2012 Q4 營運長座談會
Realizing IDEAS Together

各位主管 您好

公司為能持續建立一個公開及互信的管理環境及暢通溝通管道，將於11月份安排「營運長座談會」，邀請各位出席參加，請先預留您的時間參與本次座談會，謝謝！

1. 場次時間
第一場
時間：2012/11/26 (一) 16:00-17:00
出席單位：Automotive - M&N - Storage&Server - S&S-GS - S&S-TSC - GRM - TW OPS - VPD - WP

第二場
時間：2012/11/29 (四) 16:00-17:00
出席單位：CE - Central Staff - Corp.Service - Fin&Legal - IT - COM - MP - MTD - PC&POS - SCM

Employee Relation Website (Taiwan Facility)



Employees' Comment Mailbox (Taiwan Facility)



Employee Mutual Aid Center (Kunshan Facility / Shenzhen Facility)



Labor-Management Communication in All Facilities

Facility	Industrial Relations and Communication Channel
Taiwan	According to the regulations, industrial organizations with more than 100 employees should have more than 5 representatives from both the labor and capital. Taiwan site hold Labor-Management Meeting quarterly, the labor and capital designates five representatives respectively.
Shanghai	"Employee Representative Congress" is established with 30 employee representatives. Currently, Shanghai site discusses issues about employee systems through meeting and voting.
Shenzhen	The "employee representative assembly" is established along with the constitutions and election rules of the assembly in order to encourage employees to speak out what they have in mind and what they wish to have as well as to provide a system for participation of employees in democracy and supervision while growing with the company. Up to now, the representatives have negotiated with the company for many legal interests and democratic rights for the employees.
Kunshan	To establish a two-way communication channel between employees and employer, the Kunshan Facility establishes the employee assistance and interaction center and employee comment mailboxes. Also, site GM conversation sessions are provided monthly and communication and interaction meetings every 2 months as a good communication system between employees and employer.

The Use of Communication Channel in Shenzhen Facility

Interviews with Employees	Once every month HR department has arranged monthly interviews with employees in each department; 20-30 employees will be sampled to fill in a questionnaire. Based on the answers to the questionnaire, the HR department will arrange interviews with employees to understand their needs and cognition of related laws and company regulations. The HR department will also report employees' opinions and suggestions to related departments and managerial levels.
Interviews between Site General Manager and DL Employees who will Resign	Once every week HR department samples 3-4 employees who will resign every week and arrange interviews with Site General Manager, in order to understand the reasons they want to resign and listen to their opinions and suggestions. So that the managerial levels can know employees' thoughts and the turnover rate will be decreased.
"Complaint Box"	Each department has selected Representatives of Love to form the Group of Love. Employees in need can seek help from Group of Love actively; the Group of Love can also take the initiative to give hands to those in want of assistance. Group of Love calls a monthly meeting, pools the wisdom of the masses and effectively resolves employees' difficulties both of work and of life.
Wages and Benefits Consultation	HR regularly organizes seminars to answer employees' questions on wages and benefits on site, and employees take voluntary participation.
New Recruit Communication Sessions	Once every month HR organizes and arranges for these sessions with the assistance of other departments. Direct employees recruited less than 1 month ago or indirect employees employed less than 3 months ago are randomly selected for these sessions in the attempt to answer their questions and find out what they need. It is a way to care for them and help them with their difficulties at work and in life, as well as to improve the adaptability and survival rate in the company.
New Recruit Orientation with Site GM	On the first day at work, indirect employees are invited to an orientation session with the Site GM who has a face-to-face conversation with the new recruits and leads them through bits and pieces of the company and answer their questions.
Communications with HR	HR organizes quarterly HR meetings to collect comments and suggestions from employees. The heads of HR and Administration Management will reply to these in or after the meetings. The replies will be announced after the meetings.
Corporate Information Publication Platform	The corporate information publication platform was officially online in Aug 2012. It is used primarily to improve the problems in direct employees receiving information, such as too many links involved, information out of date as received and obstacles along the communication channel, as well as to serve as an effective complimentary communication channel.



Effective Use of Communication Channels in Kunshan Facility

Staff Interviews	Employee relations officer takes charge of the arrangement of interview every Monday/Wednesday/Friday, so as to arrange for factory director and Site General manager to interview employees, understand their current situation, and listen to their opinions and suggestions of management. So that the managerial level can hear the basic level's thought in a closer way.
New Employee Communication Meeting	The company holds "New Employee Communication Meeting" every two months, supplies employees with a platform to raise questions for HR officers to answer timely, so as to help new employees better integrate with the company quickly.

Conversation Session with Employees



Communication and Interaction Meeting with New Recruits



4.1.6 Excellent Working Environment

Safety and Health Management

To ensure employees' working safety and to keep an environmental hygiene, USI passed OHSAS 18001 occupational safety and health management system verification as a principle to maintain the safety and health of employees in workplaces, and to records the number of occupational hazards in each site regularly in accordance of improving working environment and reducing occupational hazards.

In 2012, USI's related rates of injury, occupational diseases, lost day and absentee are as followed:

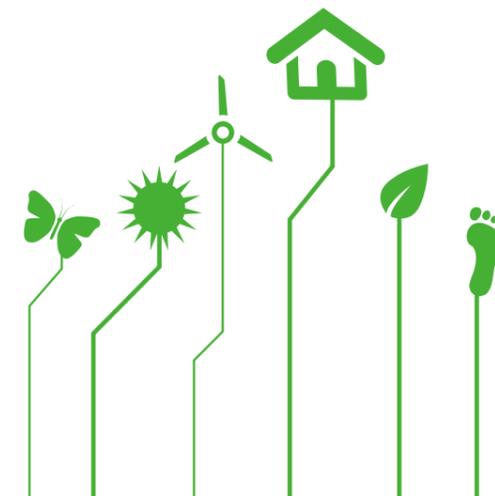
(There is no death related to occupational diseases and work.)

Factory	Injury Rate(IR)		Occupational Diseases Rate(ODR)		Lost Day Rate(LDR)		Absentee Rate(AR)	
	Male	Female	Male	Female	Male	Female	Male	Female
Taiwan	0.43	1.57	0.00	0.00	4.37	12.32	214.06	824.33
Shanghai	0.13	0.11	0.00	0.00	9.40	3.89	267.61	844.47
Shenzhen	0.11	0.09	0.00	0.00	0.70	0.69	569.85	881.73
Kunshan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note:
 1.The data covered Taiwan, Shanghai, Shenzhen, and Kunshan Facilities.
 2.The occupational injury rate at Taiwan Facility is the result of only traffic accidents.

In addition, Taiwan Facility participated in the zero accident man-hour record promoted by the "Council of Labor, Executive Yuan" from May 17 2011 to March 31 2012, and was recognized with the certificate of "zero accident man-hour record." The facility also acquired the "self-certification of healthy workplace – health promotion mark" in the self-certification of healthy workplace promoted by Bureau of Health Promotion, Department of Health, Executive Yuan.

OHSAS 18001 Occupational Health and Safety Management System Certification





USI established Emergency Response Center, implemented response training for earthquake and fire, and held environmental safety and health promotion courses. Through various rehearsals and training, possible occupational hazards may be prevented.

Fire Drill **Taiwan Facility**



Shenzhen Facility



Evacuation Drill **Taiwan Facility**



Fire Evacuation Drill **Shanghai Facility**





Shenzhen Facility



Kunshan Facility



In order to ensure the health and safety of the employees in the radiation workplace and to protect them from the harm of non-ionizing radiation, USI follows 'Ionizing Radiation Operation Management Regulations' and fully implements radiation protection and control and examines all used X-ray machines based on related laws and regulations.

Besides, USI also follow the regulations and procedures, monitors the noise, concentration of CO2, organic solvent, specific chemical substance, lead hazard regularly in the workplace, etc. and ensures all workplaces are under the permitted concentration of hazardous substance and the noise threshold.

Physical and Mental Health Care

USI regards employees as the most valuable assets and capitals of the company, and therefore USI sets a goal for the employees to improve their health every year so that employees are wholesome in every way. The goal is set based on employee opinions as well as abnormal results of employees' health examination reports.

