



About This Report

Report Scope and Overview

This is the sixth Corporate Social Responsibility report ever published by Universal Scientific Industrial (Shanghai) Co., Ltd. (USI, Company, We) and its subsidiaries. (From 2010 to 2012, USI Shanghai's indirect controlling shareholder Universal Scientific Industrial Co., Ltd. has published three Corporate Social Responsibility reports, which also reported the company's status of fulfilling its social responsibilities.) The report aims to disclose USI's commitment and endeavor in sustainable development in environmental, social and corporate governance (ESG) aspects.

This report provides information about the concerns of the stakeholders of USI, including business information of facilities in Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan, and Mexico*. The collection period was from 01/01/2017 to 12/31/2017, and the statistic data are in RMB, USD and NTD; environmental, health and safety performances are expressed using accepted international indices.

Note:

In this report, the parent group refers to ASE Group

Zhangjiang Facility: Universal Scientific Industrial (Shanghai) Co., Ltd. (USI Shanghai as the parent company)

Jinqiao Facility: Universal Global Technology (Shanghai) Co., Ltd. Shenzhen Facility: USI Electronics (Shenzhen) Co., Ltd.

Kunshan Facility: Universal Global Technology (Kunshan) Co., Ltd. Taiwan Facility: Universal Global Scientific Industrial Co., Ltd.

Mexico Facility: Universal Scientific Industrial de México, S. A.de C. V.

Principles for Report Compilation

By consulting "GRI Standards 2016" and "CASS-CSR4.0",

this report is written according to "core option" and "basic framework" respectively. With reference to "Evaluation Index System of Shanghai Listed Corporate Social Responsibility Index (2017)" and the environmental & poverty alleviation information disclosure requirements of listed company by Shanghai Stock Exchange, USI's countermeasures, achievements, and targets for all ESG key issues are publicly revealed. Please refer to the chapter of "Stakeholders Management" for the identification of material topics and report boundaries.

Assurance

In order to improve the information transparency and accountability, this report has been assured by SGS Taiwan Ltd. and corresponds to the standard of AA1000 AS: 2008 Type 1 Moderate Level. The following disclosure is verified with the standard of AA1000 AS: 2008 Type 2 High Level.

204-1: Proportion of spending on local suppliers

302-1: Energy consumption within the organization

303-1: Water withdrawal by source

303-3: Water recycled and reused

305-1: Direct (Scope 1) GHG emissions

305-2: Energy indirect (Scope 2) GHG emissions

305-4: GHG emissions intensity

305-5: Reduction of GHG emissions

305-7: Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

306-2: Waste by type and disposal method

403-3: Workers with high incidence or high risk of diseases related to their occupation

404-1: Average hours of training per year per employee

414-1: New suppliers that were screened using social criteria

414-2: Negative social impacts in the supply chain and actions taken

419-1: Non-compliance with laws and regulations in the social and economic area

Report Publication

USI publishes Corporate Social Responsibility report every year.

First Version: Released in July 2013
Previous Version: Released in July 2017
Current Version: Released in July 2018
Next Version: Planned release in July 2019

Feedback and Contact Methods



This report are written in Traditional/Simplified Chinese and English versions and published on the USI CSR Website (http://csr.usish.com/index.php) for reference. If you have any comments, questions, or suggestions, please contact us. The contact information is as follow

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Letter from President

2017 was a year of "Rebalancing" for USI. In addition to adjusting the product and profit structure, along with the development of the manufacturing industry and our own technology, our vision in the electronics industry also jumped from DMS (Design, Manufacturing, Service) to D(MS)², in order to integrate the Company's core value of "Miniaturization" with the "Solution" required by the industry.

In 2017, the Company achieved record highs both in terms of revenue and profitability under the double-effect adjustment of product and profit structure. Compared with 2016, they grew by 23.86% and 63.10%, respectively. In 2018, in addition to applying the miniaturization technology to other industrial products, we also start to lay out a series of strategic investments or mergers and acquisitions projects in order to achieve long-term growth.

With the ever-changing world economy and environment, USI's confidence in the development and promotion of corporate social responsibility issues is stronger than ever. The Company's strategy in corporate social responsibility responds to the United Nations' 2030 Agenda for Sustainable Development Goals (SDGs). The Company also sets goals for the next five years, focusing on issues such as an incorruptible work environment, corporate risk management, information security, green factories, human rights, supply chain management, etc. Our employees will implement the corporate spirit of delivery and accountability in the promotion of various activities. Here, we share several results of our efforts in 2017:

- Rewarded with the "Outstanding Enterprise Award" of the Five-star Enterprise by the China (Shanghai) Corporate Social Responsibility Summit of Listed Companies for two consecutive years in 2016-2017.
- Waste recycling rate reached 88.2%, exceeding the established target (80%).
- VOCs emissions were 60.087 metric tons, a decrease of 10.7% from 2016.
- 80% of our suppliers were identified as being low risk in accordance with the Responsible Business Alliance (RBA) Code of Conduct; Conducted on-site audits of 67 suppliers, with an after-audit improvement rate of 100%.

 92% of our new suppliers passed the screening of the environmental sustainability assessment.

In 2017, we did not have any incidents violating environmental regulations or polluting the environment, and the social contribution value was RMB 1.68 per share*. In 2018, USI will continue to do its best to meet the expectations of all stakeholders. In particular, for the "take targeted measures to help people lift themselves out of poverty," we will continue to plan and expand various related activities.

Corporate social responsibility is a sustainable project of USI. Thanks to all colleagues for their hard work. For any unsatisfied commitments, we will continue to promote improvement programs; we also sincerely welcome you to share your valuable opinions with us and let us keep moving forward on this path.

Note

The social contribution value per share = basic earnings per share + (tax payment + employee compensation payout + interest expense + charitable donations) ÷ the number of ordinary shares outstanding during the year





USI is aware that modern industry should not only create economic value, bring in the most benefits for shareholders and investors, but create social value. As obeying morality and regulations, USI works hard to practice social responsibilities such as corporate management, environmental protection, community participation, and employee rights protection. USI pursues the sustainable development of co-existing economy, society and environment.



Corporate Sustainability Profile

2017 Performances and Awards



Award". It is the second year that USI has received this honor.

At the "Release Conference for 2017 Top 100 Enterprises in Shanghai" held by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations, USI was honored as "The 42nd of 2017 Shanghai Enterprises Top 100" and "The 15th of 2017 Shanghai Manufacturing Enterprises Top 100". Since 2016, it is the second year that USI has received the honor of being the Top 100 Enterprises.

茶餐证书

2017上海侧线业企业100强

茶誉证书

2017上海企业100强

USI has long sponsored the "Million Tree Project" held by Shanghai Roots and Shoots Youth Center. Since 2013, USI has continuously donated to this project, successfully planted about 20,000 trees with a total area of 18.7 hectares. Besides, since 2016, it also launched forest donation campaign among its employees and 5,164 saplings were donated. In 2017, USI received the "The Million Tree Project Valuable Partnership Award".



"Charity Partner Day – Charity Partners · Love in Zhang Jiang" organized by Shanghai Civil Affairs Bureau and Management Committee of Zhang Jiang High Technology Park. USI also participated in this grand event to share USI's stories of doing charity. Spreading the positive energy with charity and love, we expect to see more "partners" joining our line.

sustainability performance

Sustainability Management

USI extends industrial core values of "Realizing IDEAS Together" to corporate social responsibility. By integrating core values into the corporate policy and operation management, USI pursues the vision of sustainable development.

>> We commit to

Provide fulfilling and challenging working environment for employees



Generate exceptional reward for stakeholders



Contribute to build a better place to live

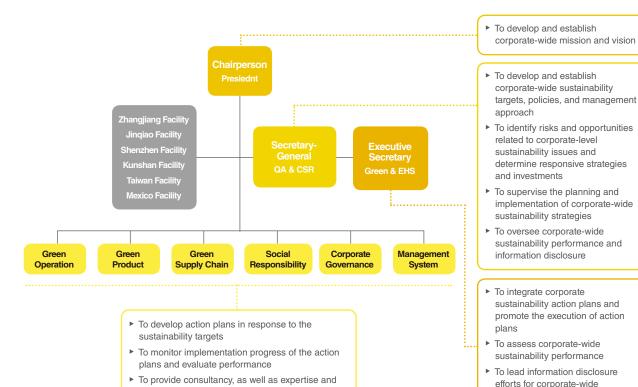


USI CSR Committee

To smoothly promote USI's CSR, USI has established a responsible unit (USI CSR Committee). The committee covers USI's six major manufacturing facilities (Zhangjiang

Facility, Jinqiao Facility, Shenzhen Facility, Kunshan Facility, Taiwan Facility and Mexico Facility). To respond to and fulfill expectations of important business issues and expectations of the company and stakeholders, the committee's missions has set six aspects, including "Green Operation", "Green Product", "Green Supply Chain", "Social Responsibility", "Corporate Governance" and "Management System". The committee that has members from different administration and business units is led by the President as the chief committee member. The "Quality Assurance and Corporate Social Responsibility", on the other hand, is responsible for taking actions. Through the committee's operations and with members' cooperation, the company is managed to take actions efficiently and promote a sustainable business model.

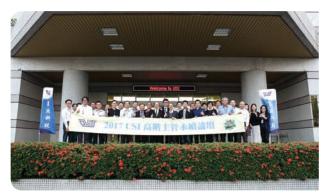
Besides, through the company's LMS (e-learning) system, the company has conducted a series of staged sustainability trainings. From short-perspectives, it aims to train committee relevant personnel and new employees. In the future, it will conduct plant-wide trainings in order to enhance all employees' capability in developing sustainability.



experience sharing for sustainability issues

5 Corporate Sustainability Profile

The committee holds regular annual meetings at the end of each year to review the results of promoting sustainability and to plan the future direction. Besides, at the Senior Managers Sustainability Forum held on November 28, 2017, not only USI's senior managers joined the forum, but also the chief administration officer of the parent company "ASE Group" and KPMG consultants exchanged ideas from various perspectives, including the business sustainability trend around the world and the group's future plan. At the forum, the President also mentioned "We are thankful for being able to cooperate and grow together with the parent company. Although system and organization reforms are required for business sustainability, we will continue to work on it. It is our expectation that business sustainability will become an attitude of USI, and will be naturally promoted as in the way that we eat and drink."





Senior Managers Sustainability Forum

Annual CSR Meeting

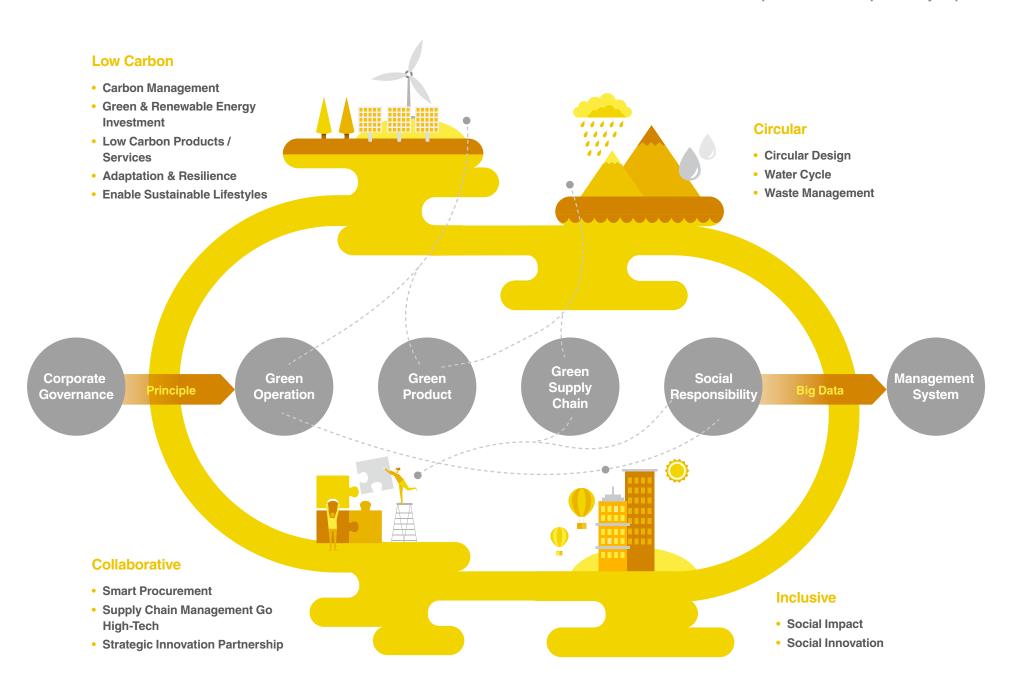
CSR Policy

USI, through the understanding of Corporate Social Responsibility (CSR), considers that the business sustainable development of USI is closely linked with interests of employees, community, society, and shareholders. The scope of the CSR covers the issues of labor right, safe and healthy workplace, environmental protection, business ethics, and so on. In order to deploy USI CSR effectively and to meet the expectancy of the stakeholders, USI will undertake the following measures to achieve the goal. The complete policy's content is shown on USI CSR Website for your reference (http://www.usish.com/tchinese/csrpolicy.asp).

