

# **Universal Scientific Industries Co., Ltd.**

2008-2009 Corporate Social Responsibility Report



Realizing IDEAS Together

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# About the Report

The report is the first corporate social responsibility report published by USI. The contents include issues concerned by stakeholders of USI, such as the economic, environmental, and social information of Taiwan site and partial information of Shenzhen China, Shanghai China, and Mexico sites.

In each chapter of this report, performances are based on the statistics and information of 2008 and 2009 (from 2008/1/1 to 2009/12/31). The report refers to Global Reporting Initiative (GRI) 3.0 version, disclosing the executive achievements, responding policies, and future plans of various key issues about corporate social responsibility of USI. This corporate social responsibility report corresponds to application level "A" after being viewed with the GRI G3 application level criteria.



## GRI G3 Application Level Criteria

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	<b>G3 Profile Disclosures</b> OUTPUT 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 Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	<b>G3 Management Approach Disclosures</b> OUTPUT Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	<b>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</b> OUTPUT Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond 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.	

\*Sector supplement in final version

Reporting cycle: USI will publish corporate social responsibility report regularly each year

Present Edition: October, 2010

Next Edition: October, 2011 presumably

This report is written in both 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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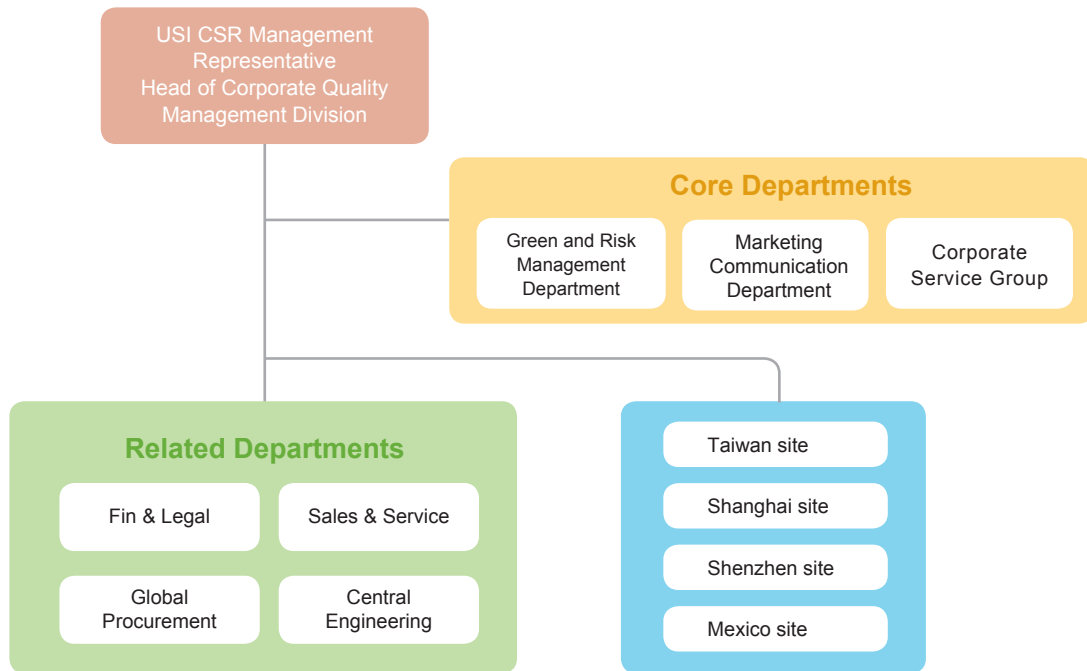
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For making the contents of this report conform to the disclosing standards of sustainable indicators by Global Reporting Initiative (GRI), USI established “Corporate Social Responsibility Report Edition Team.” The team coordinated with each related department providing the information related to the corresponding indicators, and then edited this report systematically.

### Structure of “Corporate Social Responsibility Report Edition Team”



\* Each department recommends a representative

“Corporate Social Responsibility Report Edition Team” is divided into core departments, related departments, and related units in all worldwide sites. The responsibility of each department is as follows:

#### Core departments:

include Marketing Communication Department, Green and Risk Management Department, and Corporate Service Group; the representative of core departments collected and explained editorial key points to related departments. The core departments were responsible for following information integration and edition. In the process, the integration and negotiation of related business were handled by Green and Risk Management Department for improving the efficiency of editing the report.

#### Related departments:

include Fin & Legal, Global Procurement Division, Sales & Service, and Central Engineering & Miniaturization Technology Development. After understanding editorial key points, each related department collected information about its business and submitted it to core departments.

#### Related units in all worldwide sites:

include Taiwan site, Shanghai site, Shenzhen site, and Mexico site. They collected information about its business and submitted it to core departments.

### Operative Explanation of “Corporate Social Responsibility Report Edition Team”

1. Core departments invited all related departments to hold corporate social responsibility report edition meeting
2. Core departments explained editing principles and key information, and each related department collected needed information about its business
3. Collected information was sent to core departments for integration. Core departments invited consulting corporation to help with information editing
4. Core departments confirmed the final edition and completed the report

# President's Words

USI has long combined core values of “innovation and dependability” and “enthusiastic service” to realize corporate social responsibility from the economic, social, and environmental prospects. Meanwhile, we kept communicating with important stakeholders such as employees, suppliers, communities, customers, and shareholders regularly, with the prospect of how to improve the global sustainable development. And USI always thought of how to make use of our industrial resources and to develop a positive value as an enterprise citizen.

As a main designing & manufacturing services industry of electronic products in the world, USI kept promoting various practices of corporate social responsibility averagely through daily operation. “environmental protection,” “employee welfare and education,” and “community contribution” are three main directions which USI values to endeavor.

As for environmental protection, USI insists that production process must thoroughly comply with worldwide environmental and waste usage related regulations, and actively conducts green product manufacturing process for responding to global climate change. USI is the first DMS industry passing the “Hazard Substance Management System” certification in Taiwan. Besides, USI promoted halogen free manufacturing process to reduce the impacts on environment caused by products and manufacturing process. Meanwhile, for reducing the impacts caused by company greenhouse gas emissions, USI initiated the greenhouse gas baseline verifications of all sites actively. Then with the results, USI set up long-term reduction goals and improving plans, practicing these plans step by step. In addition, USI coordinated our suppliers through constant communication and negotiations, we invited partners to set up a safe and stable green supply chain together.

USI tended to take employee welfare and education as important operating goals. As for employee welfare, USI established “Employee Representative Congress” and “Industrial Relations Committee” in many sites, being responsible for dealing with employee welfare systems and industrial relations disputes. Meanwhile, USI provided four free mental health counselings every year by mental health counselor to lessen employees' working pressure. Through regular survey of employees' suggestions every year, USI understood employees' requirements and presented improving plans to provide employees better and healthier working environment. Besides welfare benefits, USI established USI University to provide integral learning programs for talented employees. Comprehensive physical, mental, and spiritual care in USI allowed employees to continue pursuing personal growth.

USI headquarter is located at Tsaotuen Township, Nantou County. USI has promoted many community feedback activities together with Nantou County government and many private arts and culture organizations. For example, USI supported “Taiwan Literacy and Culture Foundation” to set up “Libraries of Love” and bought new books for elementary students to read and expand their knowledge. USI sponsored the live tours of “Cloud Gate Dance Theatre” and “Ming Hwa Yuan Arts and Cultural Group”, providing Nantou residents and USI employees with more chances to experience world-class cultural and artistic performances which can enhance cultural awareness and accumulate creative ideas. In addition, USI encouraged employees to participate in community feedback activities together, establish charity clubs and support minority groups. With the cooperative power of enterprise, employees, and community, USI improved local development and created better community environments.

In the past, USI reached various achievements of corporate social responsibility and acquired many recognitions such as “Wenxin Award,” “Reading Promotion Award,” “County and City Friendly Workplace,” “Common Wealth Excellence in Corporate Social Responsibility,” and “Global Views Corporate Social Responsibility Award.” For USI, these honors encourage us to keep realizing corporate social responsibility with core concepts of “innovation and dependability” and “enthusiastic service.” In the future, USI will keep emphasizing resources and advantages of the designing and manufacturing industry for electronic products. We will cooperate with stakeholders, promote various activities of corporate social responsibility, and keep increasing the positive influence of enterprise citizen on society.



*Gilbert Wei*

President Gilbert Wei



01

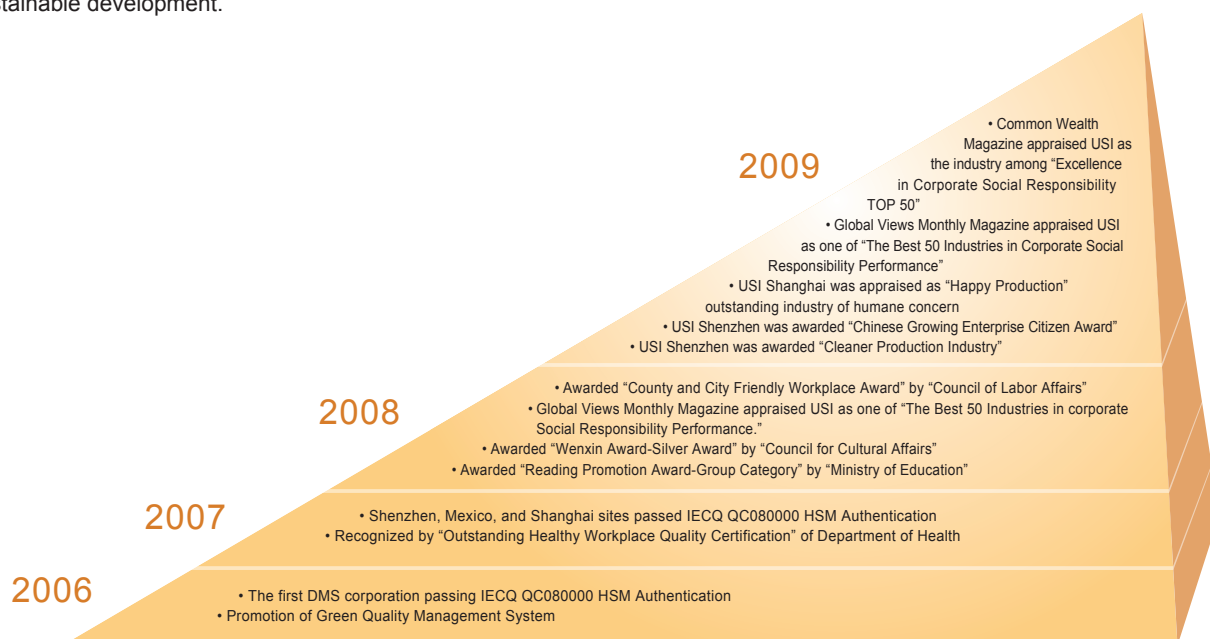
## USI and Corporate Social Responsibility

- 
- 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 worked 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 stretched industry core values of “innovation and dependability” and “enthusiastic service” to the realization of corporate social responsibility. By integrating core values into the corporate policy and operation management, USI pursues the vision of sustainable development.



## 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 stockholders. 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 the national and regional laws, regulations signed by USI, and the international ordinances.
2. Concern about labors including a ban on forced labor, humanity management, forbiddance on discrimination, and the right to freedom of association.
3. Ensure the safe and healthy workplace, and reduce the environmental impact on manufacturing, activities, and products
4. Emphasize the business ethics of respect for the Intellectual Property Right, faith management, and Information Transparency; And to participate in the community activities zealously.
5. No procurement of metals & materials originating from the conflict regions like Congo by the following measures:
  - i. Ensure our suppliers to implement this requirement to their supply chain.
  - ii. Have a certification process for suppliers if necessary.
  - iii. Co work with the other partners including NPO, and trade organizations to come out with the solutions for this problem.
6. Continuously improve the achievement of the CSR management through the effective managing measures and open to the public.



USI participated in E-TASC (Electronics—Tool for Accountable Supply Chains) , evaluating performances in employees' human rights, workplace health and safety, industrial morality, and environmental protection of USI. USI also followed EICC (Electronic Industry Code of Conduct) and asked all worldwide sites to realize their social responsibilities.

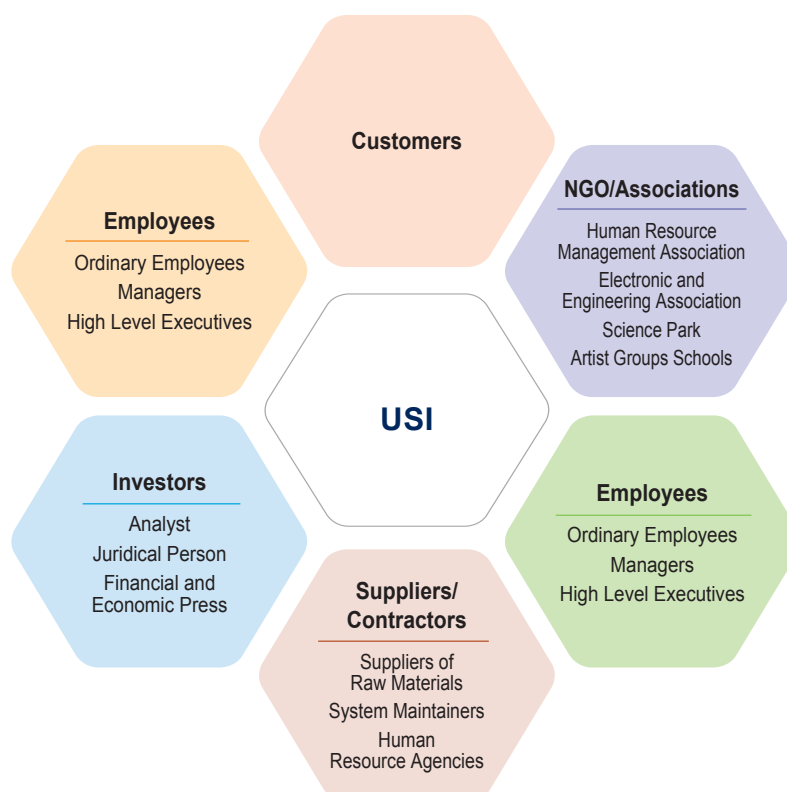
All worldwide sites have passed ISO 14001 Environmental Management System, ISO9001 Quality Management System, and OHSAS18001 Occupation Health and Safety Assessment Series. These authentications ensured the product quality and ESH management of USI correspond with international standards. USI cooperated 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. China sites practiced cleaner production to enforce preventive policy of environmental protection and lower the influence on environment caused by production, product, and service. Meanwhile, USI devoted to improving employees' rights and acquired awards from Council of Labor Affairs and Bureau of Health.

## 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. Through the assessment, USI grasped concerned issues of stakeholders and how these key issues influence on USI's operation. According to the analysis of these questionnaires, USI drew up the contents and structure of the CSR report. Dealing with concerned issues of all stakeholders, USI disclosed complete and detailed policies and future plans for realizing corporate social responsibility.

According to the analysis of the questionnaires, the main six stakeholders of USI are as follows:



## 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	Concerned issues	Channel of communication	Operation
Investors	Managing performance Financial transparency Disclosure of non-financial information	Annual report Investor section on corporate website Spokesman system Annual meetings of shareholders	<ul style="list-style-type: none"> <li>* USI publishes and updates the latest information such as interior operation, financial information, review, and analysis through the website and annual reports published yearly</li> <li>* Shareholder meetings are held regularly for explaining managing performance to investors and responding to their concerned issues</li> </ul>
Employees	Employing situation Employee welfare Education and training Employee behavioral principles Industrial relationships Occupational safety	Employees' Welfare Committee Employee relationship website Employee suggestion box Industrial relations meetings	<ul style="list-style-type: none"> <li>* Hold the principle of justice and anti-discrimination. Provide employees equal employing chances</li> <li>* Set up complete salary and welfare systems. Give employees reasonable treatment and reward</li> <li>* Set up USIU, provide employees with various education and training courses to improve their expertise</li> <li>* Pass OSHSAS 18001 occupation health and safety assessment certification to protect workplace safety for employees</li> </ul>
Customers	Supply chain management Quality management Innovative research and development Green products	After-sales service system Customers' satisfaction questionnaire	<ul style="list-style-type: none"> <li>* Provide healthy and safe products with the illustration of product's features to customers. Products and processing system all correspond to the standards and certification of international laws</li> <li>* Design green products, reduce the usage of hazard substances in production, and increase the recycling rate of products</li> </ul>
Suppliers	Quality management Supply chain management Innovative research and development Environment policy Other: employing policy, green product	Seasonal QBR meetings	<ul style="list-style-type: none"> <li>* 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</li> <li>* Require suppliers to realize human right policies for protecting employees' rights with USI</li> </ul>
NGO/Associations	Communication with stakeholders Industrial relations Environmental policy	Meeting participation Activity assistance	<ul style="list-style-type: none"> <li>* Draw up environmental protection, occupational safety &amp; health (ESH) SOP and measures of environment safety communication, consultancy, and participation. Keep friendly relationships with community residents</li> <li>* Keep donating new books to elementary schools in Nantou County. Sponsor the tour of artist groups and join in emergency service and rescue</li> </ul>





# 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 emphasized honest industrial operation. Based on related national regulations, USI 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.