The Dispensary is equipped with not only simple wound dressing facilities, but also a nursery room, which provides a comfortable place for female employees to collect the breast milk. In addition, tunnel-type blood pressure monitors, weight scales, body fat scales, measuring tapes, etc., are offered for employees to use.

For health examination and management, Taiwan Facility provides employee health examinations and health checkups for specific operations. Examination reports are kept on files for follow-up and epidemic control. For psychological health management, EAP employee assistance programs and one-on-one counseling system are provided to take care of employees' mental health. For health promoting activities, Taiwan Facility works with local competent authorities of health, physical examination institutions and central and southern healthy workplace promoting centers and brings in corporate resource to organize programs in 2012 such as: free cancer screening (oral cancer screening, Papanicolaou smear), health improvement programs of Chinese medicines, lectures about women's cancers, bone mass measurement, flu vaccinations, Healthy Weight Loss 101 and fitness promotion programs, apart from courses of nutrition and exercise knowledge. The "Healthy Weight Loss 101" was an effort in response to the government's policy. Taiwan Facility contributed a fair share of tonnage in weight loss program in Nantou this year. This is a part of efforts for remediation of metabolic syndromes and chronic diseases at workplace and even promotion to employees' families for the spreading of concepts of health at local communities.

In addition, health information is communicated to employees through company's internal resources such as newsletter and email to spread health education and improve personal health skills. The company seeks to improve the knowledge in nutrition, exercise, healthy psychology and in turn all aspects of health, thus achieving complete care of body, soul and spirit.



Newsletter "Happy Life Forever" Columns

For medical service on facility program, professional knowledge of doctors is added to the safety and management of workplace, and fellow workers will have someone to talk to when they have anything related to health. This will help the management of environmental safety and health as well as improvement of occupational disease prevention and control.



The doctor is inspecting the factory's working environment





At Kunshan Facility, the infirmary provides monthly email of health information to improve employees' health awareness, and health articles are posted monthly on bulletins according to diseases that occur in season. In 2012, the hospitals of Kunshan provided the following health lectures: care for women and care for health and prevention of spine-related diseases, etc., HR starts employee assistance programs for care of physical and mental health.

At Shenzhen Facility, the psychological counseling office was established to provide a space where employees are allowed to let out their steam. The facility doctors and counselors and representatives of the caring team provide face-to-face sessions with employees in stress and help them rid of negative thoughts and relieve mental pressure.



Taiwan Facility- Oral Cancer Inspection



Taiwan Facility-Traditional Chinese Medicine Course



Taiwan Facility- Bone Density Test



Taiwan Facility- Lectures of Woman's Cancer Prevention



Shenzhen Facility - Prevention of Neck and Shoulder Problems and Health Improvement Lectures with Chinese Medicines



Kunshan Facility- Employee Assistance Program (EAP)



Taiwan Facility-Healthy Body Weight Management Program



Enforcement of Human Rights Policy

The spirit of EICC was incorporated in USI's corporate social responsibility policy in June 2008 in order to protect workers' freedom of employment, humane treatment, freedom of assembly and for prevention of discrimination. Employee information database is carefully maintained, and workers are informed of changes in their works according to local laws and regulations. Every employee has to receive a 0.5-hour e-Learning program of employees' code of conduct from which workers learn their human rights. In 2012, USI did not receive any complaint about discrimination or violation of human rights of employees; i.e. no complaint about human rights was received by any official channel of complaint.

USI obeys the local labor laws and acts, precluding child labor recruit. For employees between 16-18 years old, USI requires each department to consider their growth condition. Practicing dangerous work won't be allowed. When hiring foreign employees, employment contract must be signed according to local regulations, to ensure employees' personal certificates or property don't need to be retained when formally working for USI.

Based on the local labor laws and acts, USI draws up "Employee Work Rules" which clearly point out:

- No recruitment of child labor
- Inform employees before dismissal and give severance pay
- Employees' salary must not lower based salary standard of the governmental regulations
- Extending work-hour due to business/work requirements must be processed according to Labor Standards Act
- Prohibition of sexual harassment in the workplace
- Enforce "non-discrimination" policy: no one will be discriminated regardless of race, religion, skin color, age, sex, nationality, and disability

4.2 USI and Its Customers

USI, the world's leading provider of Design & Manufacturing Services (DMS), has been committed to providing professional services and fine-quality products since its inception and fulfilling various needs of customers. Besides its advanced R&D capabilities and manufacturing process, USI offers each customer a comprehensive package that includes services ranging from product design to distribution. The company's worldwide manufacturing bases also ensure immediate and flexible on-site support, both technologically and logistically.

To ensure effective communication with customers worldwide, USI eagerly collects the voices of customers through satisfaction surveys, establishing websites and the designed workflow system to handle customers' opinions promptly. The company features an all-encompassing mechanism that promises an immediate and comprehensive after-sales service, for all the customers.

4.2.1 Production and Quality Management

In order to provide highly stable, highly reliable, and cost-competitive products that meet, or exceed the customers' expectations, USI accumulates years of experiences in providing services to the world's leading companies, and applies a combination of three core technologies--- computing, communications, and multimedia processing technologies---to the design and manufacturing of computers, peripherals, video technologies, communication products, Network-attached Storage (NAS) devices and servers, as well as industrial and automotive products, hoping to offer the most comprehensive DMS solutions. With implementation of quality policy, USI ensures its system operating effectively under the applicable international standards that products and services are required.

Management System Certifications

Facility	ISO 14001	TL 9000	ISO 9001	TS 16949	OHSAS 18001	IECQ QC080000
Taiwan	1998		1993	2003	2004	2006
Shenzhen	2001	2002	2001		2004	2007
Shanghai	2004	2005	2004	2007	2004	2007
Mexico	2006		2003	2005		2007
Kunshan	2012		2011		2012	2012

USI considerably emphasizes on the voices of customers, and consequently introduces a mechanism that incorporates customers' demands into product design. The company's products and operating system are also in line with international standard requirements. For example, it adopts stringent rules and uses only the low-pollution, non-toxic raw materials. For product planning, USI ensures products meets the specifications required by environmental regulations, and then conducts the life cycle assessment and eco-design evaluation. Meanwhile USI generates eco-profile in response to EU's Energy-related Products (ErP) Directive and ensure the fine quality and safety of products. USI did not receive any complaint about products harmful to human health and safety in 2012. Products are labeled and service information provided in accordance with applicable laws and no violation is found.

Eco-labels	Percentage of USI products bearing the label
 <p>EU RoHS Directive</p>	Wireless Products (WP): 100% Mobility and Networking solution (M&N): 100% Storage and Computing system (S&C): 100% Visual Product Devices (VPD): 100% Application-Specific Devices (ASD): 100%
 <p>IEC 61249-2-21</p>	Wireless Products (WP): 61% Storage and Computing system (S&C): 31% Visual Product Devices (VPD): 53%
 <p>CHINA RoHS Regulation</p>	Wireless Products (WP):100% Mobility and Networking solution (M&N): 100% Storage and Computing system (S&C):100% Visual Product Devices (VPD): 100% Application-Specific Devices (ASD): 100% Automotive (Auto): 100%

4.2.2 Product Marketing Management

USI provides clients with high-quality, high-efficiency, and flexible after-sales comprehensive services so as to satisfy clients' requirements. Also, USI has dedicated units that deal with clients' services, hold regular and irregular meetings and questionnaires to collect clients' responses, constantly improve company's quality of services, strengthen company's good partnership with clients, and create the maximum value of enterprise together.

Driving up Customer Satisfaction

Through surveying clients' questionnaires and holding QBR(Quarterly Business Review)conference, USI actively collects clients' opinions and responses to understand product evaluation of technical, quality, price and delivery time, etc, and related responsible units will hold conferences after collect all information, develop feasible coping strategies, according to clients' requirements, discuss with clients, formulate improvement programs, keep on tracking improvement progress and inform clients the latest progress at any time, and improve the quality of communication and customer satisfaction.

Upon receiving the customer complaints or the requests for defect analysis, USI also has a systematic process that initiates confirmation and records history, and quickly provides effective strategies for different departments to set up different working procedures and avoid the recurrence of defect conditions.