- Comply with Regional, National and International Laws
- Assure Labor Rights
- ► Ensure Safe and Healthy Workplace; Minimize Environmental Impact
- Carry out Business Ethics
- Participate in Community Activities
- ▶ Do Not Procure Conflict Minerals Including Suppliers
- Strictly Prohibit Slavery and Human Trafficking Including Suppliers
- Improvement Continuously; Public Disclosure

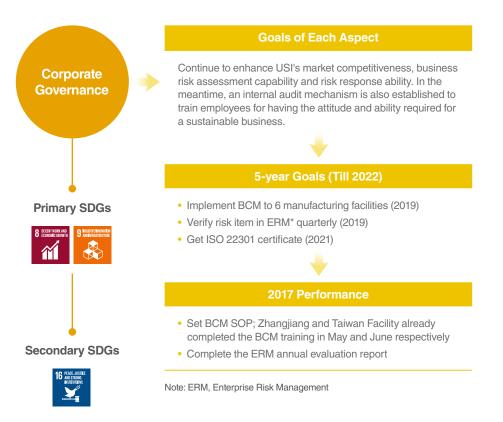
Sustainable Strategy

From the overall strategic framework, USI is oriented towards "Corporate Governance" to uphold the spirits of "honesty" and "compliance" with regulations. Besides, each of the action is implemented after the evaluation of overall risks. USI four implementation aspects (Green Operation, Green Product, Green Supply Chain, and Social Responsibility) echo with the parent company's four perspectives "Low Carbon, Circular, Inclusive, and Collaborative". Relevant implementation procedures and results are then integrated through the "Management System" and then disclosed before being entered into the USI sustainability database.



Future Goals

USI has set goals corresponding to the six aspects and 5-year goals for the future. These goals are connected to UN's 2030 Sustainable Development Goals (SDGs) to respond to the global sustainability issues.





Goals of Each Aspect

Continue to enhance USI's digital technology ability. This will not only enhance the internal information security capability, but also optimize information disclosure channels and facilitate information acquisition and control, helping to establish a quick, accurate and safe information network.



5-year Goals (Till 2022)

- Website with modern design, and increase related media section, audio and video section (2018)
- Adopt cloud operation and enhance the development of authority control of personnel (2019)
- Adopt online edit tools of CSR Report (2020)
- Full-compliance input Endpoint Protection, and strengthens the safety management of Internet Endpoint (2021)



2017 Performance

- The new CSR and USI official websites are expected to be launched in 2018
- Taiwan Facility has launched a project of having all personal computers joining the domain in order to optimize assets inventory and user environment. It is planned to transfer the cloud configuration files first in 2017 before the expansion work in 2018



Primary SDGs











Goals of Each Aspect

To lower environmental impacts and respond to climate change, USI has set various goals in regard to the management of energy, water resource, wastes and exhaust emissions; continuously proposed green innovation ideas for the company's operations, such as material import, production to transportation; and made great efforts to improve the plant environment in order to comply with green building regulations and establish "USI Green Factory".



5-year Goals (Till 2022)

- Reduce water withdrawal for 7% than base year (2022)
- Achieve process water recycling rate to 100% (2022)
- Achieve waste recycling rate to 86% (2022)
- Lower VOCs emission for 10% compare to base year (2022)
- Reduce GHG emissions 10% lower than base year (2022)
- Earn Green Building Award (2022)



2017 Performance

- Reduce water withdrawal for 1.6% than 2015
- Achieve process water recycling rate to 57%
- Achieve waste recycling rate to 88%
- Lower VOCs emission for 53% compare to 2015
- Reduce GHG emissions 1.6% lower than 2015

Note: 2017 is the base year, from which the 5-year goal is set.



Primary SDGs





Secondary SDGs







Goals of Each Aspect

Uphold the principle of Eco-design, and keep promoting and creating green design of product for reducing environmental impact.



- Develop the shared CPU module, enabling end-products to share the same CPU module and materials while simplifying the system design and reduce the use of materials (2019)
- Integrate antenna design, simplify production procedures and reduce materials to enhance the energy efficiency of module design (2019)
- Internal power supply complies with the 80 Plus Titanium certification (2019)
- DC conversion efficiency shall reach 92.6% when the server product is full load (2021)
- For SSD products, to achieve fully supports PCle low power features for SSD products (2021)
- For NAS products, to replace coin battery with super charge caps (2021)

2017 Performance

- Palm smart devices and products: the power transformer shall comply with DoE Level-IV regulations
- NB Dock products: the power transformer shall comply with DoE Level-IV regulations
- Server products: optimize the fan control in order to adjust
 the fan speed according to the CPU and HDD activity;
 lower energy consumption; increase MB's DC conversion
 efficiency to 93% above when the system is full load;
 ensure that the power supply reaches the platinum and
 titanium level; adopt the advanced energy management
 mechanism "Intel Node Manager" and smart cooling
 system that is designed according to system configuration
 by USI, in BMC/BIOS design



Primary SDGs













Goals of Each Aspect

Gain satisfaction and affirmation from customers and users with after-sales service, quality and safety of our products. On issues regarding human rights, morality, and environment, we further ask the suppliers to establish sustainable supply chain in which economy, society, and environment can all strive together.

5-year Goals (Till 2022)

- All major suppliers join the RBA-ON* platform and share their RBA SAQ* (2018)
- Build safety certifications channel of emerging market in Africa (2019)
- All products shall comply with Responsible Minerals Initiative (RMI)
- Expend product safety related certification to medical, IoT, and industrial area (2021)
- Customer satisfaction reach 90% (2021)

2017 Performance

- About 47% of major suppliers have joined the RBA-ON*
- Widely adopt safety certifications of emerging markets, including south-east Asia and eastern Europe: the new information standard UL/IEC 62368-1 is also adopted
- · Regarding RMI, 100% of target suppliers have adopted qualified smelters
- Customer satisfaction is 85.5%

Note:

- 1. RBA-ON, RBA Online Risk Assessment Platform: an official website established by RBA. It provides global RBA members a channel to disclose relevant information.
- 2. RBA SAQ, RBA Self-Assessment Questionnaire: a self-assessment questionnaire for suppliers. Its content includes aspects of the labor, health and safety, ethics, environment and management system.

Social Responsibility

Primary SDGs



















Note:

1. VAP, Validated Audit Process 2. VAR. Validated Audit Report

Goals of Each Aspect

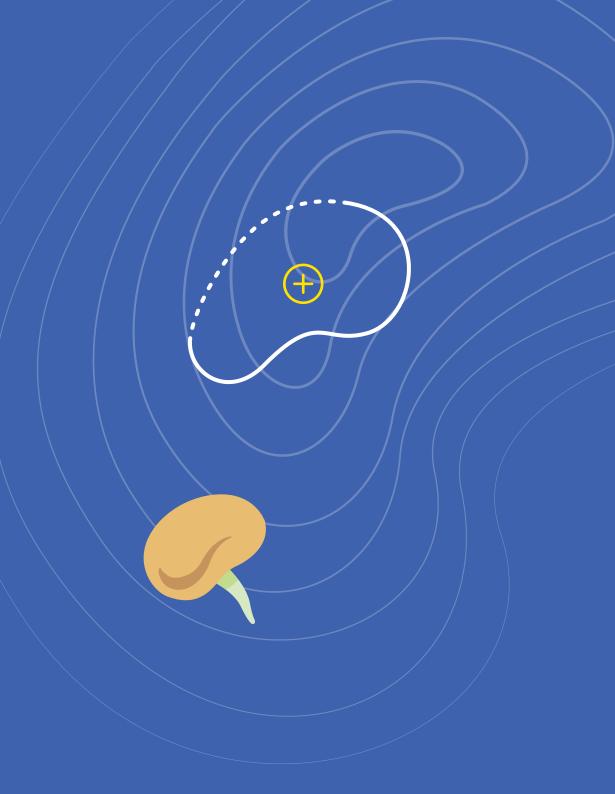
Build a healthy communication mechanism and provide employees a prospective, safe and good working environment and benefits, creating a happy workplace. Oriented by social communion and sustainability, USI continues to promote and expand the participation in social activities in order to enhance the corporate influence.

5-year Goals (Till 2022)

- USI University trainings are provided to suppliers of the association free for the purpose of sharing and consulting $(2016 \sim)$
- Zero deficiency for external labor inspections (2017~)
- Implement industrial-academic cooperative internship projects for more than 30 people (2019)
- RBA VAP* was implemented in 100% of worldwide manufacturing facilities (2019)
- The RBA VAR* score is over 180 for worldwide manufacturing facilities (2021)
- Voluntary turnover rate: direct employees <60%: indirect employees<10% (2022)

2017 Performance

- Held one strategic seminar and the principal of USI University (President of USI) gave a lecture to share corporate business strategies; 6 suppliers joined the seminar
- Labor Inspection Institute conducted 1 inspection and no labor deficiency was found
- Implemented the first industrial-academic cooperative internship project; 21 students joined it
- · Following Zhangjian, Shenzhen and Kunshan Facility, RBA VAP was introduced to Jingiao and Taiwan Facility in 2017. The implementation rate of global manufacturing facilities reached 83%
- The voluntary turnover rate was 76%, reduced by 3% comparing with 2016



Stakeholders Management

For pursuing the sustainable management, USI put emphasis on the interaction and communication with all stakeholders. It understands issues that matters to shareholders and respond to shareholders' suggestions and demands through various communication channels and platforms. This can continuously improve and better implement the company's business sustainability plan.



Stakeholders Management

The content of this report is based on the four major principles of *GRI Standards*, including "Stakeholder Inclusiveness", "Sustainability Context", "Materiality" and "Completeness". Detailed information is shown in the following diagram.

Identification of Stakeholders and Material Topics



Step 1 Identification of Stakeholders

The 5 principles of *AA1000SES (2015)*, "Dependency", "Responsibility", "Tension", "Influence" and "Diverse Perspective", were selected as the criteria of questionnaire design during the discussion of USI CSR Committee this year. A total of 30 questionnaires were retrieved, and the identification result were 8 stakeholders including employee and dependent, stockholder/investor, customer, supplier, affiliated company, government department, industry unions/associations, community.

• Step 2, 3, 4 Survey Stakeholders Concerns and Corporate Operation Impact

The committee has, according to *GRI Standards* related issues, integrated the company's industrial and operating characteristics and selected 20 sustainability issues. It also carried out a questionnaire investigation on identified stakeholders; by analyzing 660 collected questionnaires, issues that are highly related to stakeholders' concerns were determined. 36 senior managers from various units and committee members were invited to join an investigation in regard to the company's operations, performance and impacts to the economy, environment and society. Results of issues that are highly concerned by the stakeholders are then analyzed.

Step 5 Identification of Materiality Issues

Results of "Questionnaire for Stakeholders' Concerns" and "Questionnaire for Operating Impacts" are analyzed to, based on stakeholders inclusiveness and materiality as described in GRI Standards, identify the priority of issues related to the economy, environment and society. Depending on their majority, they can be divided into materiality issues (5 items) and nonmateriality issues (15 items). Among them, "Energy/Resource Management", "Training and Education" and "Occupational Health and Safety" are the issues most highly concerned by the group. Based on the deliberation of USI CSR Committee, they are also included in materiality issues for an overall disclosure. In the meantime, other non-materiality issues are also disclosed in this report by the company voluntarily. Furthermore, according to the company's industrial characteristics, two issues are identified, including "Conflict Minerals Management" and "Continuous Improvement Program". Details are further described in this report.

► Analysis of Materiality Issues



► Materiality Issues in 2017

Materiality Issues	Contents	Chapters
Regulation Compliance	All locations of operation will observe local regulations and laws, including environmental, economic and social regulation (e.g. Environmental Protection, Human Rights, OHS, Product Labeling, Marketing, Business Confidentiality, etc.)	Business Ethics and Regulations Abidance
Supply Chain Management	Procurement practices and the risk assessment of suppliers, including environment, labor and human rights assessment, etc.	Supply Chain Management
Economic Performance	Company's financial condition and performance, including retirement management, government subsidy	Financial Performance Comprehensive Welfare and Salary System
Green Product	Since the process of materials procurement, manufacturing to product transportation, reduce the impact on the environment	Green Management
Customer Privacy	Customer information security	Customer Privacy & Health and Safety
Energy/Resource Management	Corporate energy, water resource, waste, and air management	Energy Management Water Resource Management Waste Management Air Pollution Control
Training and Education	Employee training and development	Integral Training Program
Occupation Health and Safety	Corporate OHS management systems	Excellent Working Environment

Step 6 Material Topics and Boundaries

Scope and structure of the report: In accordance with the comparability principle, substantial issues in this year's report extend the scope of last year's report. Issues that our stakeholders are chiefly concerned about and highly impact corporate operation determine the content and framework of the report, thoroughly reveal our current policies and future plans of implementing our corporate social responsibility.

The framework of this report is based on materiality issues identified in Step 5, plus suggestions from the experts and scholars. This report has fully disclosed USI's performance in implementing its social responsibilities and its play therefor. Referring to the *GRI Standards*, We also selected thirteen topics responding to material issues and, according to the company's industrial characteristics, outlined two topics. The final results are described in the following diagram: (regarding other 14 voluntarily disclosed topics, please refer to the GRI Index)

Disclosure

Scope	Scope Boundaries within The Organization					Boundaries of	outside The Or	ganization	
Торіс	USI ZJ	USI JQ	USI SZ	USI KS	USITW	USI MX	Community	Supplier	Custome
				Economic					
Economic Performance					•	•			
Procurement Practices									
				Environmenta	ıl				
Energy	<i>O</i>								
Water									
Emissions									
Effluents and Waste									
Environmental Compliance	<i>O</i>								
Supplier Environmental Assessment									
				Social					
Occupational Health and Safety	•								
Training and Education									
Supplier Social Assessment									
Customer Privacy									
Socioeconomic Compliance									
			U	SI Specific Discl	osure				
Conflict Minerals Management									
Continuous Improvement Program									

Stakeholders Communications and Responses

In light of issues that highly impact corporate operation and that stakeholders are highly concerned about, to meet their expectations, we have built a good communication platform, adopt relevant corresponding strategies, and maintain and strengthen the relationship between Company and stakeholders. Issues that they are not so concerned about also will be responded in each chapter of the report.