For maintaining investors' rights, USI set up a responsible department for responding to investors' various requirements. Professional lawyers are entrusted for a long term to provide appropriate legal consultancy for investors. On the website of the company, there is an investors' relationship section. The latest information of USI's finance and business will be updated monthly. The operation and financial performance of USI will be publicly proclaimed.

### 2.1.1 Corporate Introduction



USI headquarter in Nantou

Company name	Universal Scientific Industrial Co., Ltd.
Year of foundation	1976
Headquarter location	No.141, Ln. 351, Sec. 1, Taiping Rd., Tsaotuen Township, Nantou County 542, Taiwan (R.O.C.)
Capital	About 10.8 billion NTD
Main products and service	Computer and Peripherals, Electronic Packaging and EMS, Communication, Storage and Server, Industrial and Automotive
Number of employees	About 1,1000 employees (at the end of 2009)
Company operation coverage	Taiwan, China, Japan, America, Mexico, Britain, and India

USI is one of top ten manufacturing service industries in the world, established in 1976. The products were sold internationally with fine reputation. Besides manufacturing service, USI worked hard to develop professional talents, keeping investing the development of products such as hand-held devices, wireless network products, automobile electronics, storage equipment, industrial computer, server, work station, and motherboard. USI integrated the advanced technique of micro-electrical packaging, set up unique competitive advantage, and provided customers the most cost-competitive integral service with long time-effectiveness, high quality, and high added value.

In 1996, USI security was formally listed. In 1999, it became a member of ASE Group. Through the integration in the group, we provided customers the best comprehensive solutions from packaging and testing, SiP (System in Package), PCBA, to system assembly.



In 2000, USI became the first industry recognized by ACE Insurance's "AAA the Highest Standard Authentication for Product Liability Risk Management" in Southeastern Asia. In 2005, USI was appraised as one of five representative automobile electronics industries in Taiwan by "e Common Wealth Magazine."

Currently, USI set up five main research and development sites and five manufacturing sites. Customers include many famous international industries. The main manufacturing sites are Taiwan Tsao Tuen first and second site, China Shenzhen site, Shanghai site, and Mexico site. The global service network covers five geographic areas such as North America, Europe, Japan, China, and Taiwan.

1976	Beginning with spare parts business, USI turned to Hybrid IC Niche market in the applying fields of automobile and communication.
1988	Turned to electronic manufacturing services (EMS) supplier. Through personal computer motherboard assembly business, USI got into computer and wireless communication technique fields.
1995	Expanding global business and enhance competition, USI made sure the global visibility in electronic manufacturing services (EMS) industry.
1999	Established enterprise resource planning (ERP). Through information technology (IT) systemic integration, USI provided comprehensive solution from designing to marketing.
2000	USI worked hard to reach the goal of being a leading global design and manufacturing service (DMS) supplier by improving the ability of designing and manufacturing.
2005	The first company developing automobile self-navigation system successfully in Taiwan.
2008	<ul style="list-style-type: none"> <li>Developed light and thin mobile internet device (MID) successfully.</li> <li>USI Shanghai established its branch USI Hong Kong.</li> </ul>
2009	<ul style="list-style-type: none"> <li>Keeping enhancing the distribution of ODM products. Focused on technological trends such as wireless communication, digital storage, and plane monitors.</li> <li>Transferred USI-CA100% held by HHIC branch to USI Shanghai's branch, USI Hong Kong.</li> </ul>
2010	Promoted the ratio of ODM products, developed miniaturization techniques, and enhanced cloud-calculation technology.

## 2.1.2 Product and Service



### 2.1.3 Global Operative System

For providing global customers fast, immediate, and comprehensive service, USI set up offices, R&D sites, and after service sites not only in Taiwan, Shenzhen, Shanghai, and Mexico, but in Japan, Europe, and North America.



### 2.1.4 Supply Market

USI is a leading global company in design and manufacturing industry, contributing to computer and peripheral products, communication products, micro-electronic packaging and EMS, network storage and server products, and industrial and automobile electronics products. USI provides the best DMS solutions in America, Europe, and Asia. The consolidated income of USI is broken down by major geographic areas for Y2008 and Y2009 as follows:

Unit: 1000 NTD

Area	2008		2009	
	Amount	%	Amount	%
Taiwan	15,598,579	24%	15,072,829	29%
Asia	47,514,240	73%	35,700,364	69%
Other	2,223,178	3%	1,194,969	2%
Total	65,335,997	100%	51,968,162	100%

Source: USI consolidated financial statement

According to data of MMI (Manufacturing Market Insider) in February, 2010, the statistics of four research organizations, ETP, IDC, Inform, and iSuppli, revealed the average value of contract manufacturing (EMS + ODM) revenues in 2009 reaching USD 245.5 billion dollars in average (274.6 billion, 233 billion, 209.7 billion, 260.5 billion, respectively). In comparison, USI's consolidated revenues in 2009 reached 1.563 billion dollars and the market share was 0.64% of the average overall market. Out of values from four research organizations, USI market shares were 0.57%, 0.67%, 0.75%, and 0.6%.

## 2.1.5 Financial Performance

Influenced by the financial crisis at the beginning of 2009, USI implemented many internal practices for controlling cost, including immediate adjustment of inventory level, rightsizing personnel, and promoting yield of products actively. With the contribution and cooperation of all colleagues, USI got rid of the financial crisis soon and all production lines maintained steady manufacturing possibilities. Profits were then made in the first quarter of the year and the operation was steadily sustained.

The consolidated revenue of USI in 2009 amounted to NTD 51,517 million. Consolidated gross profit margin was 12% amounting to NTD 5,895 million. The consolidated operating income grew 104% compared with 2008. It was obvious that USI kept high market competitive advantage, fought for customers' recognition for quality management and after sales service, and controlled internal manufacturing cost and inventory well. Besides, USI successfully reduced the selling, general and administrative cost, so its operative condition became much more mature after the financial crisis.

In Millions of New Taiwan Dollars, Except Earnings Per Share

	2008	2009
Brief profit and loss statement (Note 1)		
Net sales	64,809	51,517
Gross profit	5,829	5,895
Selling, general and administrative expenses	3,176	2,475
Research and development expenses	1,744	1,564
Operating income	908	1,855
Consolidated Net Income	343	1,740
Earnings Per Share (EPS, Note 2)	0.32	1.61
Financial structure		
Total Assets	31,250	35,635
Shareholders' Equity	14,812	16,178
Other information		
Total assets turnover (times)	2.07	1.45
Current Ratio (%)	145%	152%
Debt Ratio (%)	53%	55%
Return on Equity (%)	2%	11%

Note 1: Audited consolidated financial statements for the years ended December 31, 2009 and 2008.

Note 2: The calculation was based on weighted average number of shares outstanding. Diluted EPS was calculated with income for the year attributable to common stockholders plus effect of potential dilutive common stock.

## Sales Volume and Value List

(Dollars and Units in Thousands)

Main products	2008				2009			
	Domestic		Export		Domestic		Export	
	volume	value	volume	value	volume	value	volume	value
Computer and Peripherals	599	946,608	57,287	10,492,533	326	800,928	64,946	8,563,127
Electronic Packaging and EMS	24,376	3,999,123	9,170	1,712,401	19,201	4,907,749	59,285	1,136,352
Communication	993	146,209	3,863	920,735	576	130,526	28,830	791,703
Storage and Server	120	140,437	33,159	1,968,271	51	74,267	28,813	1,487,694
Industrial and Automotive	2,186	601,761	177,552	4,158,258	423	247,197	107,439	4,326,895
Total	28,273	5,834,139	281,030	19,252,198	20,577	6,160,667	289,313	16,305,771

Note: the information is from Taiwan parent company.

## 2.1.6 Honorable Records

With the diligence and efforts in general industrial performance, product research and development, and customer service, USI was recognized by many organizations and awarded many prizes in 2008 and 2009. Besides excellent operative performance, innovative product research and development, and perfect customer service, USI actively realizes corporate social responsibility(CSR), appraised as one of the 50 leading industries with the best performance for corporate social responsibility by Global Views Monthly Magazine for two years. As for the promotion of art and culture, USI was awarded “Wenxin Award-Bronze Award” by “Council for Cultural Affairs” in 2006 and recognized by “Wenxin Award-Silver Award” in 2008.

### 2008年

#### Industrial performance

- MMI appraised USI as the 19th EMS/ODM industry
- Common Wealth Magazine appraised USI as the 43rd industry among “Top 1000 Manufacturing Industries in Taiwan”
- Common Wealth Magazine appraised USI as the 8th industry among “Top 1000 Manufacturing Industries Computer Category in Taiwan”
- Business Weekly appraised USI as the 243rd industry among “Top 1000 Industries General Category in Taiwan, China, and Hong Kong”
- Business Weekly appraised USI as the 15th industry among “Top 1000 Industries Computer System Category in Taiwan, China, and Hong Kong”



USI made every endeavor to promote art and culture, awarded “Wenxin Award-Silver Award” by “Council for Cultural Affairs,” and “Reading Promotion Award-Group Category” by “Ministry of Education.”





USI actively invested education-promoting activities, awarded "Reading Promotion Award-Group Category" by "Ministry of Education" in 2008.



USI integrated global resources and cultivated innovative talents, recognized by "Council of Labor Affairs."

#### Product research and development

- The 32nd industry in new patent applications in Taiwan

#### Social responsibility

- Awarded "County and City Friendly Workplace Award" by "Council of Labor Affairs"
- Global Views Monthly Magazine appraised USI as one of "The Best 50 Industries in Corporate Social Responsibility Performance"
- Awarded "Wenxin Award-Silver Award" by "Council for Cultural Affairs"
- Awarded "Reading Promotion Award-Group Category" by "Ministry of Education"

### 2009

#### Industrial performance

- Awarded "The Best Customer Service Leader Award" by the global well-known research institute "Frost & Sullivan"
- Council of Labor Affairs, Executive Yuan hosted "2009 Taiwan Training Quality System (TTQS) Model Praising Ceremony." USI was recognized by the highest glory of model industry for establishing USIU, integrating global training resources, and reaching the goal of promoting innovative research energy

#### Product research and development

- Besides being awarded "National Invention and Creation Award" by "Intellectual Property Bureau, Ministry of Economic Affairs" in 2007, USI won the same recognition for the second time with the patent of "Electromagnetic Interference Suppressor"
- The Bureau of Standards, Ministry of Economic Affairs held the first national "Electromagnetic Compatibility (EMC) Programming Contest." Many famous Taiwanese industries participated in the contest. After fierce competitions, USI won the first prize with its excellent EMC designing and analyzing ability. USI displayed its outstanding competition of research and development

#### Social responsibility

- Common Wealth Magazine appraised USI as the 27th industry among "Excellence in Corporate Social Responsibility TOP 50"
- Global Views Monthly Magazine appraised USI as one of "The Best 50 Industries in Corporate Social Responsibility Performance"
- The branch of USI, USI Hong Kong emphasized personnel training and employee welfare, providing considerate care and concern. It was appraised as "Happy Production" outstanding industry of humane concern
- The branch of USI, USI Shenzhen contributed to realizing corporate social responsibility. Its excellent performance was recognized by "Chinese Growing Enterprise Citizen Award," and it was invited to participate in "2009 The Fifth Chinese Enterprise Citizen Forum and Commending Ceremony"

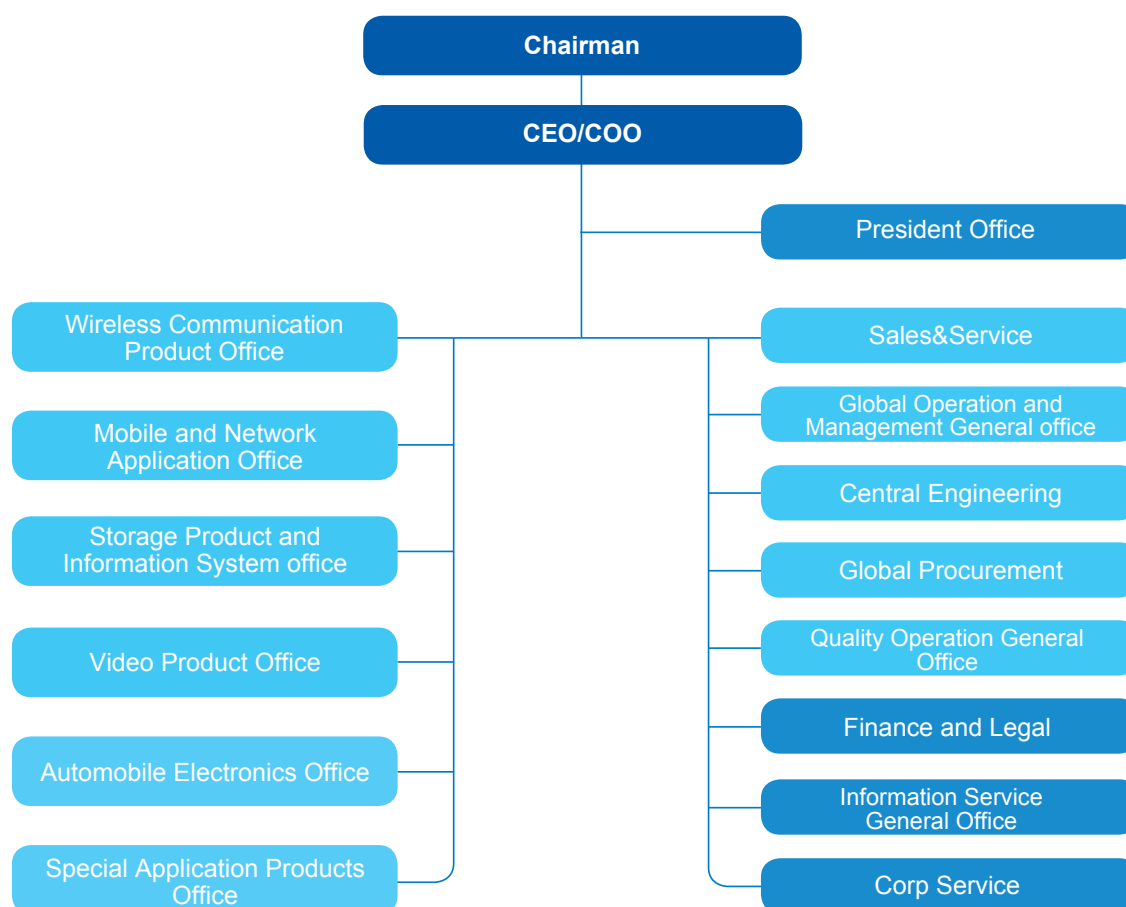
## 2.2 Investor Relations

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.