In 2012, the satisfaction of major customers with products supplying, manufacturing and customer service has been among the best which fully showed USI's competitiveness.



All-Encompassing After-Sales Service

USI creates a wide range of tailor-made service programs to meet the varying needs of customers and customized after-sales services which in compliance with industry standards. Such a close-knit partnership helps develop genuinely satisfying solutions for each customer.

Through ERP-based global service network, SAP and e-RMA, Service Department at USI collects, distributes and categorizes defect-related information to provide the valid data rapidly back to customers or internal departments for product defect analysis. The customers are also allowed to monitor the RMA status ---anytime, anywhere--- via e-RMA, where they can apply to the RMA service and submit status inquiries.

Categories of USI After-Sales Services

RMA Services	Spare Parts	Technical Support
<ul style="list-style-type: none"> • After-sales service solutions • Warranty and maintenance • Project rescheduling and replacement of parts • Product replacements • Product repairs 	<ul style="list-style-type: none"> • Selling regular and critical spare parts/components service 	<ul style="list-style-type: none"> • On-site technical support at customers' requirement • Training program for maintenance staff • Trouble shooting and defect analysis • Test equipment/fixtures and technical documents

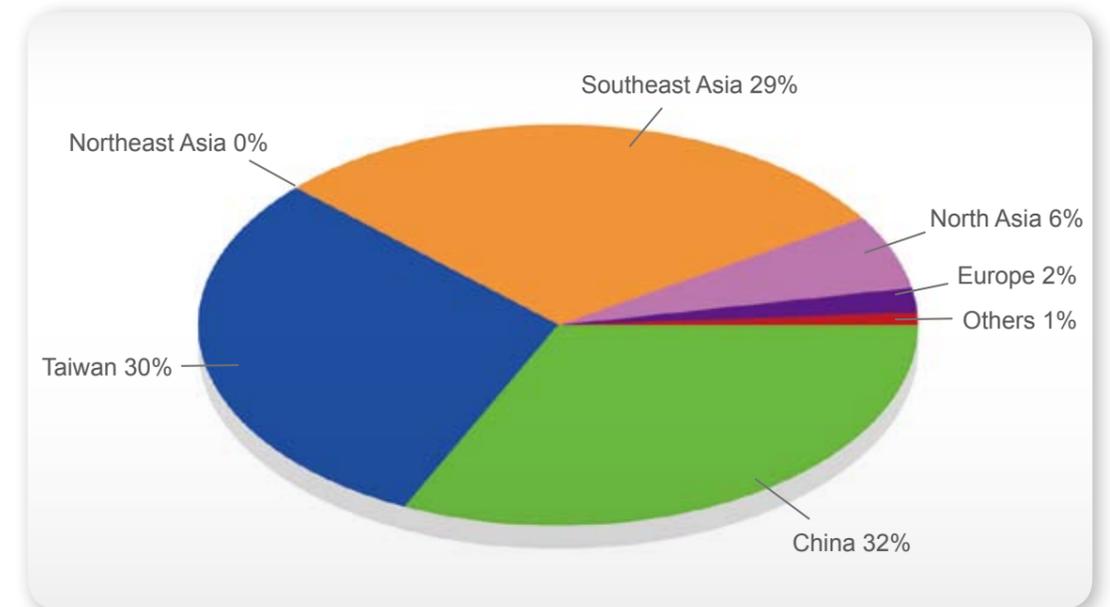


4.3 USI and Its Suppliers/ Contractors

4.3.1 The Suppliers of USI

USI's major production facilities are in Taiwan and China; in 2012, more than 60% of USI's raw material purchase came from local suppliers (67% of Taiwan's raw materials came from Taiwan's suppliers; facilities in China purchased 33% of raw materials from local suppliers), so USI not only decreased consumption of energies and time during transport but also reduced environmental pollution.

Regional Distribution of USI Suppliers (The percentages of procurement made shown in each region)



4.3.2 Supplier Management

The progress of the suppliers' corporate social responsibility (CSR) will be one of many key factors behind USI's future prospects. USI considers its supply-chain development from the viewpoints of resource-use improvement and environmental pollution reduction, controlling and keeping track of all products from the start of raw-material procurement. This practice ensures full compliance with environmental regulations at the stage of product research & design thereby reducing environmental impact during the period of product use and recycling.

USI establishes standard appraisal system and result assessments of suppliers, so USI chooses suppliers in accordance with related regulations, constantly keeps close partnership with suppliers, and mutually establish stable and sustainable green supply chain, in order to maintain human rights, protect environment, supply consumers with healthy and safe products, and take corporate social responsibility.

At the end of 2010, USI established Supply Chain Management Operating Center to take charge of global procurement and ensure that quality and raw material lifecycle management of suppliers confirm to international laws and customer requirements. USI also expects suppliers can respect Enterprise Ethics, and thus requests suppliers to comply with "Electronic Industry Code of Conduct" (EICC) to protect human rights and grow the social responsibility and contribution of the corporate.

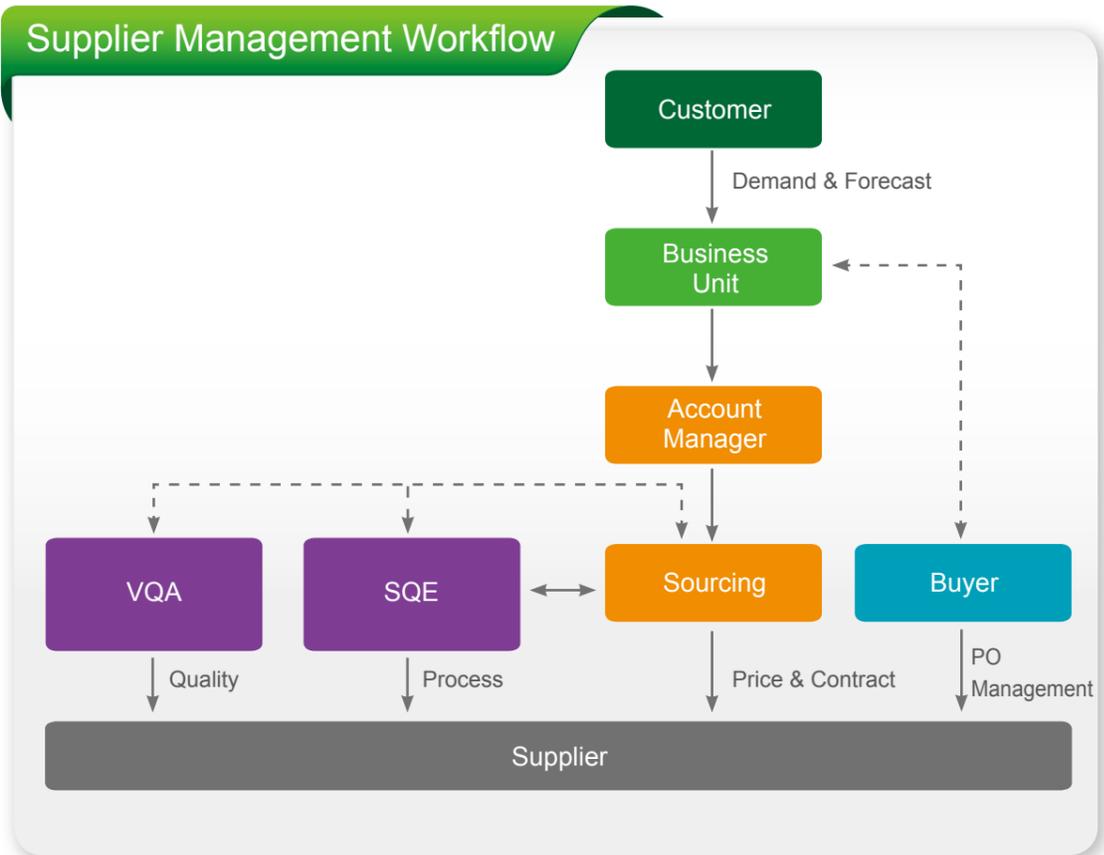


Most of suppliers have obtained certificates for their quality management system and environment, safety and health management system, and they have kept a long term sound partnership with USI. Supply Chain Management Division of USI deploys the procurement strategies flexibly in response to industry development. Procurement strategy is varied with material being procured to ensure our material cost can be competitive. To reduce the procurement risk, we have developed multiple sources to ensure reasonable and competitive purchasing cost, good quality and on time delivery of the procured parts to support our business need.