Stakeholder	Concern Issue	Communication Channel	Frequency	2017 Performance
Stockholder / Investor	 Regulation Compliance Economic Performance Supply Chain Management Energy Management 	 Board meetings Annual general meeting Annual report Telephone conferences Investor section on corporate website Shanghai Stock Exchange-SSE E-interaction 	Non-periodicYearlyYearlyAll the timeAll the timeAll the time	 4 board meetings were held in 2017 Shareholder meetings were held regularly for explaining managing performance to investors and responding to their concerned issues USI revealed the company's financial information through stock exchange websites and annual financial statements, and review constantly the company's business status and data A telephone conference was held each quarter to explain USI's production and management to investors
Employee and Dependent	Economic Performance Employment and Employee Welfare Occupational Health and Safety Labor/Management Relations Training and Education	Employees' Welfare Committee / Staff Congress Employee Relationship Website Meet The President Session Industrial relations meetings Training programs Employee satisfaction survey Newsletter	QuarterlyAll the timeQuarterlyQuarterlyNon-periodicEvery other yearQuarterly	 "Staff Congress" was held on a regular basis each quarter to discuss and plan recent events related to employees and propose employees' opinions "Employee Relationship Website" is set up in USI's intranet. In addition to providing information regarding employees' welfare and activities, employees can share their opinions in the "suggestions box for employees" on the website Meet The President Session was held each quarter for the general manager to announce the future trend and expectations of USI to colleagues. Additionally, the general manager can listen to employees' opinions in the meeting USI University has been established to irregularly provide employees with various educational training programs to perfect their professional skills "Employee Engagement Survey" is conducted every other year on USI's intranet Share the experience of high-ranking officials through the company's monthly journals and understand information such as the latest industrial developments, health education knowledge, employee activities, and so on
Customer	 Customer Privacy Supply Chain Management Green Product Regulation Compliance 	RBA-ON After-sales service system (e-RMA) Customer's satisfaction questionnaire Mail	 All the time All the time Quarterly All the time	 To report the Self-Assessment Questionnaire (SAQ) assessment status and results through the RBA-ON platform Constant control of RMA* status and relevant information through the system (e-RMA) It is provided to corresponding windows through business each quarter to help carry out satisfaction surveys

Note: RMA, Return Merchandise Authorization

Stakeholder	Concern Issue	Communication Channel	Frequency	2017 Performance
Affiliated Company	Waste Management Regulation Compliance Supply Chain Management Energy Management Air Management Occupational Health and Safety Social Investment and Participation	Board meetings Work/Business meetings	Non-periodic Non-periodic	 4 board meetings were held in 2017 Work/business meetings of departments to communicate the policies, objectives and requirements of the parent group (ASE Group)
Supplier	 Supply Chain Management Regulation Compliance Customer Privacy Green Product Anti-corruption 	 Quarterly Business Review Business meetings Supplier evaluation Purchase contracts/ Conducts Training of suppliers On-site audit for suppliers Questionnaire investigation for suppliers Supplier conference 	 Quarterly Non-periodic Yearly In contract period Non-periodic Non-periodic Yearly 	 Continually promote green supply chain, ask and help suppliers to pass quality management system certifications. Control the usage of raw materials to ensure the products and materials correspond to the regulations of USI green products 24 new suppliers were subject to evaluation and 22 of them were approved In addition to the compliance with purchase contract, suppliers have to sign "Code of Sunshine Conduct of Suppliers" and "Supplier's Commitment to Corporate Social Responsibilities" Suppliers are selected each year to carry out on-site inspection for RBA. The number of suppliers were selected was 67 in 2017 A supplier survey is conducted irregular to comprehend the current situations and trends of suppliers. Suppliers can express their expectations toward USI through the survey as well. A total of 420 suppliers were surveyed in 2017 Supplier Sustainable Briefing were held in Shanghai, Shenzhen and Taiwan in 2017 communicating the policies and philosophy the company is trying to convey 198 representatives from 149 suppliers in total attended these sessions
Government	Waste Management Regulation Compliance	Official document Participation in conferences	Non-periodicNon-periodic	Actively participate in conferences held by competent authorities on an irregular basis
Industry Unions / Associations	Water Resource Management Human Rights	 Industry conferences Associations Conference Forum Member meeting 	Non-periodicNon-periodicNon-periodic	 Actively participate in industry conferences held by industry unions/associations on an irregular basis Publish operating results and development direction aperiodically
Community	 Green Product Water Resource Management Air Management Waste Management	USI Website/E-mail/Direct line Community activities	All the time Non-periodic	 Draw up related ESH SOP and communication, consultancy, and participation. Keep friendly relationships with community residents Actively participate in social/community activities and establish good relationship with neighbors (refer to the chapter of "Social Participation")

USI Operation and Governance

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.



Company Profile

To safeguard investor interests, USI has stipulated the Inverstor Relations Management to build a good communication platform for the corporation and investors. USI has set up a specialized unit to respond to the various needs of investors, and also appoints professional lawyers to provide legal advice services, in addition to the set-up of investor relations section on the company's website to provide monthly updated business information in the purpose of revealing USI operation status transparently. This has formed a long-term, stable and harmonious interaction between the corporation and investors.

Company Introduction

Company	Universal Scientific Industrial (Shanghai) Co., Ltd.		
Headquarter Location	No.1558, Zhang Dong Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai 201203, China		
Registered Capital	RMB 2,175,923,580		
Location of Stock Issue	Shanghai Stock Exchange		
Stock Number / Name	601231 / USI Shanghai		
Date of Stock Issue	Feb 20 2012		
Main Products and Services	Communication products / Consumer electronics / Computer products / Storage products / Industrial products / Development and design of car electronics / Minimization / Material purchase / Manufacturing /Logistics / Maintenance		
Number Products and Services	16,481 (As of 2017/12/31)		
Area of Operation	Shanghai / Shenzhen / Kunshan / Taiwan / Mexico / Japan / USA		

Invested by foreign capital, USI is a Shanghai Stock Exchange (SSE) listed company. USI exploits the company's own advanced miniaturization technology to establish unique competitive superiority. From the professional service spectrum covering development, design, material purchase, production, manufacturing, logistics and maintenance of electronic products, we provide clients with overall service that is high in timeliness, quality and cost effectiveness and has the biggest cost competitiveness.

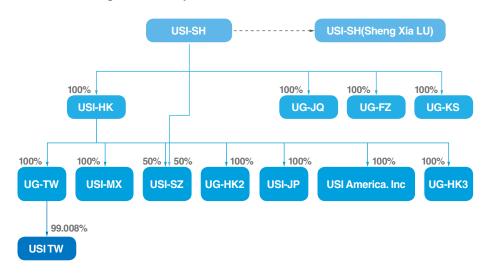
USI is committed to providing professional service of design and manufacture for electronic industry. We focus on top of development trends in the business and maximize value for global clients based on complete systems and advanced miniaturization solutions. We started from car electronic elements and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

Global Operative System

At present, USI has R&D centers and manufacturing facilities in China and Taiwan with a group of clients from all over the world. In order to provide global customers fast and timely comprehensive services, in addition to Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan and Mexico, USI provides offices and after-sales service points in the North America region as well. The global service network covers Asia and America.



Association Organization Map



Note:

Universal Scientific Industrial (Shanghai) Co., Ltd. Kunshan Branch (UG-KSR) was cancelled on November 28, 2017. Universal Scientific Industrial (Shanghai) Co., Ltd. (USI-SH (Haleilu)) was renamed to Universal Scientific Industrial (Shanghai) Co., Ltd. (USI-SH (Sheng Xia LU)) on October 16, 2017.

USI's wholly owned subsidiary Universal Global Technology (Hong Kong) Co., Ltd. (USI-HK) established its wholly owned subsidiary Universal Global Electronics Co., Ltd. (UG-HK3) on November 9, 2017.

Financial Performance

In 2017, USI reported consolidated sales revenue of RMB 29.706 billion with an increase of 23.86% comparing with 2016; the net profit attributable to shareholders of listed company was RMB 1.314 billion with an increase of 63.10% compared to 2016; the net sales was RMB 29.706 billion; its total capital is divided into liabilities and equity, which are RMB 8.73 billion and RMB 8.633 billion. The earnings per share were RMB 0.6 and dividend remittance was RMB 217,592,358, accounting for 0.73% of revenue.

Unit: RMB

Items	2017	2016	2015
Operating Revenue	29,705,684,977.64	23,983,883,716.87	27,260,058,959.37
Operating Profit (Loss is Filled with "-")	1,564,790,728.88	983,710,063.59	815,405,295.40
Total Profit (Loss is Filled with "-")	1,564,425,899.32	1,007,351,195.54	843,231,465.82
Net Profit (Loss is Filled with "-")	1,314,091,319.77	806,266,321.83	761,842,271.09
NIAT of Other Comprehensive Income	-4,373,954.52	60,700,439.76	-5,582,475.63
Accumulated Other Comprehensive Income	1,309,717,365.25	866,966,761.59	756,259,795.46

Note:

According to the (2017) Announcement No.30 of the Accounting Division of Ministry of Finance of the People's Republic of China, the change of 2017 income statement project is required and the financial information of 2015 and 2016 should be adjusted simultaneously.

Unit: RMB

Items	2017	2016	2015
Interests Paid to Loan Providers	11,785,976	13,217,011	19,363,005
Payment to Government: (Business Tax, Income Tax, Property Tax, etc.)	312,845,203	305,298,743	270,797,694
Employee Salary and Employee Welfare Expenses	1,991,683,625	1,775,649,316	1,762,823,113
Community Investment	2,408,099	1,198,910	1,456,667
Government Subsidy	90,067,526	119,129,272	71,865,369
CIP Cost Saving	72,214,260	58,797,961	43,247,904

Note: The statistics of "Government Subsidy" do not cover the Mexico Facility.

29.706 Billion

In 2017, USI's operating revenue and net profit respectively was RMB 29.706 billion and 1.314 billion

3.43%

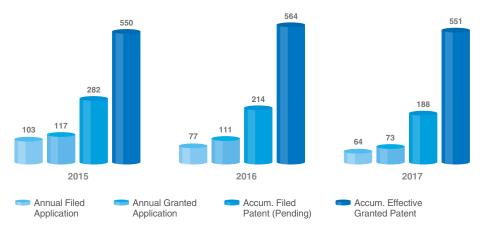
Total R&D spending was RMB 1.019 billion, accounting for 3.43% of revenue



Patent Research and Continuous Improvement

In terms of research and development, USI had a total of 1,056 R&D personnel, accounting for 6.4% of the staff population in 2017. Total R&D spending was RMB 1.019 billion, accounting for 3.43% of revenue. The number of product-service provided was 535,813,063 and USI passed the "Evaluation of Shanghai Municipal Enterprise Technology Center".

In terms of patents, in order to encourage employees to devote themselves to research, development and innovation, USI has *Patent Management and Incentive* and regular R&D Competitions. The winners will be awarded during year-end dinner party as encouragement. By the end of 2017, an accumulative total of 551 patents had been obtained. In addition to the patents approved annually and the abandonment of patent with no maintenance value to simplify patent assets, the accumulative total of approved patents decreased by 13 cases from 2016. The patents obtained in the last three years are shown in the following figure. Among them, "Antenna Module and Antenna Thereof" obtained a US patent. By its unique antenna and circuit design, this patent can reduce effectively the overall area and has successfully developed the industry's smallest antenna (the area narrows down to 1/4 compared to the 21mm x 10.5mm printed antenna design in the market) which significantly reduce material consumption and cost as well as the negative impact on the environment. USI's R&D skills and capabilities have been fully recognized by customers who continue to cooperate with USI for the development of new Wi-Fi modules.



Continuous Improvement Program

Continuous Improvement Program (CIP) proposes improvement plans for the quality, costs, lead time, services, efficiency and safety of manufacturing related operation and procedures. Its purposes are as follows:

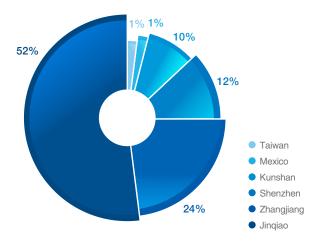


Each facility first proposes cases which are reviewed by Site Review Committee (SRC) for their project results that included innovation and development capability, actual saving value attainment capability, technical application capability, standard operation capability and reproduction operation capability before they are defined. After the cases are sampled by the organizer, Corporate Review Committee (CRC) is invited to review their saving benefits and promote cases with reproducible results to enlarge the results. According to the statistics in the table below, over 200 cases on average are defined each year. In addition, the number of cases being defined has been increasing year by year since 2013.



After the 2017 annual performance examined and approved by CRC, the actual tangible cost saving was USD 10.69 million, mainly from the improvement of automation of Jingiao Facility. Please refer to the figure below for the details of each facility. The saving cost accounted for 0.34% of revenue (target value: 0.21%) and all the facilities reached the standard. A total of USD 76,400 has been awarded.

► Each facility's Performance in 2017



10.69 Million In 2017, the actual tangible cost saving of CIP was USD 10.69 million

CIP Excellent Contribution Award

Each facility proposes representative or innovative cases to enter global competitions. Awarded teams are granted trophies and incentive payments. The following table explains the contribution award and its standard. In respond to the issue of climate change, USI has included "energy saving and carbon reduction" in the rating system and the type of key-point project in 2017 to promote relevant green proposals.