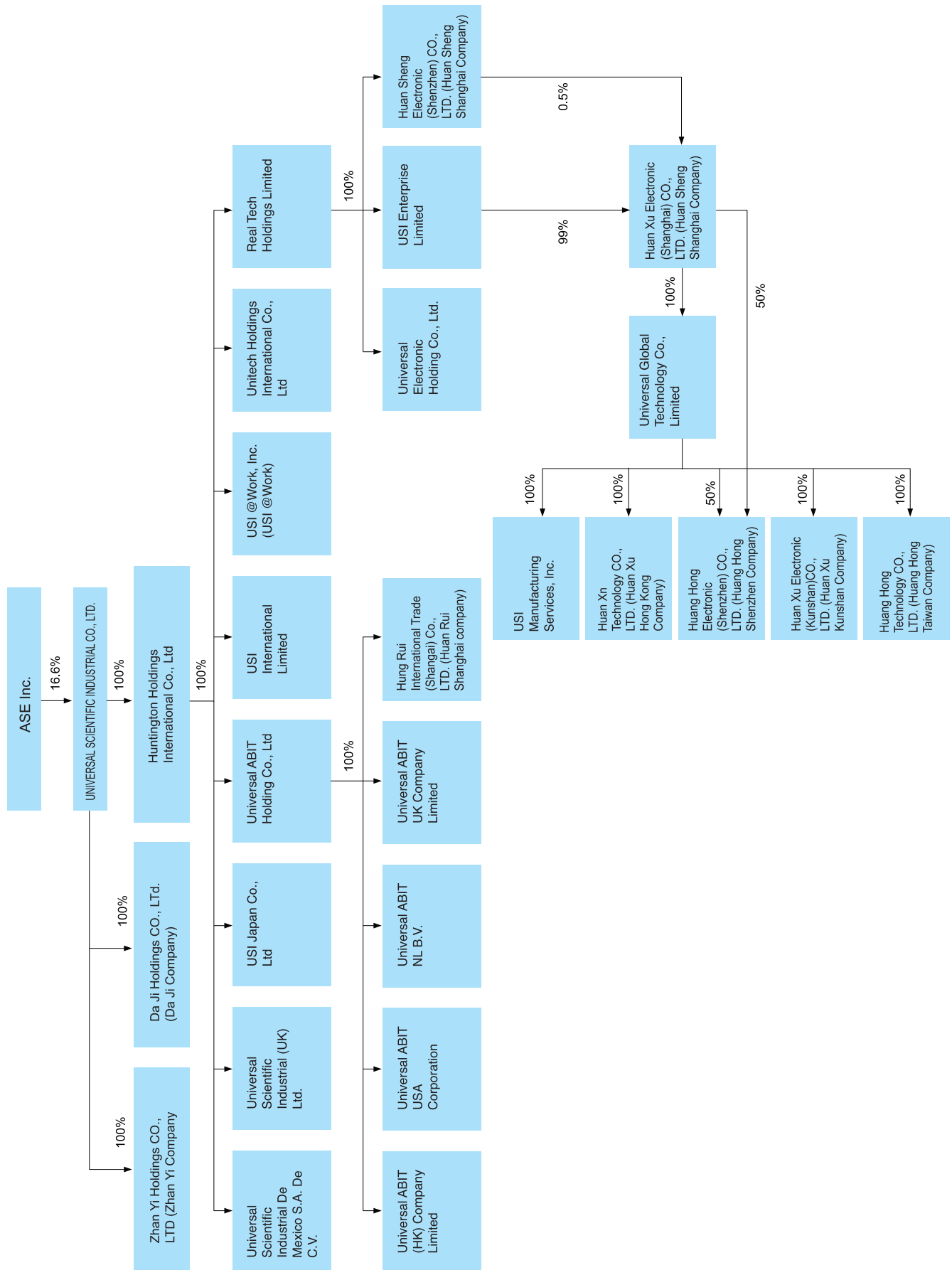
Through the investor relations section on the industrial website and the published annual reports, USI made the industrial operation, financial information, and self-critic analysis transparent. USI also held regular shareholder meetings in which managers communicate with investors face to face and reported the industrial operation and financial condition in detail. Managers replied all questions investors concern about so as to strengthen investors' confidence in USI.

### 2.2.1 Corporate Governance

#### Managing Structure



## Association Organization Map



USI followed regulations and principles related to corporate governance such as “Company Act,” “Securities and Exchange Act,” and “Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies,” establishing effective corporation managing structure and related moral standards and items to enhance corporate governance.

Directors of USI remained their independence so independent directors and audit committee are not yet established. Based on Article 2 of “Regulations Governing Procedure for Board of Directors Meetings of Public Companies,” USI drew up “Rules of Meetings of the Board of Directors.” In 2008, previous board of directors held 4 meetings and new board of directors held 7 meetings; in 2009, the board of directors held 12 meetings. In these meetings, supervisors, high-level managers, and shareholders communicate and discuss together. Internal auditing managers report to supervisors about their business regularly in the middle of the year.

## 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. Draw up detailed regulations of important principles
2. Make up operative prospectus
3. Audit budget and final accounts
4. Select and dismiss general manager and vice general manager
5. Present the motions about profit distribution or loss compensation
6. Present the motions about capital increase or reduction
7. Report to supervisors about serious damages
8. Exercise other authorities based on Company Act or solutions by shareholder meetings

## List of Directors and Supervisors

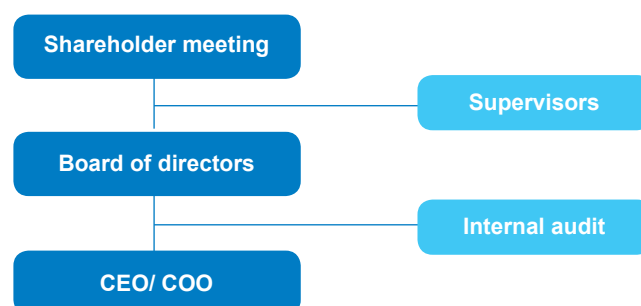
All directors and supervisors in USI have more than 5 years' working experience and expertise in business, legal affairs, finance, accounting, or corporation operation. They work hard to protect shareholders' rights and strengthen corporation management.

Title	Name	Educational background	Present part-time duty in USI and other institutes
Director General	Zhang Hong-ben	Department of Industrial Engineering, Chung Yuan University	Vice general director and general manager, Advanced Semiconductor Engineering, Inc.
Director	Liu Xiao-ming	Doctor, Stanford University, America	CEO of USI and supervisor of Advanced Semiconductor Engineering, Inc.
Director	He Hong	MBA, University of Iowa, America	Senior vice general manager of USI and supervisor of Advanced Semiconductor Engineering, Inc.
Director	Chen Chang-yi	Master of Finance, The University of British Columbia	Vice general manager of Advanced Semiconductor Engineering, Inc.
Director	Representative of Advanced Semiconductor Engineering, Inc.: Zhang Qian-sheng	Department of Electrical Engineering, National Taiwan University Master of Science, University of Illinois, America	Chairman of Advanced Semiconductor Engineering, Inc.
Director	Representative of Advanced Semiconductor Engineering, Inc.: Feng Yuan-quan Representative of Advanced Semiconductor Engineering, Inc.: Feng Yuan-quan	Master of Electrical Engineering, Northeastern University, America	Chairman of Claridy solutions, Inc. and director of Accton technology corp.
Director	Representative of Advanced Semiconductor Engineering, Inc.: Pan Shi-hua	Doctor and Master of Science in Physics, University of Southern California, Berkely, America	Chief of staff of Advanced Semiconductor Engineering, Inc.
Director	Representative of Advanced Semiconductor Engineering, Inc.: Wei Zhen-long	MBA, Tunghai University	Substitute general manager, USI
Director	Representative of China Development Industrial Bank: Wang Hui-ling	MBA, University of Texas at Arlington	Assistant manager, Investment Department, China Development Industrial Bank
Supervisor	Representative of ASE Holding Ltd. (Bermuda): Dong Hong-si	MBA, Southern California, America	Vice general manager, Advanced Semiconductor Engineering, Inc.
Supervisor	Representative of ASE Holding Ltd. (Bermuda): Yu Xu	National Taiwan University of Arts	Vice general manager, Advanced Semiconductor Engineering, Inc.
Supervisor	Liu Shi-liang	MBA, University of Michigan, America	Vice general manager, Advanced Semiconductor Engineering, Inc.

## The Organization and Operation of Internal Audit

### Internal Audit Organization

The internal audit organization belongs to the board of directors. The employment and discharge of the organization's manager must be agreed by more than half members of the board of directors. The organization is composed of one manager and three examiners.



### The Operation of Internal Audit

- Range of audit: all financial and operational business and management are included. According to related regulations, there are eight 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. After the audit, audit office will report the outcome to general managers and the board of directors. The audit manager will report the auditorial condition and outcome to supervisors regularly to realize the spirit of corporate governance.

### Salary Policy

According to the regulations of USI's bylaws, the salary for directors and supervisors is less than 1% of distributive profit, so the amount is highly and positively related to the corporation governing performance. The salary for general manager and vice general managers includes salary, bonus, and employee dividend from distributive profit. 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.

### 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.

## List of Risk Management Organizations

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 (CEO, 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 office	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	Purchase management general office, all offices		
10. Concentration of stock or sales	Legal affairs office	Monthly (seasonally) meeting	
11. Other operative business	General manager office		
12. Behavior, morality, and virtue of employees	Managers of all levels and industrial 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 internal principles of Integrity deeds. In the future, USI will draw up further policies to 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
- 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.

As investing, loaning capital to others, endorsing, and dealing with derivatives, USI followed the dealing principles published by the authority and the related internal regulations.

## 2.2.5 Government Subsidy

USI is a leading global DMS provider with outstanding R&D ability and manufacturing service. In 2008 and 2009, USI obtained capital subsidy of assisting projects and development projects from various institutes such as “Planning and Execution Project for Enhancing Sustainable Growth for NSC Science Parks” of NSC, “Technological R&D project—Conventional Industry Technology Development—product designing sub-project” and “Industrial low-carbon technology integration and application project” of Ministry of Economic Affairs.

## 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:

- MIC Institute for Information Industry
- IEK, Industrial Economics & Knowledge Center, Industrial Technology Research Institute
- IEEE, Institute of Electrical and Electronics Engineers
- Chinese National Association of Industry and Commerce
- Monte Jade Science and Technology Association of Taiwan
- Taiwan Industrial Technology Association
- SMT, Surface Mount Technology Association
- Taiwan Electrical and Electronic Manufacturers' Association
- Nantou County Chamber Of Industry provincial representative
- Nantou County Nangang Industry Association Executive Director
- Industrial Safety and Health Association of the R.O.C.



# 03

## USI and the Environment

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- 3.1 USI and Climate Change
- 3.2 ESH 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 that the record-breaking extreme weather and the common disasters, industries nowadays are facing a new operating environment and risks. In December 2009, the UN Climate Change Conference pointed out that industries need to pay special attentions to greenhouse gas emission reductions and corporate green management, in order to effectively alleviate the growing concern over global warming. With an emphasis on environmental protection, USI took active measures against climate change and has shown impressive results: Other than incorporating environmental concerns into the operating strategies and business management, board of directors and high-level executives both holding accountable while communicating with USI stakeholders, proposing and implementing feasible improvements to cope with climate change. To fulfill its Green Responsibilities, USI also adopted a green management by effectively disclosing environmental data.

## 3.2 ESH 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 Environmental Safety and Health (ESH) 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 ESH policy and measures :



### Environmental, Safety & Health Policy

- Comply with ESH regulations, and participate related ESH global campaign.
- Continually communicate, participate and consult the relevant ESH policy, knowledge and requirements with all employees, suppliers and contractors, and implement trainings and drills to reduce ESH risks and to prevent potential events.
- Continue endeavoring pollution prevention, environmental performance of products promotion.
- Increase resource utilization by energy conservation, waste recycling and other cost-effective measures.
- Maintain an integral ESH management system, based on the requirements of ISO 14001, OHSAS 18001 & TOSHMS, with objectives, targets and audits.

### 3.3 Green Promise of USI

To fulfill industry green responsibility, USI established Green and Risk 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.

**USI actively delivers Green Promises through four directions : Green management, Green supply chain, Green expenditures and Green Education**



#### Four Green Promises of USI

Green management	<ul style="list-style-type: none"> <li>• Build a comprehensive green quality management system</li> <li>• Introduce Designs for Environment (DFE)</li> <li>• Build an EHS database</li> <li>• Implement auditing for the hazardous substances management system</li> <li>• Implement cleaner production in Shenzhen site and Shanghai site</li> </ul>
Green supply chain	<ul style="list-style-type: none"> <li>• Control the quality of materials with suppliers</li> <li>• 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)</li> </ul>
Green education	<ul style="list-style-type: none"> <li>• Provide employees, suppliers and contractors with environmental training, hold forums and meetings to underscore USI eco-friendly values</li> </ul>
Green expenditures	<ul style="list-style-type: none"> <li>• Provide funding for pollution prevention initiatives, cut resource consumption, properly dispose industrial waste, build an environmental management system and obtain certifications</li> </ul>

### 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 and Risk 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.

To cope with the growing demand for green products, the R&D staffs at USI are all equipped with the DFE capability to design GPs in line with the EuP directive, RoHS directive and WEEE directives.

#### USI's DFE Strategy

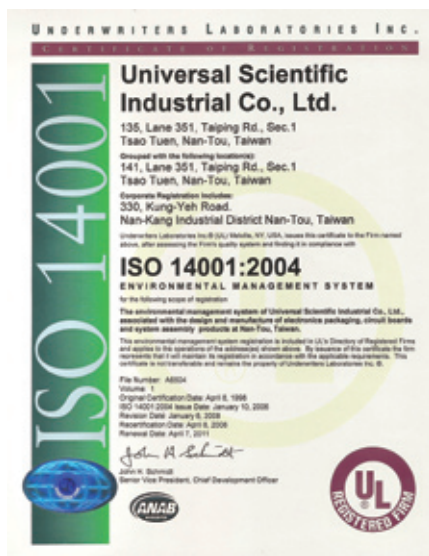
Environment directives	Requirements	USI's DFEs
RoHS	Low-polluting Non-toxic	<ul style="list-style-type: none"> <li>• Phase out the use of BFRs</li> <li>• Phase out the use of PVC</li> <li>• Use non-halogen materials</li> </ul>
WEEE	Recyclable Easy to take apart Easy to process	<ul style="list-style-type: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

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 Taiwan 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.

#### Schedule for the Introduction of Green Management System

Management system	Taiwan	Mexico	Shenzhen, China	Shanghai, China
ISO14001	1998	2006	2001	2004
IECQ QC080000	2006	2007	2007	2007





ISO14001 and IECQ QC080000 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.

USI also conducted cleaner production in Shenzhen site from January to July in 2009 and applied a series of preventive environmental measures to the manufacturing process, products and services to reach the goal of cleaner production —such as using less organic solvent, cut the company's energy consumption, greenhouse gas emissions and total weight of waste. USI successfully obtained the cleaner production certificate for Shenzhen site. Shanghai site will pass the same certification by the end of June 2011.