USI states in the corporate social responsibility policy and is committed not to purchase metal or materials from any area of conflict, and this is included in the supplier management system which requests all suppliers to communicate this policy in their supply chain. In 2012, 33% of major suppliers/contractors and their business partners promised and signed the "social responsibility commitment of USI suppliers and an investigation was carried out on suppliers to find out if they were involved in any purchase of special metals from any area of conflict or child labor. So far no questionable conducts of suppliers were found in relation to violation of human rights or business ethics.

Supplier Evaluation System

Prior to delivery from a supplier, the supplier quality management center of USI will evaluate carefully the quality management system and green management system of suppliers to ensure that the materials, parts and products of supplier meet the green product requirements of USI, international standards of environmental protection and the demands of clients. Furthermore, the supplier evaluation consists of 4 aspects: commitment to observing applicable laws, safety and health of dormitory and relevant equipment, safe and health work environment, and environmental protection. The purpose is to collect suppliers' guidelines and performance in occupational health and safety, well-being of workers and employees and environmental realization. This evaluation system not only helps the employees of suppliers secure what is rightfully their but also helps USI find out whether a supplier is involved in the purchase of special metal from any area of conflict.



Supplier Performance Assessment

Through the supplier performance assessment, USI hopes to improve the quality of product purchase, and to strengthen the communication with the suppliers while seeking long-term partnership--- a partnership that will enable both parties to implement the CSR policy together.

Supplier performance is assessed both on a monthly and quarterly basis, with the three criteria on quality, price, and delivery & communication. Any supplier that fails to meet the expectations will have one month to propose an improvement plan and to implement it. Such improvement plan and implementation results will be examined by each responsible site unit, and to perform the audit by VQA unit, if necessary.

4.3.3 Supplier Communication

To establish a good communication with the suppliers, USI call together a supplier assessment team that consists of representatives from quality control, engineering and procurement divisions. The team is in charge of communication with suppliers and inviting them to attend USI quarterly QBR (Quarterly Business Review), where the team members explain to the suppliers USI's viewpoints on social responsibility and environmental safety and health policies, such as USI's green supply chain, restrictions on using hazardous substances in product, environmental regulations and customer product quality requirements, while maintaining a close working interactions with suppliers.

4.3.4 The Green Supply Chain

The effect of green supply chains and a growing green procurements trend, resulting from green products regulations and directives proposed by EU, is now a major concern among electronics/electric manufacturers.

To ensure all the raw materials and component parts are non-environment-harming, low energy-consuming and highly recyclable, USI eagerly integrates with upper-stream suppliers and strengthen the entire green supply chain. As for the planning, design and manufacture of products, related supplier environmental verification will be added into procurement standards. USI requires suppliers to submit an ISO17025-certified test lab report to a specialized green design & engineering unit, where product life cycle assessment and non-hazardous substances evaluation are carried out. Also; low energy consumed external power suppliers are first chosen to conduct testing and evaluation, to ensure compliance with USI green product requirements.

USI and its supply chain partners start to promote limited use of hazardous materials in manufacturing process. For the materials banned in RoHS Directive, materials specified in halogen-free specifications, restricted substances and those for which reporting is required, USI have collected the information of 268 substances of environmental impact since 2010, including 8 banned substances (as opposed to 6 specified in RoHS Directive), 130 restricted substances and 130 for which reporting is required, as an effort to minimize environmental impacts resulted from the supply chain.

4.3.5 Contractor Management

Companies outsource technical and professional projects to contractors have become an inevitable trend. Besides the requisition of contract project quality and schedule, USI values contractor's safety and health management. Environment safety and health policy clearly commits "on a continuous basis, employees, suppliers and contractors must conduct environmental safety and health policy, knowledge and requirements through communication, participation and consultation. USI also provides training and exercise to reduce safety and health risks & incidents". And by implementing safety and health management evaluation, contractors could enhance their safety and health performance.



Contractor Management

- Only when the operators of contractors pass tests after they attend workplace health and safety workshops held by 'USI Green & Environment, Health and Safety Management Department' will they receive certificates, and they have to receive three-hour job training every three years.
- Contractor employers must commit to follow labor safety laws and USI regulations, and shall undertake to ensure work safety for the employees.
- USI requires contractors to submit proof of either employees' labor or group insurance policies, to ensure the basic rights of employees.
- Improve workflow process application for contractor constructions.
- Strengthen the supervisory responsibility of outsourcing unit for monitoring the contractors.

Assessment of Contractors

To ensure the safety of contractors, USI enhances the safety and health evaluation for unusual dangerous projects and recidivism contractors. Any contractor with major violation and fails to improve within a designated period will face one-year suspension after USI discusses with the outsourcing and procurement divisions.

Through training and evaluation by USI Green & Environment, Health and Safety Management Department in 2012, 210 contractors had successfully obtained the construction licenses, and no contractors were involved in any industrial accident at USI sites.

USI provides contractors with safety and health training programs, construction permits only issued for qualified contractors.



4.4 USI and the Community

Starting out in central Taiwan, USI has created a business empire with operations across Europe, America and Asia, after more than 30 years of dedication. To pay homage to the beautiful island of Formosa that nurtured its growth, USI makes tangible contributions of Taiwan in line with the motto of "Give back to the hometown".

Under the three pillars of "Invest in education", "Promote artistic events" and "Contribute to the community", USI has been a long-term sponsor of the Taiwan Literacy and Culture Foundation. Not only did USI set up the country's first corporate-sponsored "Library of Love", USI also funded the annual autumn tours of Cloud Gate Dance Theatre on a continuous basis. Whenever a natural disaster plays havoc with Taiwan, USI's entire staff would make relief efforts as a corporate citizen. Such efforts have won USI recognitions as well as a wide range of awards, a sign of successful participation in public issues.



4.4.1 Invest in Education

USI believes that a competent staff is one of the major driving forces behind corporate growth, and a reading habit lays the foundation for innovation and R&D capabilities. To underscore its belief in extension education, USI co-founded the Taiwan Literacy and Culture Foundation and funded the procurement of new books for Libraries of Love. That way, good books can be read over and over again, enabling children to broaden their horizons and amassing the "wealth of soul". USI also provided assistant to organize the National Students Literature Contest in the purpose of encouraging creative writing among students and helped them develop immense creativity.

Sponsorship of the Taiwan Literacy and Culture Foundation

USI has been sponsoring teachers in Nantou for setting up the web site to share their teaching plans and assisting the establishment of the Taiwan Literacy and Culture Foundation (formerly the Promotion Center of Taiwan Reading) since 2005. Besides, in 2007, USI founded "Library of Love" in Hu-Shan Elementary School in Nantou, donating 100 boxes, which contained 4,000 new books, and continues to cooperate with Nantou County Government, cohosting a series of reading activities such as "Library of Love: Bidding Farewell to the Old and Welcoming the New" and "Read with Your Family". USI not only donates new books, but also enjoys seeing parents read with their children and the education gap being bridged.





In 2010, USI coordinated activities on "Stacks of Love", planned to promote seed teachers' training within 13 townships in Nantou County, expand teachers' and volunteer groups' participation in teaching of reading, improve reading instruction by making which meet the spirit of requirements of the times and innovative teaching, and spend funds on holding learning activities of teachers' reading instruction; USI hoped to improve teachers' teaching of reading through sharing new methods for teaching reading, so as to cultivate the reading activities in schools and communities.

In 2011, USI cooperated with "Promotion Hundreds of Stacks: The Reading Irrigating Project" to support Renai Junior High School's "Stacks of Love", add 40 stacks of new books to the existing stacks, and promote reading activities. After the term began, USI constantly held teachers' training and family reading activities, so that expanded atmosphere of reading from schools, households to communities through persistently took root of reading, and set the trend for domestic enterprises supporting "Stacks of Love" in each city and county. Near a hundred of enterprises and groups join public service activities of supporting and setting stacks so far.