Ranking	Key-point Project Type (SMT Utilization% Improvement, Automation, Energy Saving and Carbon Reduction)	Common Project Type	Score Requirement
Gold Medal	NTD 150,000 (Qty: 1)	NTD 150,000 (Qty: 1)	≧ 85
Silver Medal	NTD 100,000 (Qty: 2)	NTD 100,000 (Qty: 1)	≧ 80
Bronze Medal	NTD 50,000 (Qty: 2)	NTD 50,000 (Qty: 2)	

In 2017, four projects achieved the target and were awarded bronze medals. (One of them was "Energy Saving and Carbon Reduction Project")

Facility	Project	Project Content
Jinqiao	Dry Ice Clean Cost Saving	Improved UPH and reduced carbon emission by optimizing the size and utilization rate of dry ice supplement block (to save dry ice usage) to lower annual carbon emission by 142.83 tonnes approximately. The total annual saving was USD 116,480.
Zhangjiang	Introduction of Automation to MX300's Assembly Line	Upgraded the manual assembly line of MX300 to automation in order to economize labor cost and increase manufacturing quality. The total annual saving was USD 111,359.
Zhangjiang	HTOL Connector Cost Improvement	With the introduction of HTOL EVB new test jig design, a high consumption of 50 Ohm Terminators was reduced to lower material cost. The total saving of three EVB test jig was USD 116,617 per quarter.
Taiwan	REG Product Line Testing System Upgrade	By the integration and standardization of testing hardware and the optimization of software, the testing cycle time and man-hours of changeover time have been both reduced. It can save approximately 1.66 hours of changeover manhours per month. The total annual saving was USD 24,943.

External Participation and Initiatives

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 electronic and engineering industry. The following is the list of organizations USI takes part in:

Zhangjiang Facility

- Enterprises and Public Security and Safeguard Association of Shanghai Pudong New Area
- The Listed Companies Association of Shanghai
- Shanghai Association of Foreign Investment (SAFI)
- Shanghai Pudong Human Resource Association (SPHRA)
- Shanghai Integrated Circuit Industry Association (SICA) •
- RBA-ON

Shenzhen Facility

- Shenzhen Chamber of Commerce for Import & Export
- Taiwan Merchant Association Shenzhen
- Shenzhen Hi-tech Industry Association
- Shenzhen Association of Enterprises with Foreign Investment
- Shenzhen Entry-Exit Inspection and Quarantine Association (SIQA)
- Guangdong Shenzhen Customs **Brokers Association**
- Shenzhen Enterprise Confederation
- Shenzhen association of Enterprises for the Promotion of Social Responsibility
- RBA-ON

Taiwan Facility

- Asia Terahertz Industry Development Association (ATIDA)
- Taiwan Electrical and Electronic Manufacturers' Association (TEEMA) ••
- Chinese National Association of Industry and Commerce, Taiwan (CNAIC)
- Taiwan Telematics Industry Association •
- Market Intelligence & Consulting Institute (MIC)
- Global Certification Forum (GCF)
- Chuming Educational Foundation of NCTU
- CALCE* Consortia University of Maryland
- VCCI*

- RBA-ON Jingiao Facility - Shanghai Pudong New Area

- Accounting Association
- Shanghai Jingiao Economic and Technology Development Zone **Enterprises Association**
- Shanghai Pudong Jingiao Labor Personnel Association
- RBA-ON

Kunshan Facility

- Taiwan Entrepreneurs Association in Kunshan
- China Quality Management Association for Electronics Industry
- Kunshan Volunteers Association
- RBA-ON

Note:

- 1. • Represent the position of Honorary President / Honorary Vice President
- 2. Represent the position of Director / Supervisor
- 3. CALCE, Center of Advanced Life Cycle Engineering
- 4. VCCI, Voluntary Control Council for Interference by Technology Equipment

Promotion of RBA

ASE Group joined Responsible Business Alliance (RBA) and became its member in 2015. Being a member of ASE Group, USI actively abides by the behavioral norms of RBA and requests its facilities around the globe to implement the it. The information regarding company's performance in terms of workers' human rights, occupational health and safety, corporate ethics and environmental protection was disclosed on the RBA-ON platform.

In addition to receive on-site audit from customers, USI regularly conducts annual internal audit. In 2017, the results of RBA SAQ for Zhangjiang, Jingiao, Shenzhen, Kunshan, Taiwan and Mexico Facility were all "low risk". Following the RBA VAP implementation in Zhangjiang, Shenzhen and Kunshan Facility, Jinqiao and Taiwan Facility also introduced it into their systems. The evaluation and audit results as well as related promotion performance are disclosed on RBA-ON platform. Besides, USI actively has requested and assisted suppliers to follow RBA code of conduct as well as to join the RBA-ON platform to reveal the results. Please refer to the "Supply Chain Management" chapter for relevant results of USI promotion.

Promotion of RMI

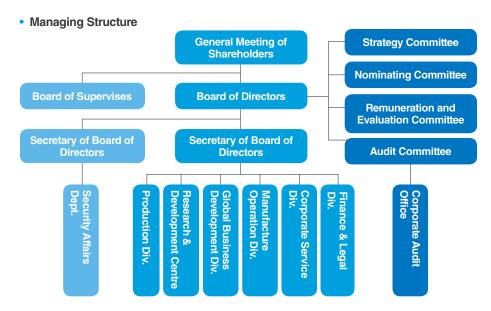
In 2011, EICC set up the information website of Conflict-Free Sourcing Initiative (CFSI) with Global e-Sustainability Initiative (GeSI has renamed to RMI*). In 2015, ASE Group joined CFSI and became its member. Being a member of ASE Group, USI makes wise decisions for conflict minerals in its supply chain by using information and guidance provided by CFSI to make a supply chain of conflict-free minerals. Moreover, USI has made a purchasing policy for conflict minerals, and requests its suppliers not to purchase conflict minerals from unqualified smelters. See the chapter of "Conflict Minerals Compliance" for results and associated matters.

Note: RMI. Responsible Minerals Initiative

Corporate Governance

USI emphasizes honest industrial operation. Based on related national regulations, USI has established flawless managing framework and systems, drew up anti-bribery behavioral principles (Code of Employees' Conduct), realized internal audit and strengthened internal

risk management. By promoting the governance of the corporation, USI seeks sustainable industrial development.



Board of Directors

The director candidates of USI's Board of Directors are nominated by the Nominating Committee and then approved by the Board of Directors and the meeting of shareholders. Shareholders can nominate the directors and independent directors. The Nominating Committee will select candidates based on their professional experience. Independent director candidates are required for the attitude of independence. The terms of service of Board of Directors are three years.

Currently, USI's Board of Directors is composed of 9 directors, and three of them are male independent directors. Mr. Richard H.P. Chang serves as Chairman of the Board. Please refer to "2017 USI Annual Report" for the members of Board of Directors. The company holds at least one board meeting every three months. There were 4 board meetings in 2017.

USI's Board of Directors has four professional committees: Strategy Committee, Nominating Committee, Remuneration and Evaluation Committee, and Audit Committee.

Strategy Committee

The Strategy Committee of USI's Board of Directors is composed of 5 directors and Mr. Richard H.P. Chang serves as the 3rd and 4th commissioner. The Strategy Committee enhances company's core competency according to the needs for strategic development to determine corporate development plan, improve investment decision-making procedures, enhance the decision sciences, and increase the efficiency and quality of major investment decisions as well as to perfect the corporate governance structure.

► Nominating Committee

The Nominating Committee of USI's Board of Directors is composed of 5 directors and Mr. Charles Chang serves as the 3rd and 4th commissioner. The main areas of responsibility is to make recommendations for the size and composition of the Board of Directors as well as the composition of senior management personnel of the Company based on company's shareholding structure and the needs of corporate management and operation.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee of USI's Board of Directors is composed of 5 directors. Mr. Chi-Chieh Chen served as the 3rd commissioner and Mr. Yi-Yun Chu serves as the 4th. The main areas of responsibility of the Remuneration and Evaluation Committee are studying, drafting and implementing the appraisal standards & methods and remuneration policy & plan for corporate directors and senior management personnel, as well as putting forward opinions or proposals. This committee also examines the performance of corporate directors and senior management personnel, conducts the annual performance reviews, and is also responsible for monitoring the implementation of corporate compensation system.

▶ Audit Committee

The Audit Committee of USI's Board of Directors is composed of 5 directors. Mr. Fei Pan served as the 3rd commissioner and Mr. Yun Tang serves as the 4th. The main areas of responsibility are the proposals of hiring or replacing external auditing agency and the supervision and implementation of corporate internal audit system. This committee is also responsible for the communication between internal and external audits, to examine and reveal company's financial information, review corporate internal control system as well as the audit of substantive connected transactions, and so on.

Internal Audit Organization

The internal auditing of the company is charged to the auditing committee under the board of directors. The employment of the head of auditing has to be approved by half of the board members. A full-time head auditor is established with a staff of 3 auditors, and the auditing departments and auditing offices of each facility is established with auditors as well.



The Operation of Internal Audit

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

Business Ethics and Regulations Abidance

In order to enable employees to understand and comply with USI's *Employee Codes of Conduct*, it should be announced on company's internal website and created as online textbooks for staff mandatory course. All working staffs need to go online to read this

course and pass end-of course quiz every year. Furthermore, the "Sunshine Conduct" policy requires to be conducted to employees irregularly to remind them of relevant corporate regulations and strict observance of rules. So far no bribery or corruption has been discovered in the company.

Code of Employees' Conduct

- Employment Morality and Code of Ethics
- Rules of Avoiding Conflict of Interest
- Rules of Gifting and Entertaining
- Reporting Responsibilities and Obligations
- Violation Handling

To make sure USI employees do not have illegal profit exchanges with related institutes, USI employees must put more emphasis on incorruptible deeds. In employees' working regulations, they are definitely required not to deal with private affairs through USI's resources and to engage in activities for personal gain with their authority. When freshmen are accepting training, they are given related training courses. Currently, USI has drawn up Fraud Risk Management Procedure and The Rule of Punishment for Fraud in Sunshine Act and a mailbox for complaints and prosecutions was provided to strictly forbid any kind of corruption and bribery.

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, and Employees and Suppliers Are Given The Information of Prosecution Channels on A Regular Basis
- Enhance The Promotion of Integrity Deeds Principles
- Draw Up The Examination Scope of Integrity
- Design Examination Program of Integrity Deeds



Grievance Mechanism			
Zhangjiang Facility	zj.gp.sox@usiglobal.com		
Jinqiao Facility	jq.gp.sox@usiglobal.com		
Shenzhen Facility	sz.gp.sox@usiglobal.com		
Kunshan Facility	ks.gp.sox@usiglobal.com		
Taiwan Facility	tw.gp.sox@usiglobal.com		

In terms of compliance, USI has devoted to corporate image maintenance for years and strictly complied with national or international laws and regulations related to corporate governance, financial management, intellectual property, green environmental protection and safety rules, employee care, and fair market competition. The Company also cherish customer value, rights, and interests. For any negative impact on corporate image or violation of law, a task force will be formed by USI to take countermeasures. By the end of 2017, no violations involving in major penalty or other non-economic punishment has occurred. In addition, the contract performance rate with the customers reached 94.49%. There were 113 contracts that remained to be reviewed by both parties by the end of 2017.

Risk Management of Enterprise

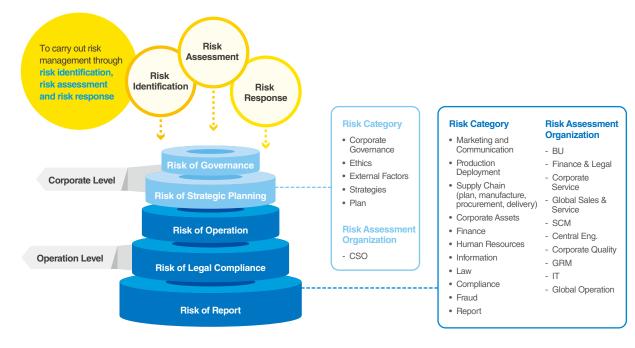
To take management environment, industrial trends and corporate operation into consideration, the company shall execute annual risk management to ensure that risks can be timely and appropriately identified, evaluated and responded with proper measures to assure sustainable management and to achieve its operation goal.

Each unit takes charge of identifying internal and external risk factors that might affect USI's sustainable development and operation goals, evaluating risk levels and the effectiveness of relevant controlled activities, and taking appropriate measures based on the results of risk evaluation. Through the execution of risk management, our personnel's risk awareness will be strengthened to ensure the effectiveness of executing risk management.

Risk assessment includes various risks that an enterprise might face, and it is primarily divided into the corporate level and operation level. Relevant risks are as follows:

- Corporate level: Including risk categories of corporate governance, ethics, external factors, strategies and planning.
- Operation level: Including marketing and communication, product development, supply chain, corporate assets, finance, human resources, information, law, compliance, fraud, and other risk categories. The category of marketing and communication chiefly covers client service such as order processing, quotes and client satisfaction. Supply chains cover production planning, procurement, production and logistics management.
- ▶ Risk categories regarding fraud, compliance and information are affairs that USI is concerned about.