Before the adjustment of air-conditioner

After the adjustment of air-conditioner  
(cabinet energy-saving inverter was installed)

Before the adjustment of illumination



After the adjustment of illumination (Shenzhen site)





Cleaner Production Certificate (USI Shenzhen site)

### 3.3.2 Green Supply Chain

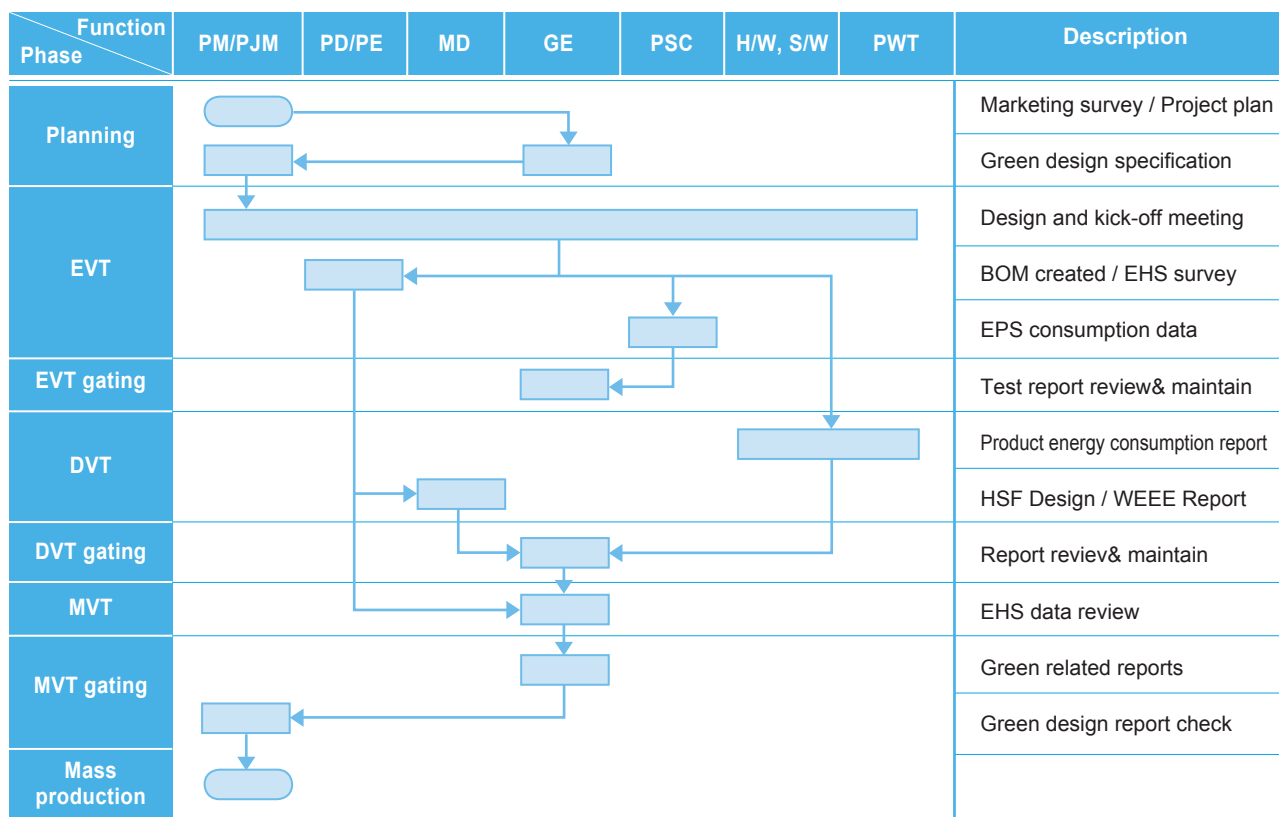
The trend toward sustainable development of Green Products is inevitable. Only by establishing long-lasting management model of green supply chain could allow industries face up-coming challenges. As a result, USI ensured that the entire production process---which involves product design, procurement 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 USI many praises and ecological awards from customers.

## Green Design Workflow



### 1. Planning phase:

When a product is being developed /designed, the Project Management Unit at USI will inform the Green Design Engineering Unit to determine DFE requirements for products according to environmental hazardous substances, recyclable design and low energy consumption. The Green Design staff will collect information on the specs of DFE products after confirming such requirements.

### 2. EVT phase:

The R&D and product engineering unit will give priority to select Green parts and ask suppliers for EHS-related documents (if necessary) to ensure quality of materials. Likewise, the external power suppliers will be asked to present documents, and low energy-consuming external power suppliers will be first chose.

### 3. EVT gating phase (Collecting information about the EVT phase):

In this phase, USI tests the energy consumption of products and would require the power-supplying procurement unit to conduct a re-assessment in case of failure to comply with the DFE principles design requirements.

### 4. DVT phase:

Given the EuP directive, the power-supply testing unit would test the energy consumption of products. The design unit would assess the toxicity and recyclability of materials for parts suppliers before delivering a 3R recycling report and a WEEE report.

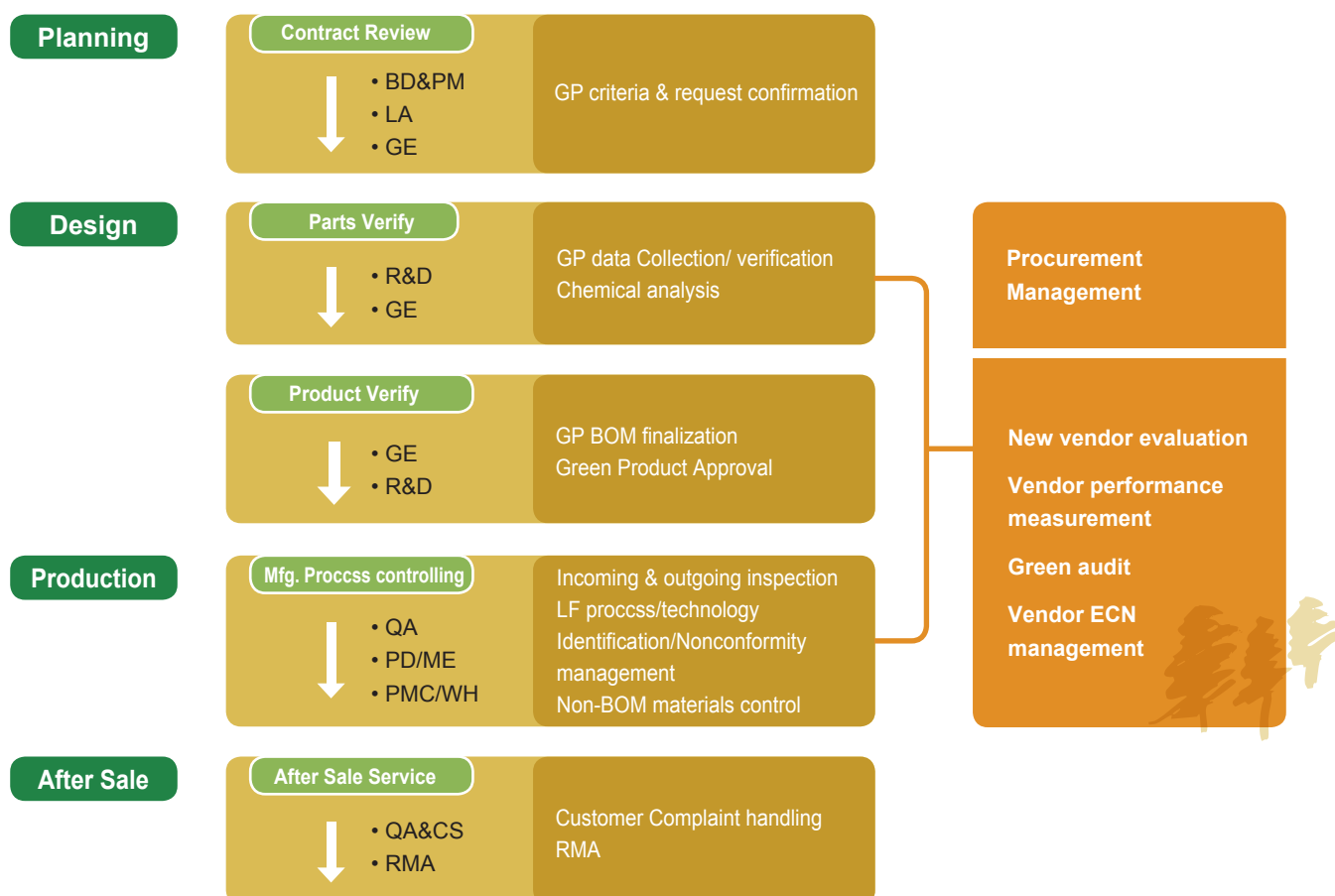
### 5. DVT gating phase (Collecting information about the DVT phase):

The green design unit in this phase reviews the environmental compliance report and documents from related units and requires them to conduct a re-assessment in case of failure to comply with the DFE design requirements.

### 6. MVT/MVT gating phase:

The green design unit delivers an EHS report, examines components of materials and parts, and requires the units involved to conduct a re-examination in case of failure to comply with the DFE principles and related regulations.

## Green Products Management



## 3.3.3 Green Expenditures

### USI Environmental Expenditures

In 1,000 NT dollars

Expenditure Items	Details	Amount of expenditure in 2008	Amount of expenditure in 2009
Cost of pollution prevention	Including the prevention of air, water and other forms of pollution	2,524	2,808
Cost of investing in energy-saving equipment	The investment in resource conservation (e.g. energy and water resources)	2,673	26,519
Cost of disposing industrial waste		1,803	2,163
Cost of building an environmental management system, and obtaining the certification		389	408

Note: The statistics covered only Taiwan, Shanghai and Shenzhen sites

## Benefits of USI Environmental Protection Efforts

In 1,000 NT dollars

Items	Details	Total benefits for 2008	Total benefits for 2009
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	54,528	36,283

Note: The statistics covered Taiwan, Shanghai, Mexico and Shenzhen sites

### 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.

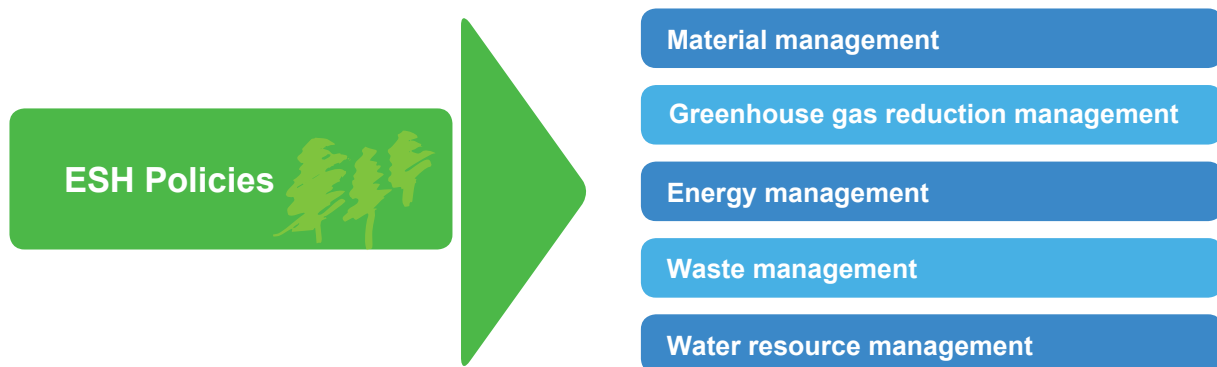
To meet customer requirements, USI was not only keen to participate in international forums that disclose carbon emission details, but also carried out plans for energy conservation and carbon emission reduction. By instilling the Green concepts at internal training programs while drawing from external 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	Assess the specs of GP and parts
<ul style="list-style-type: none"> <li>• International environmental regulations and requirements for green products</li> </ul>	<ul style="list-style-type: none"> <li>• Require the data about green parts</li> </ul>
<ul style="list-style-type: none"> <li>• Framework of green management system</li> </ul>	<ul style="list-style-type: none"> <li>• Keep track of Green raw-materials inventory</li> </ul>
<ul style="list-style-type: none"> <li>• The operating procedure for GP design/manufacture</li> </ul>	<ul style="list-style-type: none"> <li>• Recognition and change of Green raw materials</li> </ul>

## 3.4 Environmental Protection of USI

USI has long been committed to reducing the negative influences of the production process on the environment. Following the ESH policy, USI effectively managed issues including the use of materials, energy conservation, waste discharge, greenhouse gas emission reduction, and the use of water resources. That way, USI would be able to lower the environmental impact while seeking sustainable co-existence between ecological environment and the company.

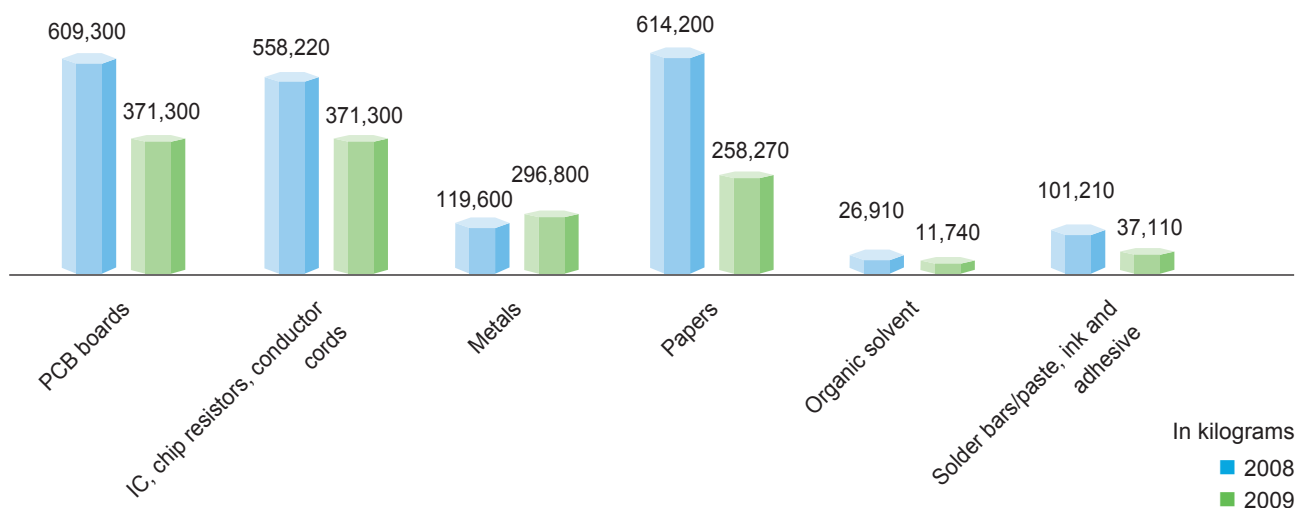


### 3.4.1 Material Management

USI conducted ecological assessments in the product planning stage to ensure efficient use of materials, including using comparatively low environmental impact materials, recyclable/reusable materials, and materials made from recycling. USI also selected low-polluting and non-toxic materials such as halogen-free. 243 controlled environmental hazardous substances, including 6 RoHS banned substances, 110 are halogen regulated substances, 2 banned substances and 125 reportable substances. USI controlled the use of these substances not only to improve the environmental benefits of manufacturing process, but also to demonstrate to customers (as well as supply-chain partners) the ecological value of limited use of EHS.

The graph below showed an efficient use of USI's main materials in 2009 compared to 2008 and the decrease in use of materials resulted in less waste of environmental resources.

#### Consumption of Main Materials



## Amount of Packaging and Materials Recycled

In kilograms

	2008	2009
Paper cartons	184,500	118,200
Wood materials	27,610	33,510
Plastic materials	63,910	47,210
Solder residues	5,320	2,680
Miscellaneous metals	71,740	57,665

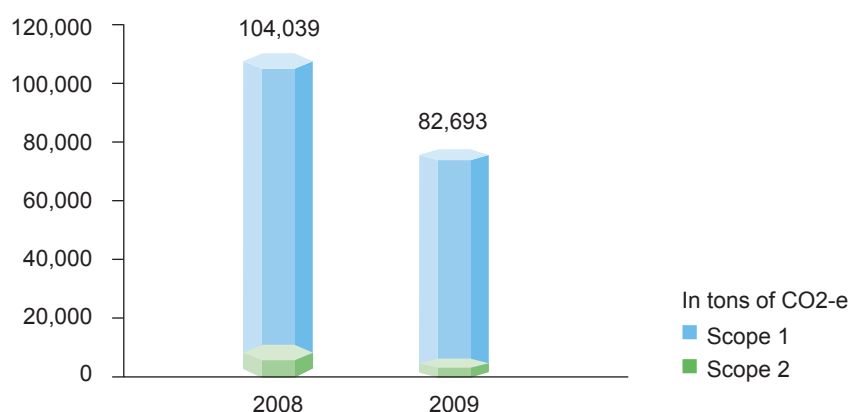
Note: The data of material consumption, amount of recycled packaging and materials covered Taiwan site only

## 3.4.2 Greenhouse Gas Emission Reduction Management

Research reports showed that carbon emission is the major cause of global warming. To deal with this issue and support the Kyoto Protocol and Copenhagen Accord, USI continued to push greenhouse gas emission reduction policy and completed a baseline inventory of greenhouse gas emissions in all sites. By actually obtaining greenhouse gas emissions in base year (2009), USI set targets for reducing greenhouse gas emissions to lower environmental impact.