In 2012, USI donated 40 boxes of new books to the "library of love" of Guo-Sing Elementary School, Nantou, and was invited by Nantou County Government to the appreciation activity and the unveiling ceremony of this "library of love." This activity was held at the flag rising time in the morning where all the children and teachers participated in the ceremony. Dr. Huang, Pao-yuan, director of Department of Education, Nantou County Government, presented USI with a certificate to appreciate what USI has done for the "library of love" at elementary schools at remote areas for 8 years and recognize USI's efforts in promoting reading in Nantou.

The 2013 plan is to work with the foundation by videotaping how the seed teachers teach their ways to read and share the videos online, in the attempt to improve teachers' teaching methods and materials for reading via video demonstration.



Unveiling Ceremony



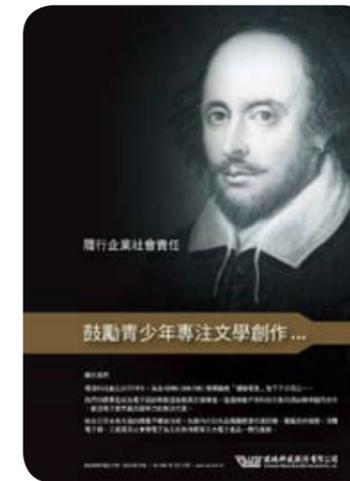
GM of USI and Principal of Guo-Sing Elementary School

Sponsorship of the National Students Literature Contest

USI believes that the power of innovative R&D comes from imagination and creativity, and that's why USI has been working with Mingdao Literature and Arts by combining the power of "culture" and "technology" to encourage students to create and help them improve their literacy in literature and come up with inspiration of creation. USI was recognized with the "Wenxin Award" of Council of Cultural Affairs and the "Education Promotion Award" of the Ministry of Education consecutively from 2008 to 2010. With the idea of "promoting education," USI will continue to support activities of education, reading and literatures, help Taiwan nurture more innovative talents and bring balance to the difference in urban and rural educational resources.

Reputed as the dream and cradle of student writers, the "National Student Literature Award" encourages young people to focus on literature creations, support literature creations for the improvement of cultural literacy among all citizens, and help Taiwan nurture more creative talents. Starting from 2006, USI provided assistance to this award as a sponsor. In 2008, Mingdao and USI worked together with National Taiwan University, Ching-Hwa University and Chung Hsing University by inviting famous writers to several workshops to share their experience with the arts society and student writers.

2012 was the 30th anniversary of the "National Student Literature Award." Mingdao Literature and Arts, as the host of this award, selected "Farming with pens for 30 years" as the theme of the anniversary and published an anniversary volume. As a major sponsor, USI was invited at the 30th award presentation to witness the historic moment.



4.4.2 Promote Artistic Events

By supporting and sponsoring artistic events, USI wishes to enhance the artistic appreciation of people, accumulate the energy of innovation and creativity, and establish a nice social convention. Therefore, USI has been concerned with the promotion of local arts and literatures. In addition to sponsoring the annual autumn tours of Cloud Gate Dance Theatre on a continuous basis, and invites Ming Hwa Yuan Arts & Cultural Group to perform in the soiree of public welfare at Zhongshan Park of Caotun Township for local citizens.

Sponsorship of the Annual Autumn Tour of Cloud Gate Dance Theatre

Since 2005, USI has been patronizing the annual autumn tours of Cloud Gate Dance Theatre. In 2007, USI invited children in townships of Nantou who love reading and 150 elementary school students who were adopted by Taiwan Fund for Families and Children, Taichung County Branch, to the "Nine Songs" performance of Cloud Gate Dance Theatre at Zhongshan Hall, Taichung City. It was an activity of "Cloud Gate Dance Theatre: Exclusive for "Corporations" and "Libraries of Love". In 2008, for the very first time, USI invited the Art Director of Cloud Gate Dance Theatre to give a speech to the USI employees, expecting a stimulation of innovation by this conversation between liberal arts and technology.

In 2011, USI sponsored "Cloud Gate Dance Theatre's Winter Season -How Can I Live on Without You". The show presented two innovations: it featured many popular songs that are familiar to audiences, and the dancers wore colorful clothes, and especially invited their parent company, The Advanced Semiconductor Engineering Group, to watch Lin Hwai-min's 2011 latest work in "USI's Night of the Cloud Gate".



Following last year's new works, USI sponsored the autumn performance of Cloud Gate, the "Nine Songs," in 2012. This was the second time USI sponsored for the same program. This story started from a fire that destroyed the rehearsal facility of Cloud Gate at Bali in 2008. The props and music tapes were damaged during this accident. 4 years later, Cloud Gate re-choreographed the "Nine Songs." After a year of rehearsal of new generation of dancers, the "Nine Songs," which was like a phoenix rising from ashes, came back in a brand new look that shares the arts and presentation of body language in modern dancing.



USI organized the activity of "Cloud Gate Get-together" and invited the Cloud Gate Dance Foundation to Caotun, Nantou to introduce our fellow workers to a legend that lasted more than 2,000 years and give them an opportunity to know more about performance arts.

Performances	Sponsored
2005	Dream of Red Chamber
2006	Tale of White Snake
2007	Nine Songs
2008	Hwa Yu
2009	Xing Cao
2010	Water Stains on the Wall
2011	How Can I Live without You
2012	Nine Songs



Sponsorship of Countryside Tour of Ming Hwa Yuan Arts & Cultural Group

To give back to Nantou based on the corporate philosophy of "use on the society what it taken from it," USI worked with Caotun Township Office, Nantou by providing end-of-year party as part of the "Straw craftsmanship and culture festival, and was dedicated to promoting good folk cultures. USI has sponsored the performance of the most popular Taiwanese Opera group, the "Ming Hwa Yuan Arts and Cultural Group," at the Zhongshan Park of Caotun for 11 consecutive years. Local people, USI employees and their families were invited to experience the opera culture unique to Taiwan. For years, positive feedbacks have been pouring in and local people came to enjoy the outstanding performance of Ming Hwa Yuan by the thousands. It has become a grand local event and USI was highly recognized for its supports for opera culture.

Year	Production
Year 1	2002 The Duck-Seller King
Year 2	2003 Grand Immortal of Ponglai
Year 3	2004 Xiang Yu and Liu Bei
Year 4	2005 Wu Song, the Tiger Slayer
Year 5	2006 Tale of Jigong
Year 6	2007 Legend of Xue Ding Shan
Year 7	2008 Tale of Zhou Gong and Cherry Blossom Lady
Year 8	2009 Tale of Eight Fairies
Year 9	2010 Hong Chen Pu Ti
Year 10	2011 Wagon Driver and Detective
Year 11	2012 Liu Quan's Trip to Hell



4.4.3 Contribute to the Community

With the belief in caring about the society and friending the community, USI gathers the power of employees and participates in public affairs and social activities of public welfare. In the meantime of seeking corporate growth, USI wishes to repay the community and devotes itself to the society. In 2012, USI participated in the affairs listed as follows:

Taiwan Facility

Donation of McDonald's desks and chairs to charity groups or schools

Those receiving the donations of 62 sets of desks and chairs are Nantou Ren-Ai Home, Mental Rehabilitation Association of Nantou County, Yan-Feng Elementary School and Hu-Shan Elementary School.



Sponsoring of "Taiwan Crafts Culture Park" for the Adzuki Cup pop music contest

USI sponsored the [Autumn Rhythm], the first Adzuki Cup pop music contest, which was held by the "Taiwan Crafts Culture Park" to symbolize the energy of people in Taiwan and the creativity of crafting elements, in order to promote the spirit of injecting love in craftsmanship, advocate legitimate recreation and entertainment, establish a stage for those who love pop music and create an ambience of love.



Sponsoring of "Nantou County Government" for the 2012 Citizens' Games

The 2012 Citizens' Games, hosted by Nantou County Government, was the realization of "sports for everyone." The County Government invited local businesses to sponsor this grand event. USI joined force with Nantou Office of Chunghwa Telecom to provide event vests with mascot logo on them and sponsor for the contract signing ceremony. USI upholds the philosophy of "caring society and friendly community" and does its part for improving citizens' life by sponsoring the Citizens' Games, promoting the idea of exercising and improve sporting skills.