Organization Framework of Risk Management



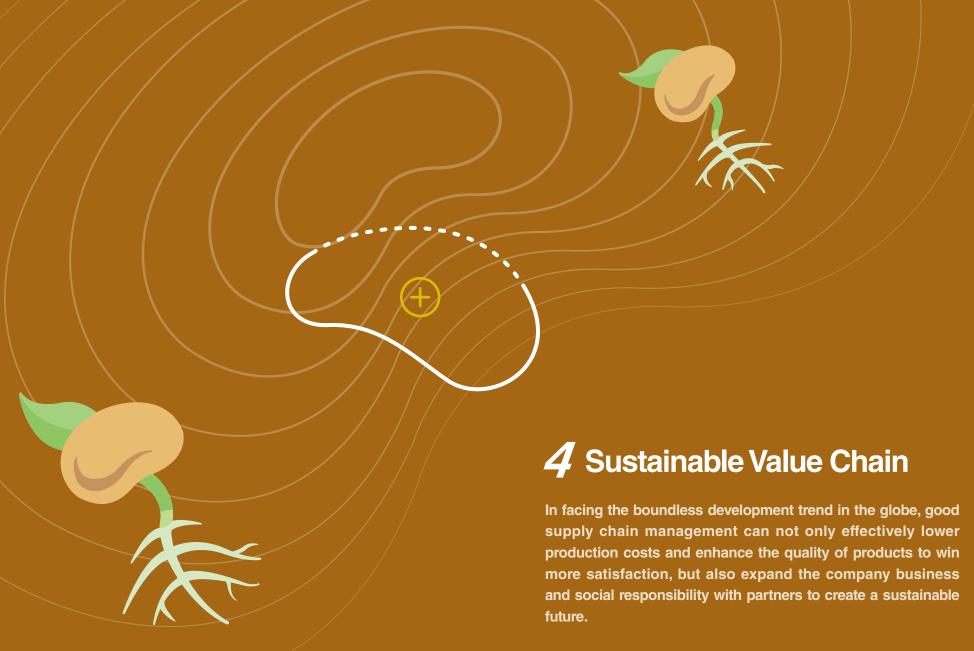
• 2017 USI Risk Assessment Program

Aspect	Item	Countermeasure				
	Macro-economy					
Political Environment	Now elected as the president of USA, Trump may change the trading policies of the US (NAFTA: Made in USA)	Currently, we have Mexico Facility and also started the production site evaluation in USA				
Social and	Difficulty in recruiting experienced professionals for system integration and failure analysis for miniaturization process	Reviewed professionals' salaries and looked for third-party technical unit for short-term technical assistance				
Environment	Emergency workforce shortage (urgent orders, around the Chinese New Year, labor strike)	Full and effective emergency countermeasures				
	Micro-econon	ny				
Legislation	AE clients ask for ISO 26262 certifications for OEM suppliers	A dedicated team to assist in the introduction of various certifications				
	Sudden and significant increase/ decrease of demand forecast or order from clients leads to redundant/ stagnant materials	A complete system to control the changes of orders. Any redundant/ stagnant materials caused by clients will be asked for their repurchase				
	A single client accounts an alarmingly large percentage of sales revenue	Dedicate in new client development to reduce the revenue of one single client				
Market Demand	Due to market environment, unbalanced supply and demand results in lead time extension	The purchase team must pay attention to the market supply and market demand at all time. A mechanism should be available for preparing materials in advance				
	The postponement of the launch date due to the changes of development plan caused by clients	A dynamic adjusting mechanism of orders changed by clients				
Competition	The supplier process capability could not meet customer expectations. The quality inspection standard could not meet customer's needs. The supplier process changes could not meet customer requirements	Increased engineering capacity to assist suppliers in quality improvement				

Results of Risk Assessment

н	 Disclosure and Announcement Product testing / certification Business concentration Credit managemt Manufacturing process design Corruption 	► Stage of production testing	
! - - M	 Factory equipment-Supply risk (external) Legal compliance / Customer's requirement Product / Technical strategy Quality standard management Poor change management Manufacturing process design 	 Key technology talents Leagal compliance Business concentration Material shortage Geopolitics Order processing Worker recruitment Quality standard 	
L	 Health and safety of employee Production management / equipment Marketing strategy In-house safety risks R&D information management Quotation Policy system 	 Information security Supplier management Talents development Production planning Customer service Inventory management Financial statement Logistics management 	
	Yes	Partial Controal Effectiveness	No





Sustainable Value Chain

USI is the world's leading company of D(MS)² providing design, miniaturization, material sourcing, manufacturing, logistics, and after services of electronic devices/modules for brand owners. The Product Value Chain as shown in the following picture:





Wifi SIP

WW No.2 for Smart Phone & Tablet





Smart Phone

SiP & Sensors for Smart Phone





Consumer

LCD X-Y Board

WW No.2 for TV, NB, Monitor



Wearable Device

SiP & Sensors for Watch, Wristband, Shoes...



Computer

SSD & NAS

WW No.1 for Enterprise & SMB



X-86 M/B

DT/WS/Server for Selected Customers



Industrial

POS

WW No.2 for Hospitality & Retail Market



SHD

WW No.1 for Logistics & Warehousing



Car Electronics

Regulator

No.2 for China OE Charging System



LED Lighting

WW No.2 for Lighting System



Customer Service and Satisfaction

USI, the world's leading provider of D(MS)^{2*}, has been committed to providing professional services and finequality 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.

D(MS)² refers to the combination of DMS (electronic design, manufacturing and services) with M(miniaturization) and S (solution).

In order to meet or exceed customer needs and expectations, USI provides customers with high-stability, high-reliability and cost-advantage products. With the experience and technology accumulation by working with top clients in the world for years, we integrate the three core technologies: computing, communications and multimedia processing, and provide customers with the most complete solution for wireless communication products, computer and industrial applications, storage of products and servers, automotive and video products, and miniaturized products, and so on.

For the implementation of quality policies as well as the guarantee on goods and services, a comprehensive inspection must be made for all USI products before shipment. Only the qualified products can be delivered (outgoing quality pass rate is 100%). There were 535,813,063 products or services provided in 2017. Besides, USI has also passed various international certifications such as TL 9000, ISO 9001 and TS 16949 (see the "Management Systems Certification Table") in which the automotive and video products obtained ISO 26262 in 2017.

Quality Policy

- ► Conform to or Exceed Customer's Requirement and Expectation
- Pursue Zero Defect by All Employees Participation and Continual Improvement
- ► Ensure Quality System Operating Effectively
- Minimize The Potential Risk of Safety to The Employees, Users and Hazard to The Applied Environment

All-Encompassing After-Sales Service

In terms of after-sales service management, USI adopts e-RMA* and SAP* systems for global service network in order to effectively control the collection and classification of defective products as well as resource allocation. Therefore, the relevant units can provide customers with product exchange and failure analysis services. The customers are also allowed to monitor the RMA status---anytime, anywhere---via e-RMA, where they can apply to the RMA service and submit status inquiries.

Note:

- 1. e-RMA, e-Return Material Authorization
- 2. SAP: Systems, Application and Products in Data Processing (It is a world-famous and universal ERP system developed by SAP.)

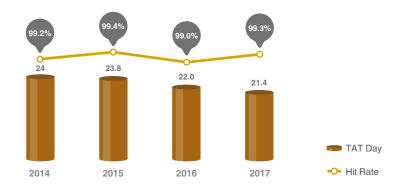
Regarding the after-sales service, USI utilizes the on-time delivery rate and maintenance turnover days as the standard of measurement: The on-time delivery rate is the monthly ratio of whether the shipments are delivered on time according to the agreements with customers. And the turnover days refer to the period of time from the receipt of returned goods to the shipment of exchanged goods. Due to the diversified products that USI has, there are different product exchange turnover standards classified based on product attributes and the number of exchange. In the past four years, USI's on-time delivery rate has reached above 99% in accordance with customer agreements.

technical documents

Note:

The statistical data of on-time delivery cover Zhangjiang, Shenzhen, Kunshan and Taiwan Facility. The products manufactured by Jinqiao and Mexico Facility have been modularized that cannot be repaired but replacing with new items instead. Therefore, they are excluded in this calculation.

► On-time Delivery Rate and Maintenance Turnover Days



Customer Complaints Handling and Product Recall

By following the quality policy of "Each member in the company shall participate and endeavor for improvement continuously to pursue the Zero Defect in each operational segment", USI adheres to "Three Non-Defective Principles": No acceptance of defective products, No fabrication of defective products, and No delivery of defective products. The company highly concerns about the products with potential quality issues. USI's R&D and engineering units are invited to discuss the treatment plans and cause analysis and the regular study meetings to continuously track the countermeasure effectiveness as well as to prevent from repetition of defective products. For the products with safety concerns or batch issues, the company establishes preventive measures to recall them right away. The losses can be avoided promptly and customer lives and properties can be protected from damage.

In terms of customer complaint reply, USI establishes a systematic handling procedure. Once receiving the FA analysis or complaint request from customers, it will be immediately and initially confirmed and recorded by corresponding responsible personnel. According to different types of complaints, the most effective improvement measures will be formulated and responded to customers as well as to prevent the repetition of similar complaints. According to the statistics, there were 2 major quality

incidents* and 0 product-recall case in USI in 2017. The major customer complaint solving rate was 100%.

Note:

Major quality incident refers to the incident that the company should pay additional cost exceeding the requirements made by the top manager of corporate quality unit.

Driving up Customer Satisfaction

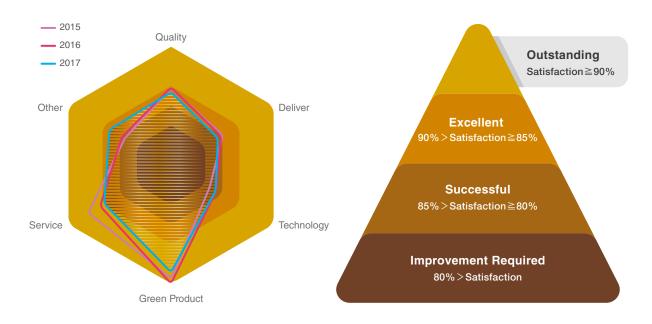
In order to ensure an effective communication with global customers, USI has dedicated personnel to deal with customer service incidents for all clients. Through the organization of QBR (Quarterly Business Review) meetings and occasional business meetings, questionnaires, etc., we can actively collect customer opinions and appeals as well as understand the product evaluations in terms of technology, quality, price and delivery period, etc. from customers to keep improving USI service quality and good cooperative relationship with customers so as to jointly create the best interests and values for the company.

As for the results of survey, USI's internal responsible unit holds seminars to make feasible coping strategies and then negotiate with customers based on their needs. By the establishment of improvement plans, we continuously follow up the progress and always keep the customers in the loop to improve communication quality and customer satisfaction. USI has developed goal for the next 5 years and expect customer satisfaction to reach "Outstanding" level in 2021.

In 2017, the overall satisfaction of USI's main customers is 85.5% (Excellent). With respect to satisfaction with services, all services reached the "Excellent" standard except "Deliver" and "Technology" which are 83.7% and 83.0% (Successful) respectively.

Note:

Major customers refer to the top 20 customers with the best annual revenue (accounting for above 90% of USI revenue) according to USI Central Staff Office's statistic.



ISO 26262

We completed the ISO 26262 certification in 2017

85.5%

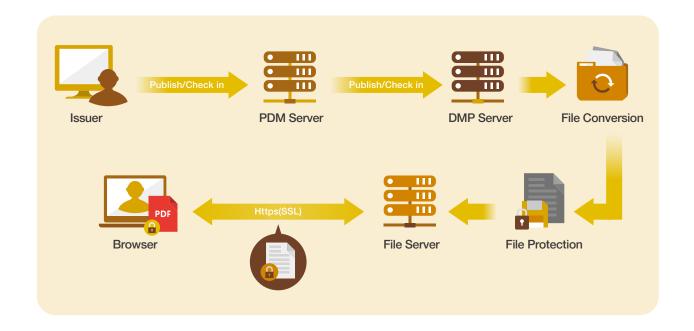
The overall satisfaction of USI's main customers is 85.5%

Customer Privacy & Health and Safety

Customer's confidential information, health and safety are important assets of both USI and its customers and are the foundation of mutual trust. Therefore, USI manages confidential information with the highest standard in addition to signing confidentiality agreements with its customers.

The technology files of USI products can be classified into "A-Absolutely Confidential", "B-Highly Confidential" and "C-Confidential" based on the confidentiality. In order to ensure the important product information (e.g. material specifications, inspection specifications, etc.) provided by customers is properly preserved, the customer documents such as drawings, programs, specifications, technology files are all classified as "A-Absolutely Confidential". All customer documents are required to go through the official issue and countersign procedure and these encrypted files will be preserved in USI's PDM* or DMP* systems. The important information is stored on the intranet without connecting to the external network. The file access only allows the authorized personnel with read permission and the download of original files is forbidden. To assure the system can always track browser history, the account rights of departing employees or unpaid-leave employees will be "Locked" and prohibited from logging in system. All USI staff who has direct contact with customer documents must receive the confidential document control training course and retraining is required once the curriculum documents are revised to make sure that the related personnel clearly understand the requirements of customer document management system. In 2017, there was no leakage of customers' documents.

Note: PDM, Product Data Management; DMP, Document Management and Protection, all of them are the internal management system of electronic documents





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 and the safety guidelines of countries that its products are sold to. For example, it adopts stringent rules and uses only the low-pollution, non-toxic raw materials. For product planning, USI ensures products meets the specifications required by environmental regulations, and then conducts the life cycle assessment and eco-design evaluation. Meanwhile USI generates eco-profile in response to EU's Energy-related Products (ErP) Directive.

► USI Products Compliance with Directive in 2017

	Percentage of USI Products within the Directive						
Green Products Directive	Wireless Communication Products	Storage Products and Serves Products	Automobile Electronics and Visual Products	Minimized Products			
EU RoHS	100%	100%	100%	100%			
Halogen Free (HF)	40%	44%	71%	100%			
China RoHS	100%	100%	100%	100%			

In the part on product safety, the Factory Inspection Mechanism* is used to ensure the manufactured products comply with relevant laws, regulations, and ordinances internationally and of the sales area. For all electronic system products that have obtained safety certification, relevant safety warnings and description of correct operations are clearly stated within the user manual. They are regularly audited by external units (UL, TUV, CCC, etc.), where the frequency is once per three months or once per year. We continue to expand the safety-related certification of products in the medical, IoT, and industrial fields, thereby providing customers with high-quality products that are healthy and safe.