During the manufacturing process, USI didn't discharge any ozone-depleting substances, nitric oxide (NOX), or sulfur oxide (SOX). Moreover, USI does not belong to an EPA-monitored industry.

## Greenhouse Gas Emissions



Note: 1. The statistics covered Taiwan, Shanghai, Shenzhen and Mexico sites  
2. The data showed here was based on USI's internal inventory

The graph above showed that compared to 2008, USI reduced its greenhouse gas emissions by approximately 21,346 tons. Other than the internal inventory, USI passed greenhouse gas emissions verification in 2005 and 2006 verified by an impartial external institute and acquired ISO14064-1 verification statement. Shenzhen and Shanghai sites will complete the verification for 2009 greenhouse gas emissions by the end of 2010. In the future, USI will keep calculating related statistics, providing data in line with government regulations, and disclose greenhouse gas emissions in CSR report.



USI set up targets for greenhouse gas emission reduction according to inventory for 2008 and 2009:

2010: 50 tons of CO<sub>2</sub>-e /US\$ 1 million  
 2011: 45 tons of CO<sub>2</sub>-e /US\$ 1 million  
 2012: 42 tons of CO<sub>2</sub>-e /US\$ 1 million

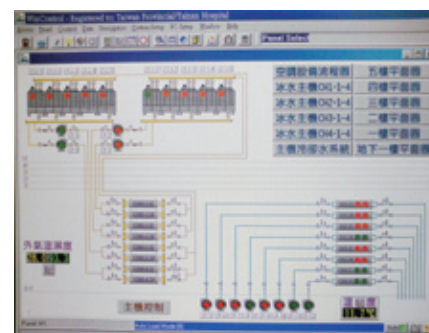
Most of USI's greenhouse gas emissions are resulted from the use of out-procured power. Thus, USI took aggressive action to improve energy efficiency and energy conservation by upgrading and replacing the equipment of factories. For example, USI equipped the air compressors with VF control, replaced the T8 light bulbs with the energy-saving T5, replaced the radiator of cooling water towers, equipped the chilled water system with Frigaid, and integrated the transformer. By these actions, USI could effectively cut greenhouse gas emissions.

### 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 the 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. Compared to the 2008 electricity consumption of approximately 245 GWh, USI registered 192 GWh for 2009, which is a decrease of 53 GWh, or 22%, a sign that USI's energy conservation efforts are bearing fruits.

Compared 2009 with the preceding year, the electricity consumed by air-conditioning in Taiwan site dropped by approximately 3,275 kWh, or 10.86%.

In 2008, 630 kWh of electricity was saved in Shenzhen site due to the improved arrangement and the reduced numbers of vacuum machines.



The usage of energy is effectively controlled through the air-conditioner monitoring system

### Energy Consumption

	Electricity (kWh)	Petroleum (kilolitre)	Diesel (kilolitre)	Natural gas (km3)
2008	244,780	222	46	1449
2009	191,697	161	42	714
Amount of change	-53,083	-61	-4	-735
Percentage of change	-21.69%	-27.48%	-8.70%	-50.72%

### Measures Taken to Save Lighting Energy and the Results:

	Energy-saving measures		Energy-saving Results
Lighting energy conservation	Taiwan site	Energy-saving night lights in the 1st basement and stairwells at TT2	2009: Saving approximately 55,308 kWh of electricity, which is a 40% cut
		Lighting energy conservation at the NK parking tower	2009: Saving approximately 72,883 kWh, which is a 30% cut
	Shenzhen site	PD1 & PD2 lighting energy conservation	2008: Saving approximately 777.6 kWh
		PD7 lighting energy conservation	2009: Saving approximately 129.6 kWh

### 3.4.4 Waste Management

USI has long been committed to reducing and recycling industrial waste to ensure efficient use of resources. USI classified waste according to the industrial-waste cleanup plan and chose proper disposal methods—in line with government regulations—to recycle the waste paper, waste plastics, wood waste stack boards and used lighting fixtures generated from manufacturing process.



Waste cans and bottles storage



Waste solvent storage



Waste tube light storage

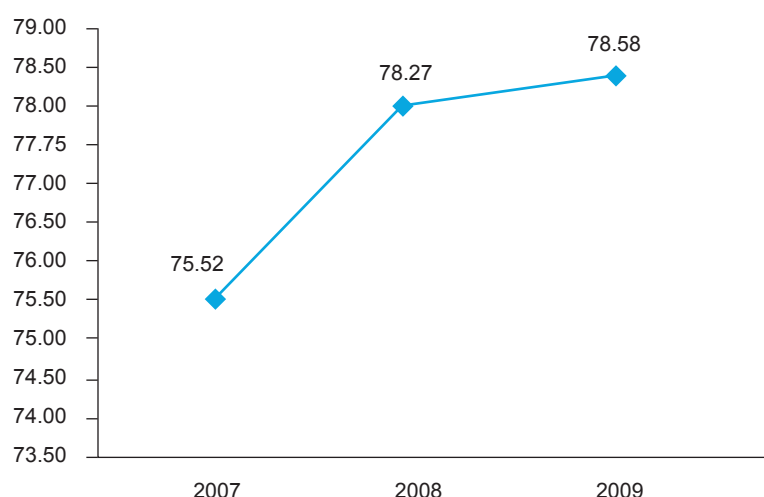


Ordinary garbage storage

### Total Amount of Waste Recycled

	Total waste generated (kg)	Total waste recycled (kg)
2008	3,924,288	3,071,710
2009	3,230,386	2,538,521

### Percentage of Waste Recycled



Note: The data covered Taiwan, Shanghai, Shenzhen and Mexico sites

The graph above showed that compared to 2008, USI had reduced the total amount of waste generated by 17% in 2009, with the annual recycling rate exceeding 70% in 2008 and 2009. In the future, USI will keep carrying out the waste reduction policy to achieve the sustainable use of resources (i.e., recycle and reuse).

### 3.4.5 Water Resource Management

USI collects the data of waste water discharge and water consumption at worldwide sites regularly (Taiwan, Shenzhen, Shanghai and Mexico sites), in order to control the consumption of such resources. Compared to 2008, statistics showed the water consumption and wastewater discharges at all USI sites in 2009, decreased by 87,636 tons and 65,359 tons respectively. Such improvements indicated USI's effective control of water resources.

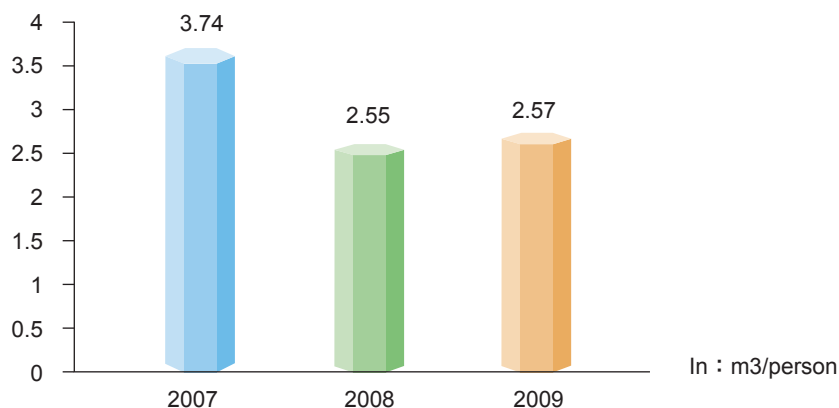
### Total Amount of Water Consumed and Wastewater Discharged

	Total water consumption (tons )	Total amount of waste water discharged (tons )
2008	357,582	248,654
2009	269,946	183,294
Percentage of change	-24.51%	-26.29%

Note: 1. The water consumption data covered Taiwan, Shanghai, Shenzhen and Mexico sites

2. The waste water discharge data covered Taiwan and Shanghai sites

### Average Water Consumption Per Person



To reduce water consumption, USI adopted water-saving measures, such as adjusting water supply of the water-saving equipment in restrooms on each floor to avoid unnecessary consumption. USI also plans to introduce RO water purification systems to reduce water use by recycling /reusing the waste water.

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

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- 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

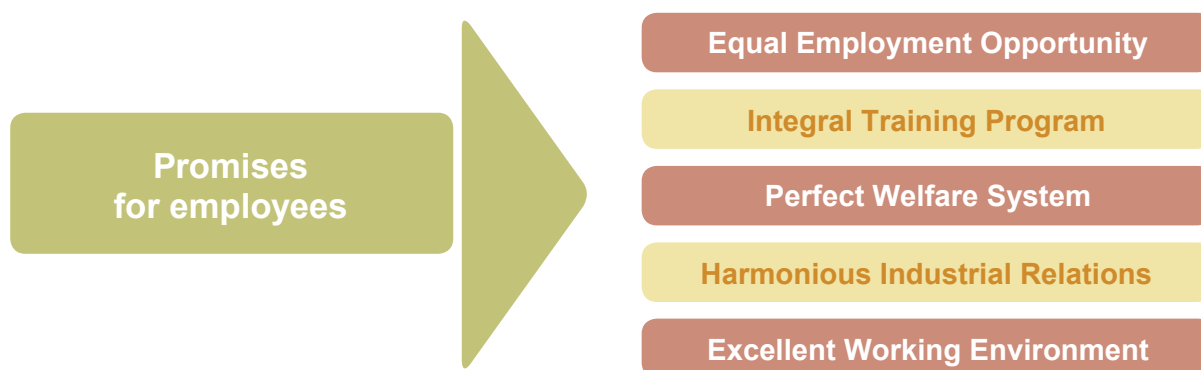


## 4.1 USI and Its Employees

Human talents are important seeds for the constant growth of USI, requiring considerate care and irrigation. Therefore, we contributed to build high quality, safe, and stable working environments. Besides strictly ensuring the safety and health in the workplace and caring of employees' physical and mental health, we also provided well mature training programs. Through multiple education and training, employees could slowly grow as they develop expertise. There is also perfect welfare system in the company to ensure various employee rights, keeping harmonious labor-capital relationship and providing equal employment opportunities.

Heads of each department practice human-based management to focus on communication and coordination with the employees, while timely care for employees' job satisfaction conditions. These care and concern for employees were recognized by the 2008 "Friendly Workplaces in Counties and Cities."

### USI Promises for Employees From Five Aspects



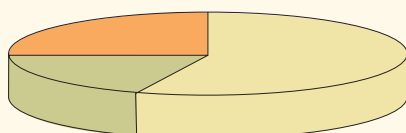
### 4.1.1 Employee Composition Profile

#### Employee Structure

In the end of 2009, USI had a total number of 11,100 employees, where both Taiwan and China possessed a total number of 2,224 and 8,431 employees respectively ; the rest 445 employees were distributed to other foreign sites. And among all employees, there were 1,796 technicians, 1,720 administrators and business personnel, and 7,584 assistant technicians. The number of female employees in USI reached 7,318, 66% ratio.

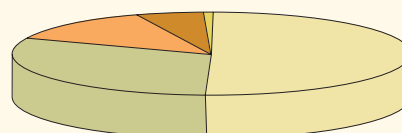
#### Divided by Job

- Technician (16.2%)
- Administrators and business personnel (15.5%)
- Assistant technician (68.3%)

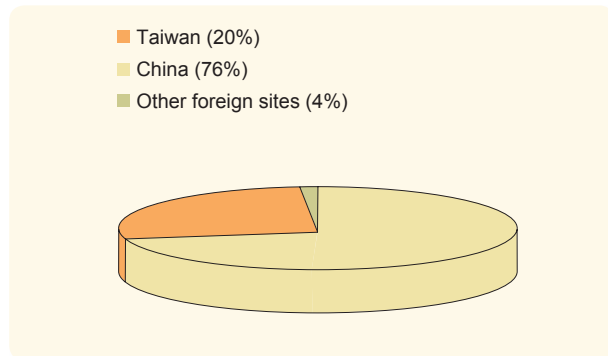


#### Divided by Education Background

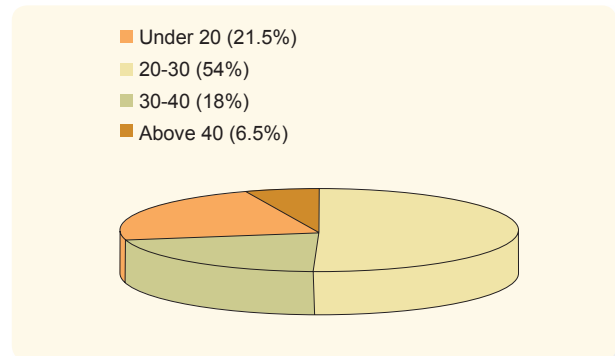
- Doctor (0.07%)
- Master degree (5.29%)
- Bachelor degree (30.94%)
- Senior high school (54.57%)
- Under senior high school (9.24%)



### Divided by Area



### Divided by Age



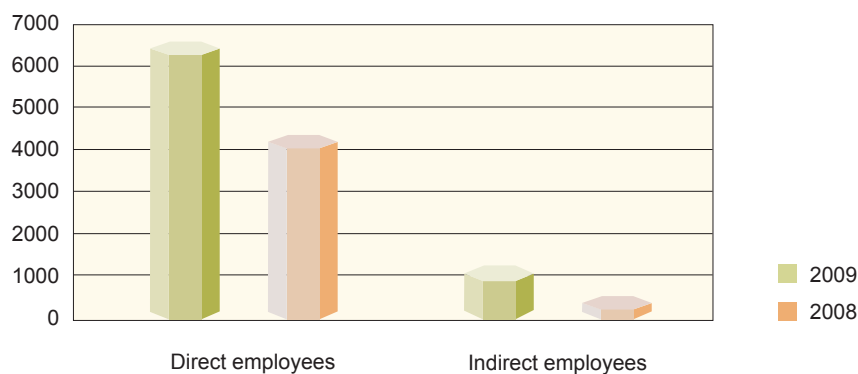
Note: above statistics covered worldwide sites

## Employee Demission

USI provided developmental training programs, perfect welfare system, comfortable and convenient working environments. USI also established excellent communication channel, cared employees' working and living condition for building up a sense of belonging and reducing employee demission.

Year	Direct employee(number)	Indirect employee(number)	Average years of service (year)
2008	6528 (64%)	1098 (10%)	8.20
2009	4334 (39%)	493 (4%)	8.87

Note: 2009 statistics covered only Taiwan, Shanghai, and Shenzhen sites



### 4.1.2 Equal Employment Opportunity

USI recruited professional talents required by industries based on goals and expertise. In worldwide sites, USI established systematic employment policies and standardized procedures. According to the human resource requirement lists verified by each department, in the end of each year, the department of human resource recruitment proclaimed advertisements and recruitment procedure to 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.

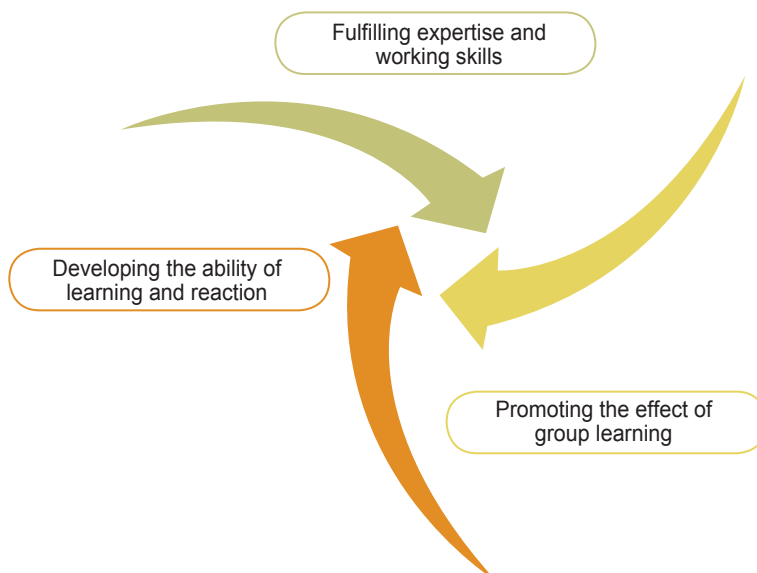
### 4.1.3 Integral Training Program

#### Employee Education and Training

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 employee educations and training courses for employees of different profession, 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 learning resources worldwide, created innovative learning environment, and provided all USI employees with advanced study. 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, tailoring 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.