Donated to sponsor the activities to console the army and participated in regular activities of volunteer police and firefighters.

Shanghai Facility

The "Plant a Million Tree" project of Shanghai Roots and Shoots was initiated in 2007 to raise the awareness of people and companies to focus on environmental protection. The target was to plant a million trees to mitigate greenhouse effects and the increasing desertification in Inner Mongolia. In 2013, Shanghai Facility donated 2 corporate forests (4,000 trees in total) for removal of 1,000 tons of CO2 from the atmosphere. Apart from being a corporate sponsor of the "Plant a Million Tree" project, the volunteers selected in the company will go to Hure Banner region of Inner Mongolia to plant trees with their own hands.



Kunshan Facility

Pay attention to local cultural activities: Grand opening of 2012 Qiandeng Culture and Arts Festival and 2012 Qiandeng Patriotic Song Singing Party
Participate in athletic meet in neighboring communities: Grand opening of 2012 thousand riders event in Kunshan, the 3rd "Zhong Nan Hai Cup" badminton championship in Kunshan and 2012 Qiandeng Marathon

Shenzhen Facility

Participation in an event of the Importer and Exporter Association of Shenzhen in 2012



Sponsorship of Road Maintenance Program

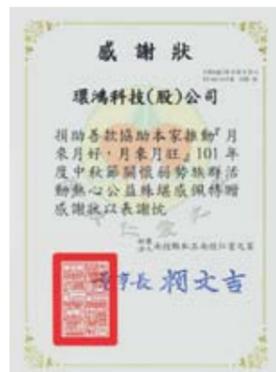
USI funded road maintenance projects in Caotun to take care of the street plantations on an out-sourcing basis, in order to beautify the appearance of the township.



Groups of Public Welfare

USI employees volunteered to establish groups of public welfare, such as Club of Tzu Chi and Club of Compassion, which care for minority groups and regularly donate to Tzu Chi Foundation. In 2012, the amount of donation came to more than NTD140,000. With the belief in "Everyone Saves NTD100 and Saves the World," volunteers will be deducted a fixed amount of money from their monthly payroll to be compassion funds. More than 100 employees have participated in this activity.

The members of "Caring Association" not only regularly adopt two underprivileged children of Taiwan Fund for children and Families and six blind children of Taichung Hwei Ming School, but also assist employees and neighbors with emergency aid; besides, the association project sponsors and cares disadvantaged groups and charitable organizations every year, and provides them with resources, such as Genesis Social Welfare Foundation, Nantou Ren-ai Organization, Quixotic Implement Foundation, Hwei-Ming School and Home for Blind Children and Mental Rehabilitation Association of Nantou County, etc.



Sponsoring of Ren-Ai Home as care for the socially disadvantaged



Sponsoring of Mental Rehabilitation Association

Third Party Assurance Statement

Assurance Statement



TUV Asia Pacific Ltd. Taiwan Branch ('TUV NORD') has been commissioned by the management of Universal Scientific Industrial (Shanghai) Co. Ltd. ('USI') to carry out an independent assurance of USI CSR Report for the fiscal year 2012 ('CSR Report') against the AA1000 AS (2008), TUV Asia Pacific CSR Assurance Protocol for Assurance of Sustainability Reporting and the Global Reporting Initiative 2011 Sustainability Reporting Guidelines Version 3.1 ('GRI G3.1').

USI is responsible for the collection, analysis, aggregation and presentation of information within the Report. TUV NORD's responsibility in performing this work (assurance of the report) is in accordance with terms of reference agreed in the scope of engagement with USI. The management and stakeholders of USI are the intended users of this statement.

The assurance engagement is based on the assumption that the data and information provided to in USI sustainability report is complete and true.

Nature and Scope the Assurance

The scope of the assurance, based on the AA1000 AS (2008) Assurance methodology, include the text, and data in accompanying tables, contained in this report.

TUV NORD has developed a set of protocols for the Assurance of Corporate Social Responsibility Report based on AA1000 AS (2008) and guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2011).

The assurance of USI CSR Report for the fiscal year 2012 related to its businesses: (Universal Scientific Industrial (Shanghai) Co., Ltd.; USI Electronics(Shenzhen) Co., Ltd.; Universal Global Technology (Kunshan) Co., Ltd.; Universal Global Scientific Industrial Co., Ltd. and Universal Scientific Industrial de Mexico S.A. de C.V.) includes the following:

- 1) Reporting of economic, environmental, and social indicators; the year of activities covered in the Sustainability Report is 01.2012 to 12.2012;
- 2) Information related to USI issues, responses, performance data, case studies and underlying systems to manage Sustainability related data and information;
- 3) Information related to USI adherence to inclusivity, materiality and responsiveness and stakeholder engagements;
- 4) Evaluation of the Accountability Principles (Type I) and specified performance information with a MODERATE level of Assurance, according to AA1000 AS (2008)
- 5) Verification of GRI G3.1 Application Level A+.

Assurance Methodology

TUV NORD is a licensed global assurance provider of Sustainability services, with quality, environmental, social and sustainability assurance specialists working all over the world.

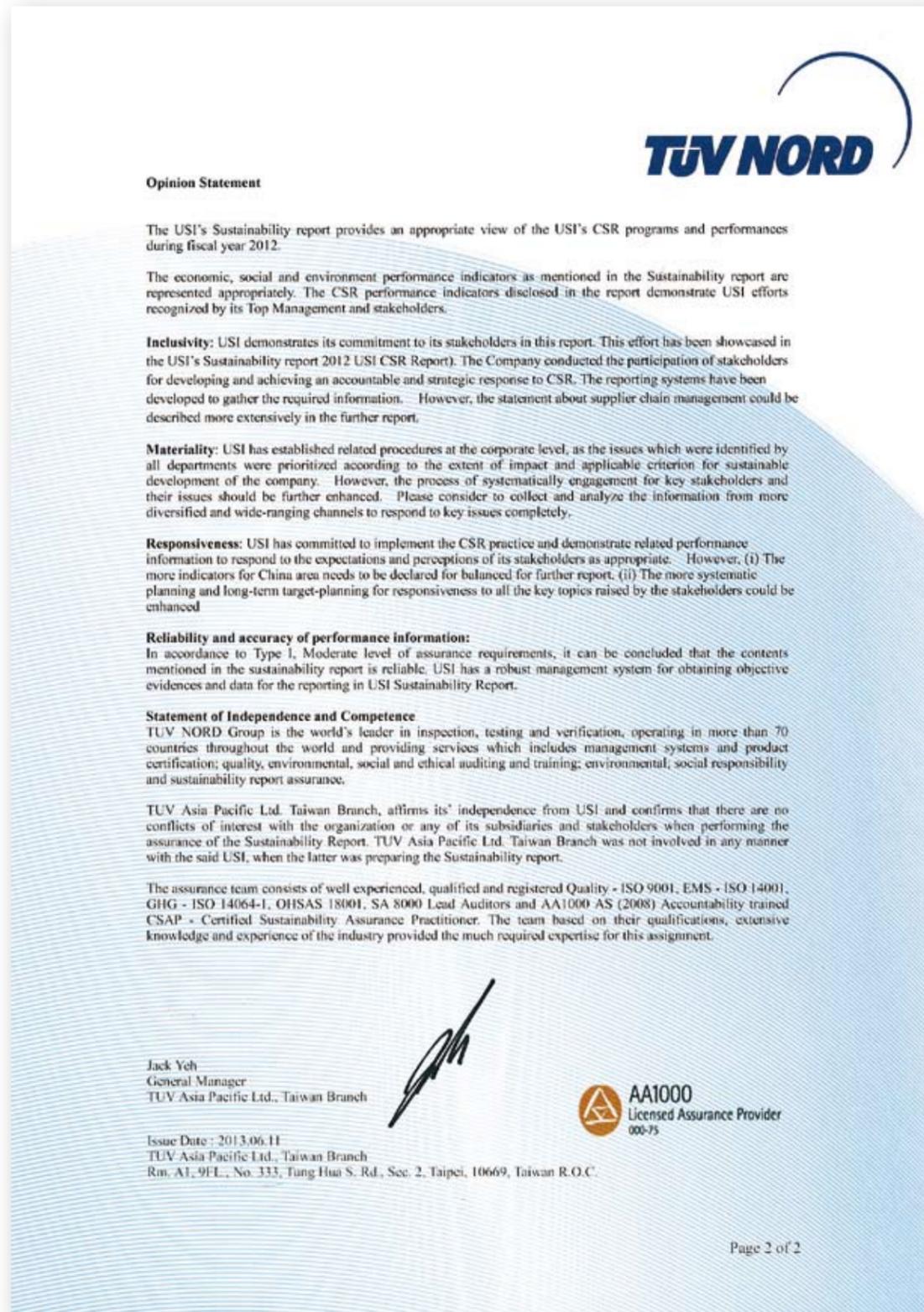
Our assurance engagement was planned and carried out in accordance with the AA1000 AS (2008) and the TUV Asia Pacific CSR Assurance Protocol for Assurance of Sustainability Reporting. Assessment of USI adherence to inclusivity, materiality and responsiveness and stakeholder engagements was based on AA1000 AS (2008)