In 2017, USI extended the introduction of safety standards certificate into emerging market in Southeast Asia and Eastern Europe. The introduction of the latest IT standard UL/IEC 62368-1 will be officially promoted to USI products in 2018 and the compliance rate is expected to reach 100% by 2019. Furthermore, USI did not receive any complaints of products linked to human health and safety risks, neither the violation related to product safety in 2017.

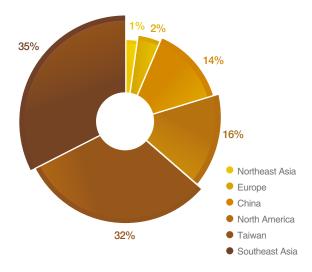
Factory Inspection Mechanism: A manufacturing factory that manufactures products which are labeled with safety regulations shall receive factory inspection (to be audited by an external certification unit) based on the request of a certification issuance unit to ensure that its products conform to safety regulations.

Supply Chain Management

The Suppliers of USI

USI's raw material suppliers include original manufacturers, agents, spot market suppliers. They can be mainly classified into active components, passive components, substrates, mechanical components, and other peripherals. The raw material suppliers are located in North America, Europe and Asia. Since the priority order of supplier selection is based on the purchasing strategies of different material type, the selection of material will start from the priority supplier to reduce the number of suppliers for transaction. With over 1,400 material suppliers in 2017, a reduction of 100 suppliers compared to 2016.

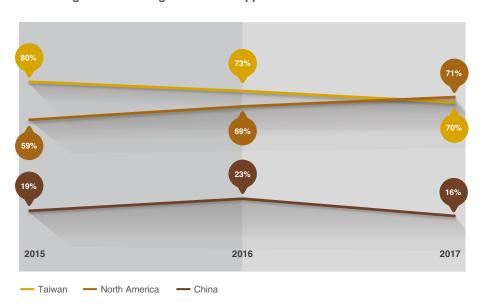
Distribution Of Raw Material Suppliers in 2017



Note: The statistic of purchase amount is conducted according to the supplier distribution regions.

Global raw material purchases are mainly from local or nearby suppliers around the 6 manufacturing facilities (Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan, and Mexico) that can effectively save the energy consumption and time consuming during transportation and reduce environmental pollution. The main reason of the decrease in local purchase rate in China's facilities in 2017 was caused by the 6% revenue growth of the largest OEM customer, but 90% of its materials were not from China which led to a drop in local purchase rate. In Taiwan's facility, there was a slight decrease in local purchase rate due to the modified combination of product fabrication. USI's strategic purchasing department will keep choosing the appropriate suppliers with the most competitive cost including raw material cost and freight cost through the management of major suppliers. In 2018, the Company will move forward to the target of over 2% growth in all regions' local purchase to improve the competitive advantage of local industries as well as enhance the partnership relationship between USI and suppliers.

► Percentage of Purchasing from Local Suppliers at All Facilities



Note: To be calculated in accordance with the amount of money for procurement

According to the number and amount, the proportion of 2017 transaction with suppliers in each facility is shown in the table below. In this table, Zhangjiang Facility mainly manufactures the products for the biggest OEM customer. The type of its material procurement was relatively simple with the largest proportion of purchase amount. However, Shenzhen and Kunshan Facility are both plants with multiple production lines which have a wide range of material procurement and the transactions of suppliers were relatively high.

▶ Number of Suppliers and Percentage of Transaction Amount at All Facilities in 2017

Facility	Zhangjiang	Jinqiao	Shenzhen	Kunshan	Taiwan	Mexico
No. of Suppliers	399	96	880	717	407	159
Percentage of the Transaction Amount	33%	21%	15%	10%	19%	2%

Supplier Evaluation

The progress of the suppliers' Corporate Social Responsibility (CSR) will be one of key factors behind USI's future prospects. Therefore, USI establishes a standardized supplier evaluation system and Vendor Rating procedure to select suppliers according to the supplier evaluation criteria for protecting human rights and environment, as well as providing customers with high quality products that meet health and safety requirements. Through the continuous and close cooperative relationship with suppliers, a sustainable supply chain can be jointly established.

The evaluation procedure is as follows:



In accordance with company's demand trends and purchasing strategy of products of the future, USI establishes the supplier evaluation and approval process to investigate if the productivity, technical innovation ability, quality & service management of potential suppliers meet the requirements and serve as the basis of becoming an official supplier. When evaluating a new supplier, an evaluation team must be formed by purchase, quality, R&D, and engineering units to conduct a supplier capability survey for the QRB (Quality Review Board) to verify the final assessment result. The supplier evaluation and approval process includes: basic company information, product information, major customers and financial status, supplier's green control procedure and commitment to green products, as well as supplier social responsibility and ESH (environment, safety and health) survey. For all new suppliers developed by USI, they are required to sign the "Guarantee of Nonuse of Environmental Hazardous Substance", "CMRT (Conflict Minerals Reporting Template)", "Code of Sunshine Conduct of Suppliers" or provide their IECQ QC 080000 certification to ensure that they will include the effects of environmental sustainability, social labor and human rights in the assessment and control. USI will give a corresponding approval level to supplier after the evaluation. The relevant results and qualified supplier list can be looked up in PDM system. In 2017, 92% of the new suppliers have passed through environmental evaluation system screening and 75% have passed through social assessment system.

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. EHS & Energy Policy clearly commits "on a continuous basis, employees, suppliers and contractors must conduct EHS & Energy 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.

To ensure the safety of contractors, USI enhances the safety and health evaluation for unusual dangerous projects and recidivism contractors. In Taiwan's facility, any contractor with major violation and fails to improve within a designated period will face one-year suspension after they got the notice, and the contractors will be removed the qualification in China's facilities, if there are twice violations within 6 months. Through training and evaluation by each facility's EHS department in 2017, 1,655 contractors had successfully obtained the construction licenses, and no contractors were involved in any industrial accident at USI facilities.





Training for Contractors (Taiwan Facility)

Training for Contractors (Shenzhen Facility)

92% 75%

Percentage of the new suppliers passed the screening of the environmental and social assessment respectively was 92% and 75% **67**Suppliers

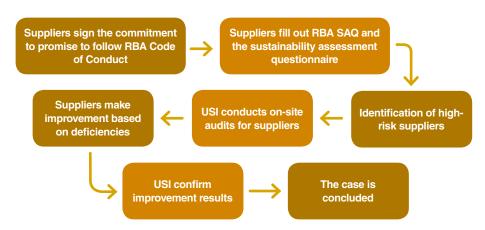


A total of 420 suppliers were surveyed in 2017, and USI conducted on-site audit of 67 suppliers among it

RBA Management

ASE Group joined the Electronic Industry Citizenship Coalition (Now is renamed to Responsible Business Alliance) in 2015 and became an applied member. As a member of ASE Group, in order to implement RBA policy commitment and comply with the Group spirit, USI has set basic guidelines for suppliers in accordance with the RBA Code of Conduct, requesting the affiliated suppliers to follow relevant social responsibilities, hoping that by 2020, all the major suppliers of USI can join the RBA-ON Platform (RBA Online Risk Assessment Platform), and share their RBA SAQ (RBA Self-Assessment Questionnaire). In addition to RBA SAQ, USI also carried out a sustainable survey produced by the Group in accordance with the RBA Code of Conduct for all the major suppliers and carried out analysis in accordance with the written survey results from the suppliers. We also plan on regularly performing on-site audits on the high-risk suppliers. The supplier RBA audit specifications include five sections, which are, respectively, labor, environmental protection, health and safety, code of ethics, and management system, where the main analytical points included prohibiting the use of child labor, safeguarding human rights, anti-discrimination, fair treatment, legal work hours and salaries, and environmental management, etc., requesting the supply chain manufacturers to ensure the rights and interests of employees, to implement human rights policies, and to enhance corporate social performance.

The management procedure is as follows:



USI conducted a survey with 420 suppliers in 2017. The survey results showed that more than 80% of suppliers were rated as low-risk. USI also made on-site audits to 67 suppliers (including the suppliers of Zhangjiang, Jinqiao, Shenzhen, Kunshan and Taiwan Facility) and found that two (labor and health & safety) of five sections accounted for 60% of the nonconformities have been corrected. The result details are showed in the table below. In 2017, none of these suppliers were dissolved the partnership after the assessment. USI will keep assisting suppliers in making improvement and helping more suppliers to meet RBA Code of Conduct. We are expecting that 100% of suppliers can be rated as low-risk in the future.

▶ RBA On-site Audits in 2017

Sections	Items That Are Identified with Impact	No. of Suppliers That Need Improvement	No. of Suppliers That Have Improved	Proportion of Suppliers That Have Improved
	Working Hour	20	20	100%
Labor	Wage and Benefits	17	17	100%
	Non-discrimination	9	9	100%
	Emergency Preparedness	29	29	100%
Health and Safety	Industrial Health	13	13	100%
	Occupational Injury and Illness	11	11	100%
Environmental	Hazardous Substances	19	19	100%
Ethics	Disclosure of Information	4	4	100%
Management	Legal and Customer Requirements	7	7	100%
Systems	Risk Assessment and Risk Management	5	5	100%

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 guarterly 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.

Apart from educating requirements of the green management system at the propagation meeting arranged and conducting face-to-face communications with the suppliers, USI holds related courses to interchange market dynamics with its suppliers on a regular basis. Additionally, USI promptly convenes orientations for its suppliers for different issues to let the entire supply chain command the latest information and regulations of the market. Therefore, the suppliers can comprehend USI's requirements of green procurement and of the conformity parts of WEEE, RoHS, REACH and CMRT. We also expect the suppliers to be like USI and value corporate ethics. In the aspect of implementing Code of Sunshine Conduct of Suppliers and anti-corruption, USI established an exclusive reporting mailbox (Please refer to the chapter of Business Ethics and Regulations Abidance). In 2017, there were no cases where the suppliers provided feedback or made complaints.

Supplier Sustainable Briefing

Since rich feedbacks receiving from the first Supplier Sustainability Briefing in Taiwan in 2015, USI has held the Supplier Sustainability Briefing for three years in succession and has projected this briefing as a supplier event annually. The 2017 briefing was held in Shanghai, Shenzhen and Taiwan respectively to communicate directly with local suppliers. These briefings contained continuous implementation of green supply chain, the cooperation with the trends of international requirements for environmental protection, explanation of USI's sustainability requirements, implementation experience and future goals. There were 149 suppliers and 198 representatives participated in these three briefings. 110 questionnaires were responded after the briefings and the suppliers evaluated USI as "satisfactory".

Suppliers Feedback

- 1. "It makes me understand the importance of social responsibility of an enterprise and the coexistence of environment and economy. We are not allowed to achieve economic benefits by polluting the environment."
- 2. "The greatest gain is to learn more about the regulations and knowledge of green products."



Supplier Sustainable Briefing (Taiwan Session)



Supplier Sustainable Briefing (Shenzhen Session)

149 Suppliers

There were 149 suppliers and 198 representatives participated in USI Supplier Sustainable Briefing

Procurement Cloud Platform

In 2016, USI built a Buy Manager platform, hoping to reduce an excess of manual labor in cutting and pasting, while fully retaining inquiry records, which enhanced efficiency of operation pricing progress. As the system of Procurement Cloud Platform has been perfected, USI utilizes "Big Data" to establish a more optimized BOM structure to improve the accuracy of purchasing strategy, and to control purchasing cost more precisely as well as shorten working hours for better efficiency. The following table shows the achievement brought by the application of Procurement Cloud Platform for company purchasing procedure in 2017:

Aspect of System Application

- The latest material pricing information can be looked up through the simplified data (supplier code, material item number, time, etc.)
- A unified system to search all material price history
- Global material price collection that shows the prices of the same material in different supplier markets
- A single upload of multiple material lookup without multiple searches by item
- Prices in similar material markets are available

Aspect of Operational Performance

- Reduce repeat frequency of same material searched by different people at different time
- Reduce material search-time operation on different platforms
- Cost reduction by USD 3,650
- Revenue increase by USD 288,000
- Improved operational efficiency (an average reduction of 0.5 days of quotation working hours)

In addition to 3TG, cobalt ores are also the mineral that need to be focus on in the near future. These metals are essential materials in the functional operation of electronic products. All the suppliers are requested by USI to purchase minerals from approved and qualified smelters according to RMI* (formerly CFSI*) and encourage smelters and refiners to conduct RMAP* (formerly CFSP*) with their subcontractors to make USI's goals of "conflict-free mineral supply chain" a reality.

Note:

- 1. 3TG: Tantalum, Tin, Tungsten, Gold
- Democratic Republic of Congo and the neighboring countries: (1) Central African Republic, (2) Republic of the Congo, (3) Angola, (4) Zambia, (5) Tanzania, (6) Burundi, (7) Rwanda, (8) Uganda, (9) South Sudan
- 3. RMI, Responsible Minerals Initiative
- 4. CFSI, Conflict-Free Sourcing Initiative
- 5. RMAP, Responsible Minerals Assurance Process
- 6. CFSP, Conflict-Free Smelter Program



Conflict Minerals Compliance

The conflict minerals refer to the mined of four metals: tantalum, tin, tungsten and gold (known as 3TG*), which are extracted and traded illegally in the Democratic Republic of Congo and the neighboring countries*. These metals are mined by child labors that are forced under violence by local armed militias. It not only destroys the ecological environment, but also is used as main funding source for illegal armed groups.