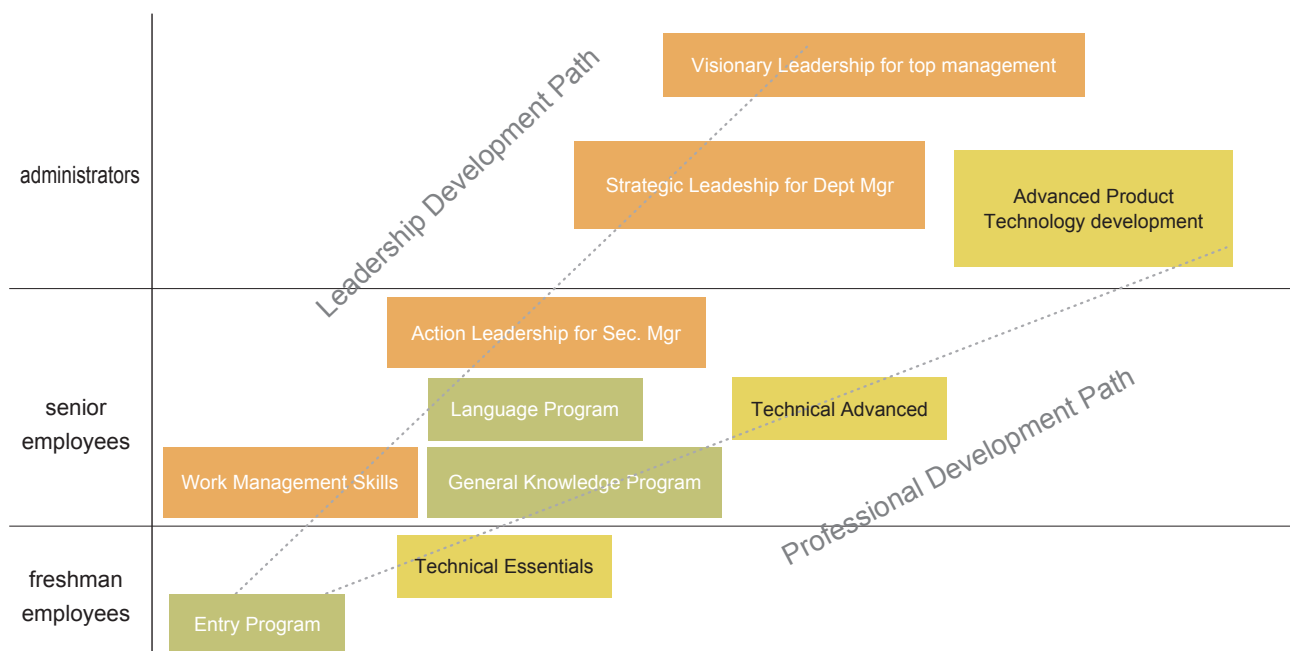
By providing training courses for omnipotent talents, USIU offered multiple course contents, where the approaches and activities were designed according to course attributes. Proceeding case study or group discussion along with E-learning course trainings allowed USI employees to learn and pursue education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

Education and training course	Contents and action plans
Orientation training program	When newcomers enter the company, USI quickly arranges guidance courses with three phases to help them understand the operation of compan. Then, USI will provide tailor-made professional skill courses for each newcomer to quickly get into the working environment.
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



In 2009, the total number of trainees reached 10,150 and the total hours of training courses reached 18,866.27 hours in USI.

### Average Time of 2008 Employ Education and Training (hour)

Sites	Administrators	Senior managers
Taiwan	6.11	2.28
Shanghai	12.72	8.90
Shenzhen	4.63	7.51
Mexico	19.11	6.80

Sites	Direct employees	Indirect employees
Taiwan	2.04	1.87
Shanghai	0.91	1.33
Shenzhen	1.45	1.62
Mexico	1.37	1.91

### Average Time of 2009 Employ Education and Training (hour)

Sites	Administrators	Senior managers
Taiwan	8.29	10.68
Shanghai	15.85	10.91
Shenzhen	4.90	8.42
Mexico	2.18	0.40

Sites	Direct employees	Indirect employees
Taiwan	1.30	2.25
Shanghai	0.84	1.55
Shenzhen	1.62	1.65
Mexico	1.47	0.83

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.

### Percentage of Employees Accepting Performance Appraisal

Year	Number	Ratio
2008	9601	94%
2009	9230	83%

Note: statistics includes Taiwan sites only, excluding contractor workers and newcomers working less than three months



#### 4.1.4 Perfect Welfare System

For providing USI employees mature welfare systems, USI established Employees' Welfare Committee, made of 18 committee members. The company designates one appointed committee member and the rest of members are elected by all employees. The committee is re-elected every two years, hoping with their different specialties, each committee member could be responsible for recreation, medical care, education, and other benefit activities for employees to seek better welfare measures.

#### 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 and badminton courts are also available. There are many clubs for employees to relax, such as table tennis club, badminton club, basketball club, golf club, bicycle club, and dance club.



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

## Employee Incentives

Employees' excellent performances are recognized through various incentive systems. In addition to R&D incentive and performance bonus, there are policies on stock bonus and profits distribution from the operation achievements to share with employees.

## Employee Insurance and Retirement

Following governmental regulations, USI took part in labor insurance and national health insurance, and held 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 was contributed monthly, saved 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.

## Welfare Systems of USI

<b>Bonus</b>	Full attendance bonus, employee stock bonus, birthday gift certificate, annual bonus, overtime wage, R&D incentive bonus, patent incentive reward, performance bonus, three festival gift certificate
<b>Holiday and vacation</b>	Besides national holidays and weekends, there are accompanying maternity leave for male employees, parental leave for female employees, menstrual leave, earned paid sick leave, and paid annual vacation
<b>Insurance</b>	Labor insurance, health insurance, employee comfort and compensation, employee/dependants group insurance
<b>Dining</b>	There is broad and sanitary employee restaurant and meal subsidy.
<b>Accommodation</b>	Different types of accommodations with household appliances, air-conditioner, hot-water heater, wireless net, and furniture.
<b>Transportation</b>	USI provides comfortable and convenient transportation between plants and well-equipped exclusive parking lots for employees.
<b>Recreation</b>	Domestic and foreign employee travels, family day, parent-child activities, end-of-the-year banquet and drawing lots
<b>Health</b>	USI sets up professional dispensary providing free health consultancy. USI holds free health examination for employees annually.
<b>Other</b>	Employee wedding subsidy, domestic and foreign employee studying subsidy, funeral subsidy for employees and dependants, birth subsidy, education subsidy and scholarship for employees' children, consolatory money for hospitalized employees and dependants







The company restaurant ensured a clean, sanitary dining environment and a wide variety of recreational facilities.

### 4.1.5 Harmonious Industrial Relations

#### Salary Management Strategy

USI gave reasonable and concrete payback for employees' contribution. According to the salary standard on the market, external competition of talents, and supply and demand in the labor market, USI set up competitive salary systems. Based on the operation of the company, employees' annual performance evaluation, and their working performances, USI adjusted their salary and provided bonus and dividend so that they obtain reasonable treatment. The salary strategies of USI sites worldwide followed local regulations and the minimum income standards. The designing of salary policies held fair principles without sexual differences. The basic salary ratio between two sexes was 1 : 1.

#### 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 an outstanding industrial relation communication mechanism, USI Corporate Service Office set up employee relationship website and employee suggestion box. USI holds COO free talk for every season, administrators and all employees are invited to hold a communication conference to promote industrial relations and employees' sense of belonging effectively.

## Employee Relation Website



## Industrial Relations Communication in All Sites

Sites	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 sites hold Industrial relations Conference each season, 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	Industrial relations committee is established for solving labor-capital disputes, a total of 11 representatives from both parties. Human resource communication conference is held each season and all employees could participate. If both parties meet trouble in solving important issues, the labor party and employee representatives will apply to hold employee representative meeting where issues and solution will be decided.

## Effective Usage of Communication Channel

Effective communication channel	Percentage
Employee suggestion box	73.1%
Employee relationship department	47.1%
Supervisor	64.1%
Employee Welfare Committee	26.4%
Others	2.8%

Note: in the percentage statistics of the effective communication channels which were reliable for USI colleagues, other channels include e-mail

## Employee Suggestion Contents



### 4.1.6 Excellent Working Environment

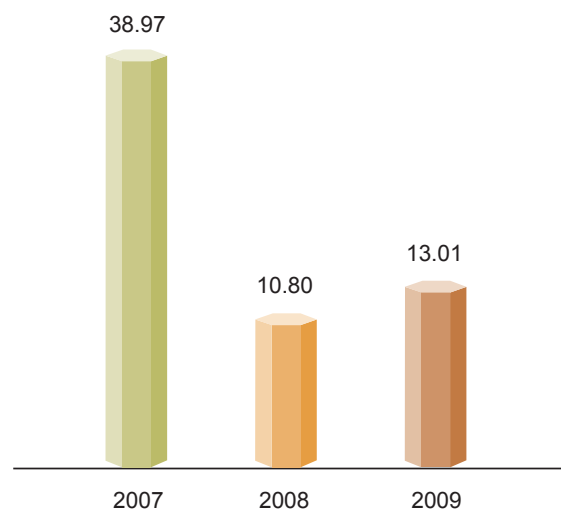
#### Safety and Health Management

To ensure employees' working safety and to keep a healthy environmental, 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 2008 and 2009, the ratios between one million working hours and occupational hazard hours (PPM) were 10.80 and 13.01 respectively.

#### OHSAS 18001 Occupational Health and Safety and Health Management



#### Occupational Hazard Hours/One Million Working Hours (PPM)





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.



Self-protection and firefighter organizing training



Emergency response rehearsal



Emergency evacuation rehearsal



For protecting and ensuring the health and safety of employees responsible for radiation and avoiding against the damage of ionizing radiation, USI followed ionizing radiation operation management regulations and practiced comprehensive radiation shelter and control strategies. Based on automatic inspection and management regulations, USI checked all the machines, equipments, and vehicles used by the company in the regulative range.

In addition, USI also followed Work Environmental Measure Regulations, monitoring plant noise, CO<sub>2</sub> concentration, organic solvents, specialized substances, and lead-exposing workplaces. USI ensured that workplaces maintained within allowable hazard concentration and noise under a standard threshold.

### Workplace Monitoring Items and Frequency

Content	Frequency
Noise	6 months
CO <sub>2</sub>	6 months
Workplaces with organic solvents/specialized substance	6 months
Lead-exposing workplaces	1 year

### Physical and Mental Health Care

Keeping employees healthy is the concept of industrial property. USI sets up dispensaries and various exercise appliances. For following Gender Equality in Employment Law and taking care of female employees' requirements, dispensaries provided nursery room, an excellent suckling environment for mothers. Besides, USI held one free health examination and four free mental health counseling services every year. The items of health examination included: abdominal ultrasonic, oral health screening, and bone density test. EAP (employee assistant program) was introduced to record all employees' personal health information, and all medical resources were combined to provide comprehensive medical service and consultation to reduce working pressure and care physical and mental health of the employees.



Set up dispensary and nursery room





Through “health promotion survey” combined with abnormal information of health examination, USI drew up annual health promotion programs for employees and discussed the practice of these programs regularly. Health promotion was divided into normal practice and special case practice. Normal practice included: chronic disease lectures, Hepatitis B vaccine, flu shot, Pap test, breast ultrasonic, bone density test, liver cancer prevention and control (ultrasonic examination), intraocular pressure test, occupational disease prevention lectures, first-aid personnel training, restaurant safety and sanitation education, medical website management, physical fitness promotion, blood donation, gynecology lectures, employee assistance programs, and nutrition lectures; special case practice included: weight management (daily walk for ten thousand steps, nutrition control), tobacco hazards prevention, sore prevention, metabolic syndrome prevention and control. By practicing these health promotion programs, USI provided employees a comprehensive physical and mental care.



In 2008 special case for metabolic syndrome prevention and control, dietitians designed healthy meals with low fat and salt accompanied by physical fitness exercises such as aerobics and yoga. There were nearly 70 participants.

As for occupational disease and infectious disease prevention and control, USI practiced on-site H1N1 epidemic prevention promotion and control periodically and held related courses such as hearing protection courses, special health examination and management, and tobacco hazards prevention.

USI held a series of health promotion activities with an employees' satisfaction surpassing 90%. The success was highly recognized and received an “Outstanding Healthy Workplace Certification” from the Department of Health. At the same time, Central District Occupational Health Center invited us to make a demonstrative film as reference for the industry.

## Enforcement of Human Rights Policy

USI included EICC spirit into policies of corporate social responsibility in June, 2008. It ensured employees' rights of occupational liberty, humane treatment, anti-discrimination, and liberty of association; employees' database was also properly preserved. Each plant followed local laws and regulations, informing employees of changes in occupation and providing them with courses and training related to human rights education. In 2008 and 2009, there were no cases about discrimination or invasion of employees' rights in USI.

USI obeyed Labor Standards Act and related regulations, precluding child labor recruit. If discovering child labor recruitment, human resource department will refuse their report for duty or dismiss them, offering compensation according to related regulations in Labor Standards Act. For employees between 16-18 years old, USI required 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 Labor Standards Act and related regulations, USI draws up employees' working regulations 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
- Workplace sexual harassment is strictly forbidden
- Enforce “no discrimination” policy: no one will be discriminated regardless of race, religion, skin color, age, sex, nationality, and disability

## 4.2 USI and Its Customers

Universal Scientific Industrial Co. Ltd. (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

Manufacturing sites	ISO 14001	TL 9000	ISO 9001	ISO/TS 16949	OHSAS 18001	TIPS	IECQ QC080000	ISO 17025	ISO 13485
Taiwan	1998		1994	2003	2004	2005	2006	2007	2008
Shenzhen, China	2001	2002	2001	2003	2004		2007		
Shanghai, China	2004	2005	2004	2007	2004		2007		
Mexico	2006		2003	2005			2007		

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 Using Products (EuP) Directive and ensure the fine quality and safety of products. In both 2008 & 2009, USI received zero complaint cases over products harmful to the human health and safety, and its information on product labels and services also comply with related regulations.

Eco-labels	Percentage of USI products bearing the label
 EU RoHS Directive	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%
 IEC 61249-2-21	Wireless Products (WP): 60%
	Storage and Computing system (S&C): 60%
	Visual Product Devices (VPD): 30%
	Application-Specific Devices (ASD): 4%
 CHINA RoHS Regulation	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 has long valued its partnership with customers. To meet the needs, or even exceed the expectations of customers, USI provides good-quality, efficient and flexible services that range from customer satisfaction-boosting measures to all-encompassing after-sales services. The company set up a special unit to handle customer complaints, to collect customer feedbacks through meetings or questionnaire surveys, and incorporated into product design. USI is able to continually improve the service quality, and establish a profound relationship with customers to create the maximum value.

### Driving Up Customer Satisfaction

By means of customer-satisfaction surveys and Quarterly Business Reviews (QBR), USI eagerly seeks customer opinions and responses to understand their satisfaction with USI products--- in terms of technical aspects, quality, price and delivery ---before making adjustments to the company operating strategies. After the completed questionnaire and opinions at QBR are collected, USI associated managers will first convene a meeting to draw up practical coping strategies, then with customers' demands to consult, to discuss improvement plans and to monitor subsequent improvement conditions.



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.

## All-Encompassing After-Sales Service

According to various needs of customers, USI creates a diversified after-sales service that is tailor-made not only to meet the industry standards, but to work closely to develop genuinely satisfying solutions that meet customer requirements.

Through an ERP-based SAP global service network, the After-sales Department at USI collects, categorizes product defect rates via e-RMA system, and sends information back efficiently for defect analysis. Meanwhile, the customers can also monitor the RMA for a real-time status & information via e-RMA application process and progress search function at all times.