The Report has been evaluated and assured against the following:

- Criteria of adherence to Inclusivity, Materiality and Responsiveness
- GRI G3.1 Application Level A+

Our assurance involved the following activities:

- * Gather objective evidence on the performance indicators as mentioned in the report.
- * Review any issues raised by external parties that could be relevant to USI policies.
- * Review of expectations of local and national regulations; international standards and those of general concern both in the public eye and/or raised by expert opinion.
- * Documentation; record review and evaluation of the report contents against the GRI's G3.1 application requirements.
- * Discussion with managers and relevant staff on USI approach to stakeholder engagement.
- * Interviews with relevant staffs involved in sustainability management, gathering information and report preparation.
- * Review key organizational developments.
- * Review of internal and external audits findings.
- * Review of supporting evidence based on the information made in the report.
- * Sampling method used to ensure the correctness of the data



GRI Index

● Disclosed ▲ Disclosed partly ○ Undisclosed or Inapplicable

GRI Indicator	Description	Chapter	Page	Additional Illustration	Disclosed Situation
Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	Letter from President	5		●
1.2	Description of key impacts, risks and opportunities	Letter from President	5		●
Organization Profile					
2.1	Name of the organization	2.1.1 Corporate Introduction	12		●
2.2	Primary brands, products, and/or services	2.1.1 Corporate Introduction 2.1.2 Primary Products and Services	12 14		●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.1.1 Corporate Introduction	18-19		●
2.4	Location of organization's headquarters	2.1.1 Corporate Introduction	12		●
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	2.1.3 Global Operative System	15		●
2.6	Nature of ownership and legal form			Universal Scientific Industrial (Shanghai) Co., Ltd is a listed company in Shanghai.	●
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.1.1 Corporate Introduction 2.1.4 Business Geography	12 15		●
2.8	Scale of the reporting organization	2.1.1 Corporate Introduction 2.1.5 Financial Performance 4.1.1 Employee Composition Profile	12 16 39		●
2.9	Significant changes during the reporting period regarding size, structure or ownership	2.1.1 Corporate Introduction	13		●
2.10	Awards received in the reporting period	2.1.6 Honorable Records	17		●
Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	About the Report	3		●
3.2	Date of most recent previous report (if any)			The USI Corporate Social Responsibility Report of 2011 was published in September, 2012.	●
3.3	Reporting cycle (annual, biennial, etc.)	About the Report	3	This report is published annually.	●
3.4	Contact point for questions regarding the report or its contents	About the Report	3		●
3.5	Process for defining report content	About the Report	3		●
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	About the Report	3		●
3.7	State any specific limitations on the scope or boundary of the report	About the Report	3		●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations			Not influential.	●
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	About the Report	3		●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement			None.	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			See 2.9	●
3.12	Table identifying the location of the Standard Disclosures in the report	GRI Index	80		●
3.13	Policy and current practice with regard to seeking external assurance for the report	About the Report Third Party Assurance Statement	3 78		●
Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	2.2.1 Corporate Governance	20		●



GRI Indicator Description		Chapter	Page	Additional Illustration	Disclosed Situation
4.2	Indicate whether the Chair of the highest governance body is also an executive officer			The chairman does not serve as general manager.	●
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	2.2.1 Corporate Governance	20		●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	1.4 Stakeholder Communication 2.2 Investor Relations 4.1.5 Harmonious Industrial Relations	9-10 18 54-57		●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	2.2.1 Corporate Governance	21		●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided			In accordance with recusal of "Rules and Procedures of Board of Directors Meeting".	●
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	2.2.1 Corporate Governance	20		●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	1.1 Vision and Promise 1.2 Policy and Operation	7 8		●
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	2.2.1 Corporate Governance 2.2.2 Risk Management 2.2.4 Regulations Abidance	19 21-22 23		●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance			Performance appraisal of the highest management is reviewed by board of directors.	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	1.2 Policy and Operation 2.2.1 Corporate Governance 2.2.2 Risk Management 2.2.4 Regulations Abidance	8 21 21-22 23		●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	1.2 Policy and Operation 3.3.1 Green Management	8 28-29		●
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	2.2.6 External Participation	24		●
4.14	List of stakeholder groups engaged by the organization	1.3 Identification and Selection of Stakeholders	9		●
4.15	Basis for identification and selection of stakeholders with whom to engage	1.3 Identification and Selection of Stakeholders	9		●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	1.4 Stakeholder Communication	9-10		●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	1.4 Stakeholder Communication	9-10		●
Economic Performance Indicators					
Management Approach	Management approach of economic performance	2.1 Corporation Operation 2.1.1 Corporate Introduction 2.2 Investor Relations 2.2.1 Corporate Governance 3.1 USI and Climate Change	12 12-13 18 18-21 26		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	2.1.5 Financial Performance GRI Index 4.4 USI and the Community	16 85 72-77		●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	3.1 USI and Climate Change 3.3.3 Green Expenditures 3.5 Green Prospects of USI	26 31 37		●
EC3	Coverage of the organization's defined benefit plan obligations	4.1.4 Perfect Welfare System	46-53		●
EC4	Significant financial assistance received from government	2.2.5 Government Subsidy	23		●

GRI Indicator Description		Chapter	Page	Additional Illustration	Disclosed Situation
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	4.1.5 Harmonious Industrial Relations	54		●
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	4.3.1 The Suppliers of USI 4.3.2 Supplier Management 4.3.3 Supplier Communication 4.3.4 Green Supply Chain	68 68-70 70 70		●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	4.1.1 Employee Composition Profile	39-40		●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	4.4.1 Invest in Education 4.4.2 Promote Artistic Events 4.4.3 Contribute to the Community	72-77		●
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts			USI does not assess indirect economic impacts.	●
Environment Performance Indicators					
Management Approach	Management approach of environment performance	3.2 EHS & Energy Policy of USI 3.3 Green Promise of USI	26 27		
EN1	Materials used by weight or volume	3.4.1 Material Management	32		●
EN2	Percentage of materials used that are recycled input materials			USI does not use renewable materials.	●
EN3	Direct energy consumption by primary energy source	3.4.3 Energy Management	34		●
EN4	Indirect energy consumption by primary source	3.4.3 Energy Management	34-35		●
EN5	Energy saved due to conservation and efficiency improvements	3.4.3 Energy Management	35		●
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	3.3.1 Green Management 3.4.3 Energy Management	28-29 35		●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	3.4.3 Energy Management	35		●
EN8	Total water withdrawal by source	3.4.5 Water Resource Management	37		●
EN9	Water sources significantly affected by withdrawal of water	3.4.5 Water Resource Management	37		●
EN10	Percentage and total volume of water recycled and reused	3.4.5 Water Resource Management	37		●
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			USI does not own, rent or manage any sites located in Ecological Protection Zone.	●
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas			Ditto, no influence.	●
EN13	Habitats protected or restored			There is no protected habitat within USI sites.	●
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity			USI actively participates in green construction so as to maintain good ecological environment.	●
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk			There are no protected species within USI sites.	●
EN16	Total direct and indirect greenhouse gas emissions by weight	3.4.2 Greenhouse Gas Emission Reduction Management	33		●
EN17	Other relevant indirect greenhouse gas emissions by weight			There are no data on the indirect emissions of Greenhouse gases produced during employee commutes and business travels.	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	3.4.2 Greenhouse Gas Emission Reduction Management	33		●