100%



We surveyed 364 suppliers in 2017, and the survey result was 100% responsible minerals procurement

USI Corporate Policy for Sourcing Conflict Minerals

USI only utilizes conflict-free minerals with reliable sources and follow the investigation framework "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" made by OECD (Organization for Economic Cooperation and Development) to conduct due diligence survey on suppliers and establish the management mechanism for conflict minerals. The policy details are published on USI's official website (http://www.usish.com/ english/minerals.asp).

All USI's suppliers must support this policy by:

- ▶ Being diligent in their assessment and validation of their supply chains to ensure USI's objectives of a transparent supply chain, and conflict-free purchases as inputs to the services and products we produce
- ▶ At all times be in compliance with all regional and international regulations for conflict minerals
- ► At all times be in compliance with industry standards for the sourcing and reporting of conflict minerals
- ► Being diligent and accurate in their formal assurances of conflict-free minerals provided to us

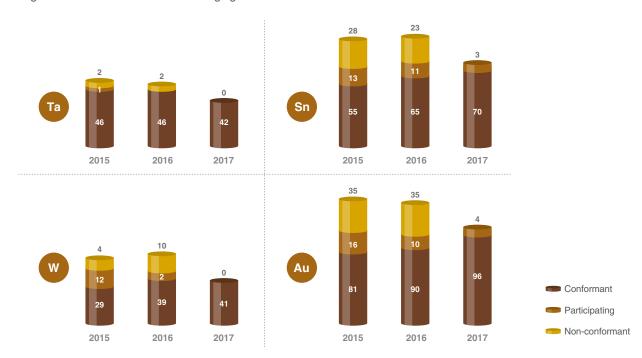
Due Diligence

In the third guarter of every year, USI begins to investigate the mineral sources in the supply chain. All the suppliers are required to meet USI's conflict-free minerals target and disclose the information of cooperative smelters by CMRT. In 2017, 364 target suppliers were investigated by USI to increase the proportion of supplier's conflict-free minerals and to meet customer requirements by the expansion of investigation scope to worldwide. In terms of supplier audit, USI finished the audit of 20 suppliers in Taiwan Facility first to ensure that they all had perfect management and, simultaneously, gave quidance to these suppliers to upgrade and meet USI requirements as well as the OECD and DDG* standards.

Note: DDG, Due Diligence Guidance

Qualified Suppliers

USI fulfills its social responsibilities globally and establish the conflict-free mineral procurement policy with target of 100% responsible minerals procurement. From 2015 to 2017, the cooperative smelters of USI's suppliers have reached the 100% target. Details are shown in the following figure:



USI with Environment

USI integrates the concept of ecologically sustainable development with company's managerial decision-making and operation management. The board of directors and the executives assume management responsibility and take the opinions of stakeholders as reference to formulate the corresponding management strategy. Through the continuous promotion of management system related to ISO 14001, ISO 50001, ISO 14064-1, etc. (please refer to the "Management System Certification Table"), we have improved and reduced environmental impact of our operation and hereby make a public disclosure about USI's environmental information for the implementation of corporate environmental responsibility.

USI established EHS & Energy Policy (Environment, Health, Safety, and Energy Policy). Follow the principle of "Compliance with law and response to environmental protection", optimized resource utilization, and created an eco-friendly, healthy and safe working environment. A telephone hotline and mailbox are provided for suggestions or complaints from stakeholders. In 2017, no official complaint about environmental impact was received, and no violation against environmental regulations and environmental pollution incidents.

EHS & Energy Policy

- ► Compliance With Law and Response to Environmental Protection Continue to follow government's laws, regulations and requirements regarding environment, safety and health, and energy, and respond to global movement of environmental protection.
- Hazard Prevention and Training for Communications Continue to provide communications and training in environmental protection, safety and health, and energy to employees, supplies and contractors in order to minimize hazard impacts and incidents.
- ► Pollution Prevention and Continuous Improvement Dedicate ourselves to pollution prevention and energy management, improve product environment and energy performance, and realize continuous improvement.
- ► Energy Saving and Waste Reduction by Effective Use Facilitate more effective use of energy and resource through energy saving, process improvement and waste reduction and recycling.
- Establish Goals for Sustainable Operations Establish and observe management system, develop goals and examine performance for sustainable operations.

ISO 14067

In 2017 USI introduced ISO 14067 (carbon footprint) for the first time



Global warming and climate change are now very important issues of sustainable development. Being a corporation that is willing to do its part as a world citizen for sustainable development, USI will pay close attention to the trend of climate change in the world and how other countries cope with it. Additionally, it will continue to analyze and control the issue to pursue the sustainable development of the environment and the corporation.

Carbon Management

USI continues to launch greenhouse gas reduction policy. The greenhouse gas emission inventory check was performed in 2007 according to ISO14064-1. Another check was conducted in 2010 on our worldwide production bases and the results were verified by third party institution for the establishment of USI inventory benchmark data, as well as the disclosure of information in accordance with relevant international norms, initial regulations, and customer requests.

Climate change has taken its tolls on USI. For example, carbon quota management is now in place in Shanghai, Shenzhen China. Cap and trade system for GHG and possible energy or carbon taxes are issues USI is always paying attention to. In addition to the continuous efforts

in energy efficiency improvement, the promotion of Green Promise and the environmental protection measures of will be in place 2018 in facilities to minimize risks from climate change.

Product Carbon Footprint

In 2017, USI introduced ISO 14067 (carbon footprint) into 4G LTE Dual-band Module for the first time. From the initial extraction of raw material to the final disposal, we thoroughly examine the greenhouse gas emissions caused directly or indirectly at each stage. The final results are showed in the table below:

4G LTE Dual-band Module					
Life Cycle Stage	Material	Manufacture	Total		
GHG Emissions (Kg CO ₂ e / per PCS)	6.01	0.548	6.56		

Greenhouse Gas Emissions

The total CO₂ emissions in 2017 were 157,333.56 tonnes, an increase of 7,233.15 tonnes compared to 2016, but a decrease of 2,609 tonnes from the base year (2015). If analyzing by revenue, the CO₂ emissions per million RMB at revenue were 5.3 tonnes, a decrease of 0.95 tonnes compared to 2016 (a 15% drop) and 0.56 tonnes (a 10% drop) from the base year (2015). The analysis numbers are presented in the figure below:

Greenhouse Gas Emissions in 2017

Unit: tonne CO₂e

	Scope 2			
Fixed Burning Emission	Mobile Burning Emission	Fugitive Emission	Processing Emission	Indirect Energy Emission
5,472.90	339.07	2,041.72	0.00	149,479.87
	149,479.87			

Note:

The data presented came from the ISO 14064-1 inventory results, rounded to the 2nd decimal point; The greenhouse gas emission includes various categories such as CO₂, CH₄, N₂O, HFCs, PFCs, NF₃, and SF₆

Greenhouse Gas Emissions in Recent Years



Energy Management

About 95% of USI greenhouse gas emission comes from electric energy consumption. Therefore, the key to reduce carbon emission is to save energy and maximize the use of electricity. In order to lower the energy consumption generated by operating activities and product manufacturing as well as cost saving, different energy-saving improvement schemes (such as installing frequency converter on some pumps, making seasonal changes to select the best air-conditioning temperature settings, replacing old equipment with new, monitoring and managing electricity costs, etc.) have been adopted for airconditioning, lighting equipment and the areas with major energy consumption facilities of each plant. Besides, it is priority to use low-power consumption for external power supply units during the product design. The test and assessment of energy consumption are also required to ensure the products can meet the requirements and design of environmental protection and energy saving.

► Energy Consumption in 2017

Unit: GJ

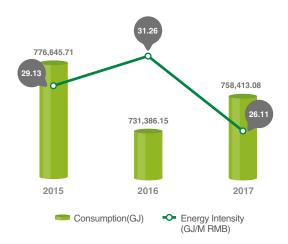
Direct	t Energy Cons	sumption	Indirect Energy Consumption	Total Energy	
Diesel	Gasoline	Natural Gas	Electricity	Consumption	
601.98	4,081.84	96,721.77	657,007.49	758,413.08	

Note:

- 1. The data presented came from the ISO 14064-1 inventory results, rounded to the 2nd decimal point.
- 2. The data included Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan (TT2) Facility.
- 3. Conversion data of the heat value index:
- Zhangjiang, Jinqiao, Shenzhen, and Kunshan Facility have adopted "Table of Reference Coefficients for All Types of Energy" stated in Annex 4 of the 2013 China Electric Power Press
- Taiwan Facility has adopted " Heat Content of Energy Products" of Taiwan Energy Statistics Handbook (2016)

The total energy consumption of 2017 was 758,413.08 GJ, an increase of 27,026.93 GJ compared to 2016. In terms of revenue analysis, the energy consumption per million RMB revenue was 26.11 GJ, a decrease of 5.16 GJ compared to 2016 (a 17% drop) and 3.03 GJ from the base year (a 10% drop). The analysis numbers are in the figure below:

Energy Consumption in Recent Years



Energy Saving Results

In 2017, there were 8 energy-saving projects and, for Eco-design, 7 energy-efficient products that have saved a total of 7,148 kWh of electricity and reduced 5,109 tonnes of CO₂ emissions, equal to the carbon absorption of 19.5 Da'an Forest Park per year.

Note: According to the National Greenhouse Gas Inventory in 2015, the carbon absorption was 10.1 tonnes per hectare per year in forestry sector. This calculation is made based on the area of Da'an Forest Park, 25.93 hectares.

► Energy Saving Projects in 2017

No.	Projects	Description	Power Saving (MWh)	CO ₂ Reduction (tonne CO ₂ e)
1	Renovation project of building B's fuel gas (Zhangjiang Facility)	The original exhaust equipment was scattered with large exhaust air. After evaluation, the improvements of exhaust system in Building B have been made to reduce the energy consumption of ventilators, air handling units, water chiller units, and boilers.	2,163	1,755
2	Renovation project of cooling water pumps in water chiller (Jinqiao Facility)	Changed the cooling water pumps in water chiller from soft boot to jet drag reducing booster.	47	38
3	LED lighting improvement project (Jinqiao Facility)	Replaced old T5 and T8 tubes with energy-efficient LED tubes. (A total of 3,167 T5 tubes and 11,057 T8 tubes were replaced)	2,424	1,966
4	Renovation project of exhaust system (Kunshan Facility)	Pipeline renovation in the sliver area to reduce the wastage. Production of manual safety valves in the exhaust area to close the valves during the non-use period. One suction fan and one spare in biotechnology room and shoe changing area.	32	26
5	Renovation project of HVAC on the third floor (Kunshan Facility)	Made onsite troubleshooting in workshops to reduce air exhaust volume. Renovate the air handling units to reduce the usage of one ventilator through improving the air exhaust volume.	107	87
6	Air compressor replacement project (Taiwan Facility)	Eliminated two old 100HP air compressors and replaced with one 200HP storage-variable and high-efficiency air compressor.	126	67
7	LED lighting improvement project (Taiwan Facility)	Eliminated old T8 tubes and replaced with energy-efficient LED tubes. (A total of 4,600 tubes were replaced)	522	276
8	LED lighting improvement project (Mexico Facility)	Replaced old style traditional fluorescent tubes with energy-efficient LED tubes.	84	38
Tota	al		5,505	4,253

Eco-design for Energy Saving in 2017

No.	Product	Power Saving (MWh)	CO ₂ Reduction (tonne CO ₂ e)
1	NAS System	51	26
2	SSD	261	136
3	Server System	1,290	672
4	Mobile POS, OM7	1	<1
5	PR, dock	38	20
6	Smart Handheld Device	1	<1
7	Wireless Module (WiFi+BT)	2	1
Total		1,643	856

Note: The amount was rounded to the nearest integer

Renewable Energy

In order to respond to the use of renewable energy source, USI have purchased International REC (I-REC), a total of 166,625 KWh, in 2018 as the offset against 2017 CO₂ emission caused by traditional electricity system in all of the facilities in China (Zhangjiang, Jinqiao, Shenzhen, and Kunshan) and, in accordance with the quantitative rule of "GHG Protocol Scope 2 Guidance", as the statement for market-based method offset in scope 2.

▶ 2017 GHG Emissions by Location-based and Market-based Method

Method	Item	Scope 1	Scope 2	Total
Location-	GHG Emissions (tonne CO ₂ e)	7,853.69	149,479.87	157,333.56
based	Percentage (%)	5%	95%	100%
Market-	GHG Emissions (tonne CO ₂ e)	7,853.69	11,623.10	19,476.79
based	Percentage (%)	40%	60%	100%

Note:

- 1. The data presented came from the ISO 14064-1 inventory results.
- The data included Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan (TT2), and Mexico Facility.

10 %
Carbon emission intensity lower
10 % compared to base year (2015)

10 % Energy intensity lower 10% compared to base year (2015)



5,109 Tonnes

We reduced 5,109 tonnes of CO₂ emissions, equal to the carbon absorption of 19.5 Da'an Forest Park per year

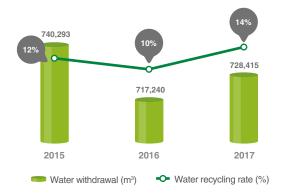
Pollution Control

Water Resource Management

For USI, we do not have issues on contaminating catchment areas as our facilities are not built around it. But China's regulation has become increasingly rigorous and ASE Group paid close attention, the storage and distribution of water resources have also become an important topic for us. So we pay a great attention to it. USI has been making efforts in conserving water resources and continues to manage the resources in our production and daily life. And we keep a track on the water use at all 6 manufacturing facilities to prevent water

pollution. There was no violation of water discharging regulations in 2017, and USI will continue to keep a track on the use of precious water resource and save as much water as possible for a friendly environment and reduction of environmental impacts.