### Categories of USI After-Sales Services:

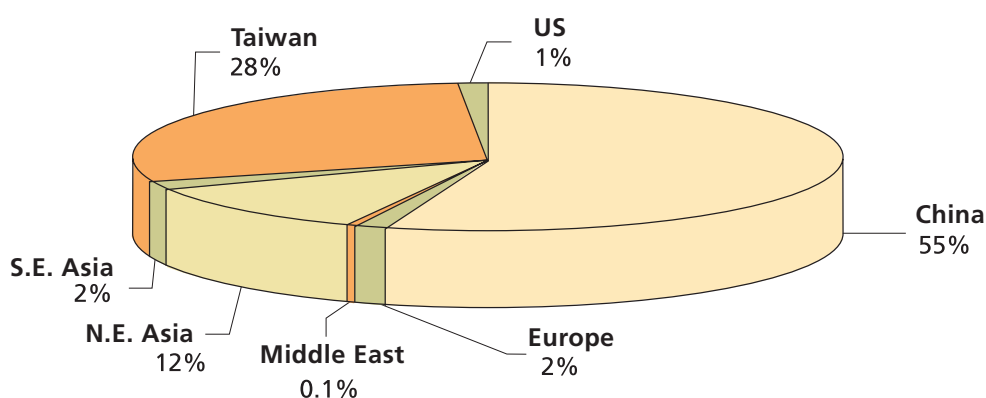
RMA services	Spare parts	Technical support
After-sales service solutions Warranty and maintenance Project rescheduling and replacement of parts Product replacements Product repairs	Selling regular and critical spare parts/ components service	On-site technical support at customers' requirement Training 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 major manufacturing sites are located in Taiwan and China. In 2009, USI procured more than 80% of its raw materials from Taiwan and China in an attempt to effectively save energy and time consumed by transportation, which reduces environmental pollutions.

**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.

Meanwhile, USI has established both a standardized supplier assessment system and an evaluation mechanism, continue to maintain a close working relationship with the suppliers, and jointly create a stable and sustainable green supply chain. Through supplier management, USI can fulfill CSR by safeguarding human rights, environment, and providing consumer with products that meet safety and health requirement.

The global strategic procurement division at USI specializes to handle procurement issues worldwide: Ensures supplier quality control system, and the life-cycle management for raw materials which is in line with the international regulations and customers' requirements. USI expects together with suppliers, to value corporate ethics and consequently requests companies of supply chain to safeguard employees' rights, implement the human rights policy, and improve corporate social performance according to the "Electronic Industry Code of Conduct" (EICC) standard.

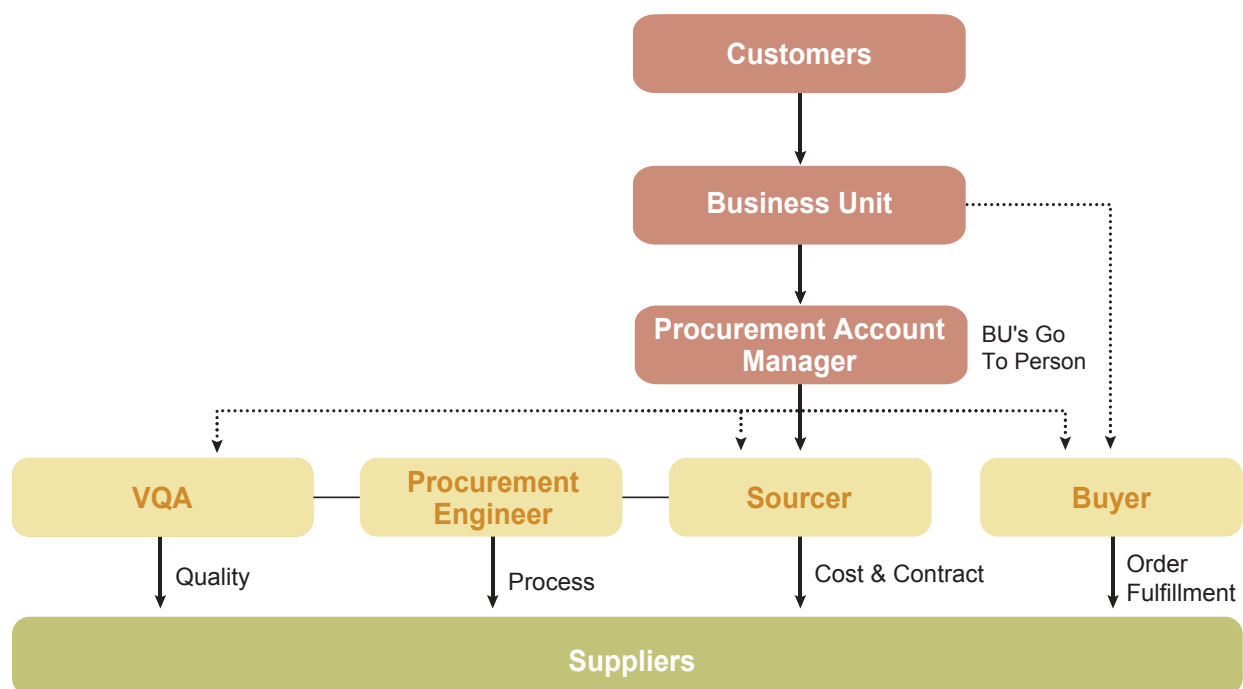
A majority of USI's suppliers have already obtained certificates for both quality and environmental safety and health management systems, and is maintaining a long-term and good relationship with USI. To ensure pricing competitiveness for all the materials supplied, the top procurement management office at USI would adjust the procurement strategy in line with industry trends as well as the nature of raw materials. Meanwhile, the company decentralizes the sources origin of raw materials to lower the risks of supply and to ensure raw materials supplied at a reasonable price, on-time delivery and good quality.

USI's CSR policy has a clear commitment not to procure metals and materials from conflict regions. Such policy has been added to the supplier management standard that requires suppliers to inform their supply-chain partners, and complete investigating the potential involvement of possible conflict regions in procuring specific metals, as well as the child labor exploitations. Currently, no suppliers were found violating human rights and corporate ethics related matters.

## Supplier Evaluation System

Prior to supplier deliveries, USI Vendor Quality Assurance (VQA) Division evaluates both supplier's quality and green management systems accordingly. To ensure all raw materials, parts and products supplied comply with USI Green Products Specification, as well as international environmental regulations and customer requirements.

## Supplier Management Workflow



## 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.

According to Taiwan Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, a listed company (including OTC-listed ones) should scrutinize the procurement behavior toward impact on environment and society of the source-supplying community. USI will keep discussing such related issues with the suppliers and to build a stable partnership.



Green Supply Chain Seminar



### 4.3.4 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 also associated with the supplier chain to implement restricted hazardous substances in the manufacturing process. A total of 243 controlled substances according to the RoHS directive, halogen and both banned & reportable substances are monitored to alleviate the environmental impact of the entire 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

- Annually, USI provides long-term, on-site contractors a 3 hours safety and health training program, qualified contractor receives certificates once every year.
- 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 Environmental Safety and Health Management Division from 2008 to 2009, 392 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 expansion efforts. The company was listed by the Common Wealth Magazine among the first 50 of Taiwan's Top 1,000 Manufacturers, as well as the Top 1,000 businesses in Greater China Region. 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 young readers to broaden their horizon while amassing the "wealth of soul" . USI also helped organize the National Students Literature Contest to encourage creative writing among students, helping them develop immense creativity.

### Sponsorship of the Taiwan Literacy and Culture Foundation

#### History of Sponsorship

Since 2004 USI has been a sponsor of a teaching resources-sharing website set up by a group of Nantou County-based faculty. In the same year, USI helped found the Taiwan Literacy and Culture Foundation, the predecessor of which is Taiwan Literacy Foundation. The company went on to establish Library of Love in Hushan Elementary School, Nantou County, with a donation of 100 boxes, a total of 4,000 new books.

In the first half of 2008, USI jointly introduced the "Library of Love: Book Collection Replenishment Program" with Nantou County Government, donating 100 boxes of new, student-appropriate books to Bifong Elementary School. The program required that 15% of the new books in the library be suitable for children with special needs. Later that year, USI helped Nantou County Government plan a series of events under the "Family Reading Program: A Parent-Child Partnership" , which included a seminar where education experts spoke on the fun and benefits of parents and children sharing the same reading project. USI kept making book donations in 2009 as part of its sponsorship of the Library of Love program, hoping the new books would help narrow the city-country gap in educational resources.

#### Taiwan Literacy and Culture Foundation

The predecessor of this foundation is Taiwan Literacy Foundation, which is the country's first cultural/charitable organization dedicated to reading and literacy enhancement.

Founded by a group of literacy-minded teachers who successfully teamed up with USI and Merry Electronics Co., Ltd. --- both are located in central Taiwan--- to set up a resource-sharing website despite daunting challenges. The website features teaching materials and literacy-improving strategies created by the founders.

## Effects of Sponsorship

In a joint effort, USI & Taiwan Literacy and Culture Foundation, continued to establish 85 Libraries of Love in 21 counties/cities nationwide, providing 300,000-odd fine-quality books that benefitted 5.9 million students. Such libraries became an important tool for children in Taiwan to replenish knowledge, and also prompted many local businesses to follow suit and sponsor the Library of Love in their respective regions. Currently the program is funded by 28 companies and organizations.



USI was in the book donation and award presentation ceremony at Hushan Elementary School, Tsaotuen, Nantou.



USI helped build Library of Love and funded the procurements of new books, in a bid to encourage class reading projects and narrow the city-country gap in educational resources.







Following the Library of Love campaign, USI co-hosted a series of events under the program entitled “Family Reading Program: A Parent-Child Partnership” in 2008.



Certificates of appreciation received from various organizations.

## Sponsorship of the National Students Literature Contest

### History of Sponsorship

USI believes that the capability to make innovations and R&D projects come from imagination and creativity. Hence, USI teamed up with Mingdao Literature & Arts Magazine to encourage creative writing among students ---through a partnership that combined humanistic concerns and technology, and hopefully helps students acquire good literary skills while gaining inspiration.

Started in 2006, USI sponsored the National Students Literature Contest as well as the creative writing contest held by Mingdao Literature & Arts Magazine. In 2008, USI and Mingdao co-hosted with National Taiwan University, National Tsing Hua University and National Chung Hsing University a symposium, where prominent arts and cultural figures and students shared thoughts on creative writing.



Chen Yi-cheng, CEO of Taiwan Literacy and Culture Foundation, said, “USI is keen to participate in various events under the Library of Love campaign, and consequently created a ‘Nantou experience’ that is replicable elsewhere in Taiwan. The company has contributed a lot to the enhancement of literacy.”

### The National Students Literature Contest

Established in 1981 by Mingdao Literature & Arts Magazine, the contest offered Taiwan's first creative writing award for students. The purpose is to create a culture of writing among students and seek gifted writers, so as to step up efforts regarding humanistic education. USI started funding the award in 2006.

## Effects of Sponsorship



As a sponsor of the National Student Literature Contest, USI helped nurture gifted writers.



USI helped Mingdao Literature & Arts Magazine organize a symposium entitled “Power of writing ; sentiments of spring tilling” , where well-acclaimed writers made a series of speeches on creative writing.



In 2008, USI received the “Wenxin Award” from the “Council for Cultural Affairs” , as well as the “Reading Promotion Award” from the “Ministry of Education.”

With long-term dedication in promoting education, USI received “Wenxin Award” from the “Council for Cultural Affairs” and “Reading Promotion Award” from the “Ministry of Education” in 2008. To underscore its mission of “promoting education” , USI vowed to keep supporting education, reading and literature activities; subsequently help Taiwan nurture innovators and balance the city-country gap in education resources.



#### 4.4.2 Promote Artistic Events

Through support and sponsorship of arts and cultural events, USI hopes to boost public cultural awareness, to increase creative talents, and to introduce wholesome values to the society. That is why USI has long been enthusiastic about the promotion of folkloric arts and culture, taking up sponsorship of various arts and cultural events (e.g., the presentations of music program at Tsaotuen Junior-High School, the Puli-based New Homeland Foundation, the Nantou PE and Taekwondo Tournament) as well as the annual autumn tours of Cloud Gate Dance Theatre. The company held a yearend charitable party at the Zhongshan Park in Tsaotuen Township, Nantou County, where the Ming Hwa Yuan Arts & Cultural Group presented traditional Taiwanese opera to entertain the neighborhood.

### Sponsorship of the Autumn Tour of Cloud Gate Dance Theatre

#### History of Sponsorship

Since 2005, USI has started its sponsorship of the annual autumn tour of Cloud Gate Dance Theatre, with the launch of an event entitled “Cloud Gate Dance Theatre's Corporate-specific Performance: Big Show for Little Champions” with “Library of Love” campaign. The event invited book-loving children from 13 administrative regions in Nantou County and 200-plus grade-school students supported by the Taichung branches of Taiwan Fund for Children and Families--to Nine Songs, a famous project of Cloud Gate Dance Theatre, at Zhongshan Hall in Taichung City.

The company invited Lin Hwai-Min in 2008, artistic director of Cloud Gate Dance Theatre, to deliver his speech with USI employees, in a bid to encourage dialogue through culture and technology while giving inspiration to stimulate creative ideas

#### Cloud Gate Dance Theatre

The famous Taiwan-based modern dance troupe was founded in 1973 by Lin Hwai-Min as the country's first professional dance troupe. The repertoire of Cloud Gate includes many classic, world-acclaimed projects such as Portrait of the Families, Nine Songs, Songs of the Wonderers, and Cursive. Cloud Gate was hailed as "Asia's leading contemporary dance theatre" by the Times, London.

#### Effects of Sponsorship

Wang Sheng-Ji, Director of Taichung County Branch of Taiwan Fund for Children and Families, said, “Many children at TFCF are actually extremely gifted in arts or performance, but the circumstances kept them from fulfilling the potential. Therefore I'm appreciated for the opportunity provided by USI that exposed the TFCF children to arts. I'm sure this is an experience of a lifetime for the kids!”

Chen Heng-Cong, principal of Nantou's Hushan Elementary, said, “It's wonderful that USI treated the students---the most enthusiastic readers in our school---to the artistic performance through a partnership with the government, Cloud Gate Dance Theatre and the Nantou Branch of Taiwan Fund for Children and Families. The amazing stage performance encouraged the kids to read more while offering them a visual extravaganza.”



To encourage reading, USI treated the students who borrowed the largest number of books to Cloud Gate's dance performance, allowing them to feel the beauty of literature and arts.





USI gave away free admissions to the “Big Show for Little Champions: The Cloud Gate Dance Theatre Show”, an accompanying event of the already successful “Libraries of Love” that offered grade-school teachers and students who loves reading an opportunity to enjoy a world-class arts and cultural extravaganza.



In 2008, USI invited Lin Hwai-Min, artistic director at Cloud Gate Dance Theatre, to deliver a speech at USI. He shared with the employees some thoughts on the limitlessly possible relations between sense and sensibility; technology and culture.



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

### History of Sponsorship

In every November USI would sponsor the Grass Sandal Cultural Festival (Cao Xie Dun Cultural Festival) in Nantou County, funding the countryside tour of Ming Hwa Yuan Arts & Cultural Group. The local residents, USI employees and their families were all treated to the unique Taiwanese opera.

### Effects of Sponsorship

Thanks to the long-term sponsorship by USI, Ming Hwa Yuan's annual countryside tour invariably drew enthusiastic response from thousands of people in Tsautuen Township and has become a major community event. Government agencies of all levels have shown appreciation for USI's effort to promote the folkloric drama.

### Ming Hwa Yuan Arts & Cultural Group

Ming Hwa Yuan is one of the largest and most famous Taiwanese Opera Troupes in the country. Founded in 1929, it is the best-established local performance art group.

Combining modern theater, experimental theater and cinematography, Ming Hwa Yuan delivers shows that maximize the appeal of traditional Taiwanese music, drama, dance, folklore, graphic arts and lighting & sound effects.

Chen Sheng-Fu, Troup leader of Ming Hwa Yuan, praised USI for its dedication to local arts and culture. He noted that the Taiwanese opera is a basic form of grassroots culture and should be passed down from generations to generation, so that the seeds of culture would be rooted in the children's ways of thinking.