GRI Indicator Description		Chapter	Page	Additional Illustration	Disclosed Situation
EN19	Emissions of ozone-depleting substances by weight			USI does not use any materials that damage the ozone layer while producing products or providing services. Parts of the air conditioning system used R-22 and R-12 refrigerant, and there was no record of filling in 2012; We estimated emission rate at 8%, so the air conditioning system emitted about 0.1 tons.	●
EN20	NOx, SOx, and other significant air emissions by type and weight			No NOx or SOx are discharged in any USI's manufacturing process. The estimation of VOC emission of USI's Taiwan Facility in 2012 is 8.8 tons.	●
EN21	Total water discharge by quality and destination	3.4.5 Water Resource Management	37		●
EN22	Total weight of waste by type and disposal method	3.4.4 Waste Management	35-36		●
EN23	Total number and volume of significant spills			No serious leakage events happened in any site.	●
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally			USI has no import and export of hazardous waste, and related clean-up complies with relevant environmental laws and regulations.	▲
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	3.4.5 Water Resource Management	37		●
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	3.3 Green Promise of USI 3.3.1 Green Management 3.3.2 Green Supply Chain	27-30		●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category			Recyclable proportion of products is more than 90%, which complies with WEEE's requirements. The recycle ratio of cartons in Taiwan facility is 63%.	●
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	3.2 EHS & Energy Policy of USI 3.3.1 Green Management	26 28	USI obeyed local government laws about environmental protection and did not violate any environmental law in 2012.	●
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	3.3.2 Green Supply Chain	30		▲
EN30	Total environmental protection expenditures and investments by type	3.3.3 Green Expenditures	31		●
Labor Practices & Decent Work Performance Indicators					
Management Approach	Management approach of labor performance	4.1 USI and Its Employees	39		
		4.1.2 Equal Employment Opportunity	42		
		4.1.3 Integral Training Program	43		
		4.1.4 Perfect Welfare System	46		
		4.1.5 Harmonious Industrial Relations	54		
		4.1.6 Excellent Working Environment	58		
LA1	Total workforce by employment type, employment contract, and region broken down by gender	4.1.1 Employee Composition Profile	39-40		●
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	4.1.1 Employee Composition Profile 4.1.2 Equal Employment Opportunity	41 42		●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	4.1.4 Perfect Welfare System	46-53		●
LA4	Percentage of employees covered by collective bargaining agreements			The labor contracts that USI signs with employees complying with local regulations, and it specifically agreed the related rights and obligations so as to protect both parties, and urge both employers and employees to comply with.	●
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	4.1.6 Excellent Working Environment	64		●
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs			The labor proportion that participates in Occupational Safety and Health Committee conforms to related Act.	●

GRI Indicator Description		Chapter	Page	Additional Illustration	Disclosed Situation
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	4.1.6 Excellent Working Environment	58		●
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	4.1.6 Excellent Working Environment	62-64		●
LA9	Health and safety topics covered in formal agreements with trade unions				○
LA10	Average hours of training per year per employee by gender and by employee category	4.1.3 Integral Training Program	45-46		●
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	4.1.3 Integral Training Program	43-45		●
LA12	Percentage of employees receiving regular performance and career development reviews by gender				○
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	2.2.1 Corporate Governance 4.1.1 Employee Composition Profile	20 39-41		●
LA14	Ratio of basic salary of women to men by employee category, by significant locations of operation	4.1.5 Harmonious Industrial Relations	54		●
LA15	Return to work and retention rates after parental leave, by gender	4.1.1 Employee Composition Profile	41-42		●
Human Rights Performance Indicators					
Management Approach	Management approach of human rights performance	4.1.2 Equal Employment Opportunity 4.1.6 Excellent Working Environment	42 58		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening			No important investment agreement was made during the report period.	●
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken	4.3.2 Supplier Management	69		●
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	4.1.3 Integral Training Program 4.1.6 Excellent Working Environment	44 64		●
HR4	Total number of incidents of discrimination and corrective actions taken	4.1.6 Excellent Working Environment	64	There were no discrimination cases in 2012.	●
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	4.1.6 Excellent Working Environment 4.3.2 Supplier Management	64 69	There were no related cases in 2012.	●
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	4.1.6 Excellent Working Environment 4.3.2 Supplier Management	64 68-69	USI hires no child labor, and it is also prohibited to recruit child labor under 16 years of age.	●
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	4.1.6 Excellent Working Environment 4.3.2 Supplier Management	64 68-69	There were no related cases in 2012.	●
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations			USI's security personnel have received professional training that including relevant human rights policy; They understand their works, and will never involve in and violate human rights when performing duties.	●
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	4.1.6 Excellent Working Environment	64		●
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	1.2 Policy and Operation	8	Operating activities on facilities all consider the local situation of human rights.	●
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	4.1.6 Excellent Working Environment	64	There were no relevant complaint cases of human rights in 2012.	●
Society Performance Indicators					
Management Approach	Management approach of society performance	2.2.3 Anti-Corruption and Anti-Bribery 4.4 USI and the Community	23 72		

GRI Indicator	Description	Chapter	Page	Additional Illustration	Disclosed Situation
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	4.4 USI and the Community 4.4.1 Invest in Education 4.4.2 Promote Artistic Events 4.4.3 Contribute to the Community	72-77	All operating activities take part in community development.	●
SO2	Percentage and total number of business units analyzed for risks related to corruption	2.2.3 Anti-Corruption and Anti-Bribery	23	Internal audit of anti-corruption and anti-bribery contains the whole company (nine cycles of sales, procurement, production, payroll, asset and etc.), and USI found no major issues within audit sampling results in 2012.	●
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	2.2.3 Anti-Corruption and Anti-Bribery	23	All USI employees have signed 'USI Staff Code of Conduct'. USI hold education and training for whole employees in 2012.	●
SO4	Actions taken in response to incidents of corruption	2.2.3 Anti-Corruption and Anti-Bribery	23		●
SO5	Public policy positions and participation in public policy development and lobbying			USI didn't canvass for public policies.	●
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country			In 2012, Ministry of Finance approved factory in Taiwan for donating each political candidate the total amount of NT\$50,000.	●
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	2.2.4 Regulations Abidance	23	USI was not involved in any lawsuits of anti-competitive behavior, anti-trust or monopoly practices in 2012.	●
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	2.2.4 Regulations Abidance	23		●
SO9	Operations with significant potential or actual negative impacts on local communities	3.4 Environmental Protection of USI	32	No negative operating activities so far.	●
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local	1.4 Stakeholder Communication 3.3 Green Promise of USI 3.4 Environmental Protection of USI	10 27-31 32-37		●
Product Responsibility Performance Indicators					
Management Approach	Management approach of product responsibility performance	3.3.1 Green Management 4.2 USI and Its Customers	28-29 65		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	4.2.1 Production and Quality Management	65-66	Before we produce mass system products, such as cash register, mobile devices, memory unit, server, wireless router, wireless networking equipment, etc, we always obtain safety certification of the machines in accordance with related laws and regulations of each country; As for parts products, such as motherboard, wireless module, auto parts, etc, we always verify relevant safety regulations and apply for certification at customers' final system assembly.	●
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	4.2.1 Production and Quality Management	65		●
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	4.2.1 Production and Quality Management	66	We always clearly mark relevant safety phrases and correct operating instructions on user manuals of all the system products that obtained safety certification.	●
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	4.2.1 Production and Quality Management	65		●
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction				○
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	2.2.4 Regulations Abidance	23		●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes			In 2012, USI did not violate any marketing laws.	●
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data			In 2012, USI was not accused for invasion of customers' privacy or losing customers' data.	●
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services			In 2012, USI did not violate any regulations.	●

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