USI funded the countryside tours of Ming Hwa Yuan Arts & Cultural Group in Nantou County as part of the Grass Sandal Cultural Festival. The annual shows of Ming Hwa Yuan invariably delighted a sold-out crowd that consists of thousands of Nantou locals.

### 4.4.3 Contribute to the Community

With a commitment to build “A caring society; a friendly neighborhood” , USI along with its entire staff is keen to support social welfare initiatives and get involved with local communities, hoping to seek corporate growth while giving back to the neighborhood as well as the Taiwanese society. In 2008 and 2009, USI participated in the following community initiatives:

- USI sponsored fairs organized by Nantou Lifeline Association, as well as fundraising campaigns (and fairs) of the Association of Excellent Angel, the Nantou Rescue Association, the Tsaotuen chapter of Lions Club, the Association for Victims Support, the World Peace League, the Nantou Branch of Taiwan Fund for Children and Families, the Tsaotuen Psychiatric Center and the News Reporters' Association. The sponsorship cost an approximate NT\$ 120,000.
- USI participated in traditional religious/charitable events in the neighborhood, as well as various school events (i.e., anniversaries, graduation ceremonies, community field days and fairs) at Tsaotuen, Bifong, Beitou, Fushan, Shuguang elementary or junior-high schools, with prizes given to athletes and well-performing students. The sponsorship cost an approximate NT\$ 80,000.
- To boost the military and police forces morale, USI participated in the armed forces, Voluntary Police Battalion, Voluntary Fire Fighters' Association and the Friends of Police Association (FOPA) activities, while sponsoring armed forces with an approximate NT\$ 100,000.
- To maintain public order and social harmony, USI participated in “Public Safeguard” (as a private organization) and “Civil Defense Corp” . Such efforts prompted the National Police Agency to named USI as “Excellent Private Organization” for 6 years straight.
- USI participated in Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), Nantou County Industry Association (NCIA) and Association of Manufacturers in Nangang Industrial Park activities, to enhance better interaction between the manufacturers in the area.

### Sponsorship of Road Maintenance Program

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





## Disaster Relief Programs

In recent years, many natural disasters brought serious misfortunes and casualties in urgent need of social and corporate timely rescue. In the occurrence of 2008 Sichuan Earthquake and Aug. 8th, 2009 Floods, USI was duty-bound to first initiate a company-wide fundraising. For the 2008 Sichuan Earthquake, USI and the ASE Group donated NT\$ 30 million in disaster relief effort. And the Aug. 8th 2009 Floods that hit Taiwan, USI as a company self-donated NT\$ 3.5 million through the Red Cross Society of the Republic of China, the Buddhist Compassion Relief Tzu Chi Foundation and Nantou County Government. Meanwhile, the Philanthropic Club at USI also started a fundraising campaign entitled “Get Moving with USI” that involved 1,388 USI workers together raised a total of NT\$ 2.06 million to organizations assisting disaster rescues/reconstructions.

## Charitable Clubs

USI employees voluntarily established the Philanthropic Club to take long-term care of the under-privileged. A fixed amount of monthly salary set aside for charitable causes, emphasizing a concept of “Everyone can be a philanthropist simply by saving NT\$ 100 a month”. The club currently has more than 100 members and donated NT\$ 242,000 and NT\$ 229,300 in 2008 and 2009, respectively.

The members of USI Philanthropic Club have long-term supported two needy children at Taiwan Fund for Children and Families, and two blind children at the Taichung-based Huei Ming School, also assisting 12 employees and neighborhood needy persons with consolation. During the Moon Festival every year, the Philanthropic Club forms delegation to care and to provide resources for the underprivileged and charitable organizations, such as Nantou Ren-ai Nursing Home & Childcare Center, Changhua Bo-ai Service Center, Tszai Training Center for the Handicapped, Taichung Huei Ming Care Center for the Visually Impaired Children, Taichung Needy Babies' Care Center, Ci-guang Children's Home, and the Home for Financially Underprivileged Vegetables under Genesis Social Welfare Foundation.



Members of USI Philanthropic Club visited Childcare Center, where the children played piano cheerfully to express whole-hearted appreciation.



The members of USI Philanthropic Club met with the blind children they have been supporting for more than a decade, presenting them red envelopes for Moon Festival.

In addition, USI also established a Tzu Chi Club, where the employees make donations on a regular basis to the Tzu Chi Foundation. The club donated NT\$ 289,900 and NT\$ 239,150 for 2008 and 2009, respectively.

## GRI Content Index

GRI Indicator Description		Chapter	Page	Additional Illustration	Indicator
<b>Strategy and Analysis</b>					
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	President's Words	5		Core
1.2	Description of key impacts, risks and opportunities	President's Words	5		Core
<b>Organization Profile</b>					
2.1	Name of the organization	2.1.1 Corporate Introduction	11		Core
2.2	Primary brands, products, and/or services	2.1.2 Product and Service	12		Core
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.2.1 Corporate Governance	18		Core
2.4	Location of organization's headquarters	2.1.1 Corporate Introduction	11		Core
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	13		Core
2.6	Nature of ownership and legal form	2.2.1 Corporate Governance	19		Core
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.1.4 Supply Market	13		
2.8	Scale of the reporting organization	2.1.1 Corporate Introduction 2.1.5 Financial Performance	11-12 14-15		Core
2.9	Significant changes during the reporting period regarding size, structure or ownership	2.1.1 Corporate Introduction	12		Core
2.10	Awards received in the reporting period	2.1.6 Honorable Records	15-16		Core
<b>Report Parameters</b>					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	About the Report	3		Core
3.2	Date of most recent previous report (if any)			This report is published for the first time.	Core
3.3	Reporting cycle (annual, biennial, etc.)	About the Report	3	This report is published annually.	Core



GRI Indicator	Description	Chapter	Page	Additional Illustration	Indicator
3.4	Contact point for questions regarding the report or its contents	About the Report	3		Core
3.5	Process for defining report content	About the Report	3		Core
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	About the Report	3		Core
3.7	State any specific limitations on the scope or boundary of the report	About the Report	3		Core
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	About the Report	3		Core
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			Disclosed in each chapter.	Core
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement			This report is published for the first time.	Core
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			This report is published for the first time.	Core
3.12	Table identifying the location of the Standard Disclosures in the report	GRI Content Index	68		Core
3.13	Policy and current practice with regard to seeking external assurance for the report			USI doesn't seek external assurance for this CSR report.	Core
<b>Governance, Commitments, and Engagement</b>					
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	17		Core
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	2.2.1 Corporate Governance	19		Core
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	19		Core
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	2.2.1 Corporate Governance 4.1.5 Harmonious Industrial Relations	17 46-48		Core

GRI Indicator Description	Chapter	Page	Additional Illustration	Indicator
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	20		Core
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	2.2.1 Corporate Governance	19-20		Core
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	19		Core
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		Core
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	8-13		Core
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	2.2.1 Corporate Governance	10-11		Core
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	7 10-13		Core
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 2.2.1 Corporate Governance 3.3.1 Green Management	7 10 26-27		Core
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations	2.2.6 External Participation	22		Core
4.14 List of stakeholder groups engaged by the organization	1.3 Identification and Selection of Stakeholders	8		Core

GRI Indicator Description	Chapter	Page	Additional Illustration	Indicator
4.15 Basis for identification and selection of stakeholders with whom to engage	1.3 Identification and Selection of Stakeholders	8		Core
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	1.4 Stakeholder Communication	9		Core
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		Core
<b>Economic Performance Indicators</b>				
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 4.1.5 Harmonious Industrial Relations 4.4.1 Invest in Education 4.4.2 Promote Artistic Events 4.4.3 Contribute to the Community	5-6 9 46 59-67		Core
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	3.3.3 Green Expenditures 3.5 Green Prospects of USI	30-31 37		Core
EC3 Coverage of the organization's defined benefit plan obligations	4.1.4 Perfect Welfare System	44-46		Core
EC4 Significant financial assistance received from government	2.2.5 Government Subsidy	22		Core
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	4.1.5 Harmonious Industrial Relations	46		Add
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operations	4.3.1 The Suppliers of USI 4.3.2 Supplier Management 4.3.3 Supplier Communication	55-57		Core
EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	4.1.2 Equal Employment Opportunity	40		Core
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	59-67		Core
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts	2.1.5 Financial Performance	5		Add

GRI Indicator Description		Chapter	Page	Additional Illustration	Indicator
<b>Environment Performance Indicators</b>					
EN1	Materials used by weight or volume	3.4.1 Material Management	32		Core
EN2	Percentage of materials used that are recycled input materials	3.4.1 Material Management	33		Core
EN3	Direct energy consumption by primary energy source	3.4.3 Energy Management	34		Core
EN4	Indirect energy consumption by primary source	3.4.3 Energy Management	34		Core
EN5	Energy saved due to conservation and efficiency improvements	3.4.3 Energy Management	34		Add
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	26-27 34		Add
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	3.4.3 Energy Management	34		Add
EN8	Total water withdraw by source	3.4.5 Water Resource Management	36		Core
EN9	Water sources significantly affected by withdrawal of water	3.4.5 Water Resource Management	37		Add
EN10	Percentage and total volume of water recycled and reused			2008-2009, USI didn't drain waste water in production process and only produced domestic sewage. In future plans, USI will promote RO ultra-pure water system for recycling wastewater. Wastewater will be reused for reducing the waste of water resource.	Add
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 site located in conservation areas.	Core
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas			USI enforced measures related to environmental protection, managing the usage of materials, water resource, and energy effectively, and practiced waste recycling and greenhouse gas emission inventory.	Core
EN13	Habitats protected or restored			There are no protected biological habitats in USI sites.	Add
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity			The greening space in Taiwan site reached 60%, remaining good biological environment.	Add
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 in USI sites.	Add

	GRI Indicator Description	Chapter	Page	Additional Illustration	Indicator
EN16	Total direct and indirect greenhouse gas emissions by weight	3.4.2 Greenhouse Gas Emission Reduction Management	33		Core
EN17	Other relevant indirect greenhouse gas emissions by weight	3.4.2 Greenhouse Gas Emission Reduction Management	33		Core
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	3.4.2 Greenhouse Gas Emission Reduction Management	34		Add
EN19	Emissions of ozone-depleting substances by weight	3.4.2 Greenhouse Gas Emission Reduction Management	33		Core
EN20	NOx, SOx, and other significant air emissions by type and weight	3.4.2 Greenhouse Gas Emission Reduction Management	33	The VOC emission volumes in Taiwan sites in 2008 and 2009 were: 39 tons in 2008; 19 tons in 2009.	Core
EN21	Total water discharge by quality and destination	3.4.5 Water Resource Management	36		Core
EN22	Total weight of waste by type and disposal method	3.4.4 Water Resource Management	35		Core
EN23	Total number and volume of significant spills			No serious leakage events happened in any site.	Core
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 dealt with all waste inside the country without transporting them abroad. USI also obeyed "Waste Disposal Act," entrusting qualified cleaners to deal with hazardous wastes produced in the manufacturing process.	Add
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		Add
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	3.2 ESH Policy of USI 3.3 Green Promise of USI 3.4 Environmental Protection of USI	24 25-37		Core
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	3.4.1 Material Management	33		Core
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	3.2 ESH Policy of USI 3.3.1 Green Management	24 26	USI obeyed local government laws about environmental protection and did not violate any environmental law in 2008 and 2009.	Core



	GRI Indicator Description	Chapter	Page	Additional Illustration	Indicator
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	28		Add
EN30	Total environmental protection expenditures and investments by type	3.3.3 Green Expenditures	30-31		Add
<b>Labor Practices &amp; Decent Work Performance Indicators</b>					
LA1	Total workforce by employment type, employment contract, and region	4.1.1 Employee Composition Profile	39-40		Core
LA2	Total number and rate of employee turnover by age group, gender, and region	4.1.1 Employee Composition Profile	39-40		Core
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	4.1.4 Perfect Welfare System	44-46		Add
LA4	Percentage of employees covered by collective bargaining agreements	4.1.5 Harmonious Industrial Relations	47		Core
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	4.1.6 Excellent Working Environment	51		Core
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	4.1.4 Perfect Welfare System	44		Add
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	4.1.6 Excellent Working Environment	48		Core
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	50-51		Core
LA9	Health and safety topics covered in formal agreements with trade unions			Environmental protection, occupational safety & health (ESH) are important goals and responsibilities for USI. In addition to the pursuit of high quality products, USI ESH Management Center keeps promoting various activities and services for ensuring employees' health and safety, such as occupational and epidemical disease prevention and control, health lectures, regular physical examination and inoculation.	Add

	GRI Indicator Description	Chapter	Page	Additional Illustration	Indicator
LA10	Average hours of training per year per employee by employee category	4.1.3 Integral Training Program	43		Core
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	41-42		Add
LA12	Percentage of employees receiving regular performance and career development reviews	4.1.3 Integral Training Program	43		Add
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	4.1.1 Employee Composition Profile 4.1.2 Equal Employment Opportunity	39-40		Core
LA14	Ratio of basic salary of men to women by employee category	4.1.5 Harmonious Industrial Relations	46		Core
<b>Human Rights Performance Indicators</b>					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening			USI supports and respects international human rights, integrating principles in accordance with human right spirits such as EICC into the internal managing strategies and investment policies. Besides, the working principles of employees mentioned the following items: protects employees' rights of freely chosen employment, humane treatment, non-discrimination, and freedom of association; does not purchase the metals and materials from the conflict regions; enforces human rights investigation on purchasing materials and employing child labor of suppliers.	Core
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	4.3.2 Supplier Management	56		Core
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	4.1.6 Excellent Working Environment	51		Add
HR4	Total number of incidents of discrimination and actions taken	4.1.6 Excellent Working Environment	51		Core
HR5	Operation identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	4.1.6 Excellent Working Environment	51		Core

	GRI Indicator Description	Chapter	Page	Additional Illustration	Indicator
HR6	Operations 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	51		Core
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor	4.1.6 Excellent Working Environment	51		Core
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations			All USI security guards have accepted strict selection and professional training. They understand their duties and USI's regulations about human right policies clearly. As being on duty, they will not get involved in any cases violating human rights.	Add
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	4.1.6 Excellent Working Environment	51		Add
<b>Society Performance Indicators</b>					
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting			All USI sites drew up SOP about environment and occupational safety and health. USI also conducted communication, consultancy, and participation of environment and safety. These measures protect community environment comprehensively and help for keeping friendly relationship with community residents.	Core
SO2	Percentage and total number of business units analyzed for risks related to corruption	2.2.3 Anti-Corruption and Anti-Bribery	21-22		Core
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	2.2.3 Anti-Corruption and Anti-Bribery	21-22		Core
SO4	Actions taken in response to incidents of corruption	2.2.3 Anti-Corruption and Anti-Bribery	21-22		Core
SO5	Public policy positions and participation in public policy development and lobbying			USI didn't canvass for public policies.	Core
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country			With the authorization of Ministry of Finance in 2008, the total amount of USI's donation to political parties, candidates, and all departments in Nantou County Government reached 1,826,000 NTD; in 2009, it reached 2,690,000 NTD.	Add
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	2.2.4 Regulations Abidance	22		Add

GRI Indicator	Description	Chapter	Page	Additional Illustration	Indicator
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance laws and regulations	2.2.4 Regulations Abidance	22		Core
<b>Product Responsibility Performance Indicators</b>					
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 subjects to such procedures	3.3 Green Promise of USI 3.3.1 Green Management 3.3.2 Green Supply Chain 4.2.1 Production and Quality Management	25-30 52-53		Core
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	4.2.1 Production and Quality Management	52		Add
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	53		Core
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	52		Add
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	4.2.2 Product Marketing Management	53		Add
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	4.2.2 Product Marketing Management	53-54		Core
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 2008 and 2009, USI did not violate any regulations concerning marketing communication.	Add
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data			In 2008 and 2009, USI was not accused for invasion of customers' privacy or losing customers' data.	Add
PR9	Monetary value of significance fines for non-compliance with laws and regulations concerning the provision and use of products and services			In 2008 and 2009, USI did not violate any regulations.	Core

# Thanks

To extend our deepest gratitude for members of “Corporate Social Responsibility Report Edition Team,” including:

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