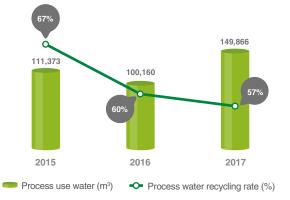
Statistically, USI used a total of 728,415 m³ of water in 2017, a reduction of 1.6% compared to 2015 (740,293 m³), and achieved the reduction goal in 2017 (-0.2%). It is shown below that the absolute water intake is decreasing in recent years. Due to the excellent business and a new record high of company's revenue in 2017, the total water consumption related to products increased correspondingly. All the water was utility water except 40,488 m³ of groundwater used at Taiwan Facility.



To make the use out of every drop of water, USI is planning to recycle as much water as possible via improvement of equipment and technology. Currently, wastewater recycling facilities are up and running at Zhangjiang, Jinqiao, Shenzhen and Taiwan Facility. The statistics show that 104,135 m³ of recycled water in 2017 and 85,743 m³ of it was used in process. The process water recycling rate has reached 57% farther than annual goal in 2017

(55%). However, there is a decrease compared to the previous two years. The reason was the suspension of the original recycling system damaging the water chiller units so that instead of reusing water in the producing process, the wastewater was flushed into the toilets in Zhangjiang Facility. As in Jingiao Facility, they improved 1-Bromopropane cleaning process to rinsing process in 2016 in order to reduce the use of n-propyl bromide which has also caused a significant increase of process water use, yet, the recycling volume was lower than water consumption which led to a decrease of process water recycling rate.

In 2017, Jingiao Facility launched the second-stage project of zero discharge industrial wastewater by adding advanced oxidation system. Through the biological method to treat the organic chemicals in wastewater, it can improve the use of recycling water during process and this project has been completed in the end of 2017. Besides, Zhangjiang Facility also introduced the process water reuse system in 2018 to convert process wastewater into pure water system. Once it is completed, the use of process water recycling will be significantly increased and lowered the water withdrawal.





Second-stage project of zero discharge industrial wastewater (Jingiao Facility)

1.6%

USI used a total of 728,415 m³ of water in 2017, a reduction of 1.6% compared to 2015

The number of process water for reuse was 85,743 m³, and the process water recycling rate has reached 57%

88-2%

The total waste recycling was 5,297 tonnes, and the recycling rate has reached 88.2%

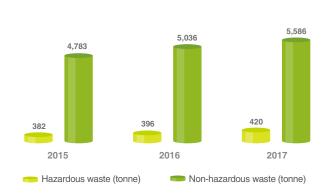


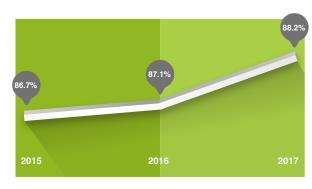


Waste Management

USI consider "waste minimization and reuse" as corporate policy. The principles of "pollution prevention, continuous improvement" and "energy saving, waste reduction by effective use" have been carried out thoroughly in all the facilities and treated as annual performance indicator. Therefore, through regular data record and tracking, the relevant units such as process unit, facility affairs unit, and ESH unit strictly monitor the usage and outputs.

According to the statistic, the total waste generation of 2017 was 6,007 tonnes and the total recovery was 5,297 tonnes. The recovery rate reached 88.2% which was 80% above the set target, as shown in the figure below. In the future, USI will continue to realize the water reduction policy and start from the beginning for the goals of resource sustainability.





Waste recycling rate (%)

USI has developed the waste disposal program specifying that hazardous wastes shall be given to a qualified supplier with a valid license for disposal and that non-hazardous wastes shall be given to a licensed recycling firm for recycling or shipped to a licensed incinerator for incineration. Statistics of disposal methods for various wastes in each facility in 2017 are as shown in the table below: Unit: Tonne

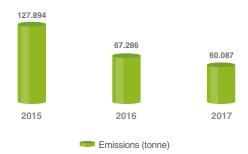
Treatment	F	Reuse	Re	cycling	Con	nposting	L	andfill	Inci	neration
Facility	Hazardous	Non-hazardous								
Zhangjiang	0.00	0.00	81.73	766.30	0.00	0.00	5.40	24.00	86.26	0.00
Jinqiao	0.00	0.00	33.11	283.78	0.00	0.00	0.00	45.94	20.29	0.00
Shenzhen	0.00	415.53	102.49	1,941.27	0.00	0.00	0.00	107.07	36.24	0.00
Kunshan	0.00	0.00	0.00	1,016.63	0.00	0.00	0.00	44.51	16.38	0.00
Taiwan	0.00	0.00	0.00	249.05	0.00	0.00	0.00	129.41	2.79	157.05
Mexico	16.32	109.27	0.00	253.21	0.00	28.08	0.00	15.33	19.18	0.00
Total	Ę	541.12	4,	727.57		28.08	3	371.66	3	338.20

Note: The numbers are rounded to the 2nd decimal point.

Air Pollution Control

In recent years, air pollution is getting worse in China and Taiwan. The significant increase of PM2.5 with gradual expansion of influence area, it has been seriously affected the quality of life to local residents that become an urgent issue currently.

In terms of volatile organic compounds (VOCs), Taiwan Facility was the only one required to be regularly inspected and declared. However, Zhangjiang and Jinqiao Facility made the first declarations at the end of 2017 by the request of competent authority in Shanghai City. Although there are no relevant regulations, Shenzhen Facility still conducts autonomous inspections and management as well as the project of preventive measures that planned to be completed in 2018. The VOCs emissions in 2017 were 60.087 tonnes, a decrease of 10.7% compared to previous year. Please refer to the table as shown below for more details.



Note:

- 1. The data included Zhangjiang, Jinqiao, Shenzhen, Taiwan Facility.
- 2. Due to the statistic of 2017 pollutant discharge declaration in Shanghai facilities (Zhangjiang and Jingiao Facility) was made according to the method announced by Shanghai Environmental Protection Bureau that is different from the original statistical method, thus, it is adjusted to the base year (2015) data.

10.7% VOCs emissions were 60.087 tonnes, a decrease of 10.7% from 2016

For the emissions of nitrogen oxide (NOx), sulfur oxides (SOx), and suspended matter, although they have not been included into local regulations, Zhangjiang Facility and Jinqiao Facility still autonomously conduct detections and disclosures. In the future, USI will request other facilities to disclose air pollutants. Related data in 2017 are as shown in the table below:

Unit: Tonne

Facility Pollutant	Zhangjiang	Jinqiao	Shenzhen	Taiwan
Volatile Organic Compounds (VOCs)	14.359	25.787	0.170	19.770
Nitrogen Oxides (NOx)	0.010	1.795	N/A	N/A
Sulfur Oxides (SOx)	1.870	N.D.	N/A	N/A
Particulate Matter (PM)	1.345	N/A	N/A	N/A

Note:

- 1. The estimated emission level and amount in the test report produced by a third party test body are adopted for the Zhangjiang, Jingiao and Shenzhen Facility, and the data are rounded to the 3rd decimal point.
- 2. The discharge amount of Taiwan Facility is based on the declared amount of air pollution fees collected by local environmental protection organizations, which is calculated with mass balance
- 3. N.D.: Not detectible, i.e. the level is too low to be detected by the
- 4. N/A: No applicable local regulation is specified and no self-testing data is available.

Green Promise

To present the corporation's green promotion, and pursue harmonious dialogs between and coexisting development of environment and culture, USI established "Green & Environment, Health and Safety Department" to assure products and operating systems comply with international environmental regulations and clients' standard requirements. Within the green supply chain, from product materials procurement to product final disposal, a series of preventive green-management measures were implemented in order to reduce the environmental impact of the product and production process.

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



Four Green Promises of USI

Green Education

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

Green Management

- Have a comprehensive Green Management System
- · Introduce Design for Environment
- · Maintain the EHS database
- Implement auditing for the hazardous substances management system
- Implement Product Carbon Footprint
- Introduction of Material Flow Cost Accounting
- Implement Green Office
- Implement cleaner production in each facility

Green Expenditures

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

Green Supply Chain

- Control the quality of materials with suppliers
- To request suppliers to provide component table, testing report(s) and declaration of conformity
- To carry out annual examination of green product suppliers
- Implement Responsible Minerals Initiative
- Improve the communication channel between and suppliers (e.g. supplier the sustainability conference, supplier questionnaires, etc.)

Green Management

With respect to the strategies of green management and ecological design on products, USI continuously commands the latest international environmental protection laws, directives and clients' requests. In addition, USI integrates and stipulates "Standards for Green Environmental Protection Products" to control hazardous substances in electronic components and products. The design and R&D personnel of USI have ecological design capabilities for their products, which allows our environmental-friendly products to be sold around the world and ensures that the green products we manufacture and sell are in compliance with environmental the laws, regulations and requirements around the world in terms of environmental protection, while satisfying customers' needs and the development trends of environmental protection, and following company's standards for internal control.

► Three Main Aspects of Eco-design of Green Product

Aspects	Environmental Directives	Requirements	USI DfE
Hazardous Substances in Electronic Products	 RoHS (RoHS Restriction of Hazardous Substances) REACH* (Registration Evaluation and Authorization of Chemicals) Halogen-free parts and process requirements Battery Directive and Packaging and Packaging Waste Directive 	Low-pollutingNon-toxic	Phase out the use of BFRsPhase out the use of PVCUse non-halogen materials
Recycling Management of Electronics	WEEE (Waste Electrical and Electronic Equipment)	RecyclableEasy to take apartEasy to process	 Reduce the number of tools used to take machines apart Increase the percentage of recyclable module designs Introduce the labeling for recyclable plastics
Ecological Energy Design of Products	ErP (Energy-related Product)CEC (California Energy Commission)	Energy savingResource savingReduced environmental impact	 Reduce the energy consumption of machinery in stand-by or off mode Increase the efficiency of energy conversion of EPS Keep machinery in power-saving mode

REACH: In accordance with the registration, evaluation, certification and restriction act of chemicals up to March 2017, there are more than 300 chemical substances of Green Promise comply with RoHS. And it has reached a total of 174 substances in REACH's SVHC (Substances of Very High Concern) Candidate List.

USI has ecological design capabilities for products, plans green products conforming to global laws and decrees, and responds to the trend of continuous development of green products. Meanwhile, with respect to the management of hazardous substances in the environment, USI continuously strengthens the function of Green Product Management System (GPMS) and the establishment of a database for environmental hazardous substances (EHS Database). Moreover, through standards for green environmental protection products and the operating procedure of Design for Environment (DfE), USI synchronously verifies with USI's project development unit and clients, and evaluates potential impact for environment in design stage of products. In addition, USI assures that our facilities home and abroad pass the annual inspection of the third unit for "environment management system", "hazardous substance management The principle of eco-design is introduced in product development and design based on USI's three axes of electronic product eco-design and the green environment policy established by the company is followed. For example, materials comply with HSF (Hazardous Substance Free), RoHS and WEEE requirements. In addition, energy-efficient design is introduced to meet the requirements of Energy Star and ErP, as to meet a range of environmental factors, such as material use, energy saving and ${\rm CO_2}$ reduction, efficient use of water resource, pollutant emission, resource wasting and recyclability. Moreover, in order to enhance the promotion of green products, USI established the "Green Design Innovation and Invention – Incentive Patent Reward System" in the end of 2017 to give green-related designs weighted scores in order to promote green-related proposals. The results will be reviewed in the next year.

► Future Goals for Green Product

Types of Product	2020 Goals
Server	 DC-DC converter efficiency: Full load 92.6% To use PSU meets EU CoC Tier-2 & US DOE To use 80 Plus titanium PSU
NAS (Network Attached Storage)	To replace coin battery with super charge capsTo improve DC/DC design efficient, target: 90%
NS (Network Solutions)	To achieve the latest standby requirement of ErP Lot 26
SSD (Solid-State Drive)	To achieve fully supports PCIe low power features To develop power regulator solution supports working mode switch to reduce power
Wireless Communication	 To continue to improve module design method and ability and realize product eco-design To keep strengthening the integrated module design and improving the efficiency of energy use

► USI's Performances of Green Design in 2017

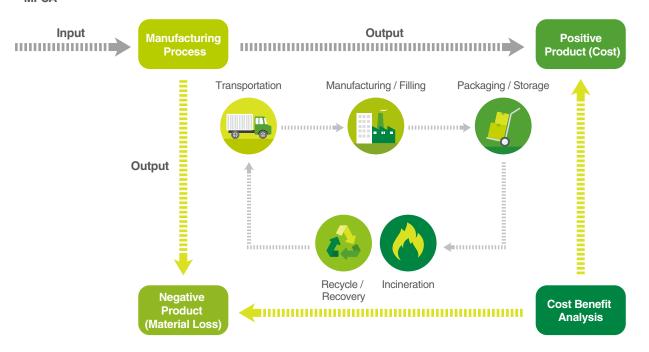
Product Category	Key Features of the Green Design	2017 Performance
Smart Handheld Device System Part	Improve energy efficiencyReduce power consumption at standby	 Power transformer is compliant with DoE Level-VI: When supply output at 115 VAC and 230 VAC, energy efficiency can reach above 88% under the average load of 25%, 50%, 75% and 100% No load energy consumption reduces to 0.21W
NB Dock	Improve energy efficiencyReduce power consumption at standby	 Power transformer is compliant with DoE Level-VI: When supply output at 115 VAC and 230 VAC, energy efficiency can reach above 88% under the average load of 25%, 50%, 75% and 100% No load energy consumption reduces to 0.21W
Server	 Improve energy efficiency Reduce power consumption at standby 	 Fan control optimization. The development of CPU and virtual disk (vDisk) control mechanisms allows the wind speed adjustable according to CPU usage and HDD activity to minimize the energy consumption of system DC conversion efficiency of mainboard's power supply can reach above 93% when the system is overloaded Power supply meets Platinum and Titanium grades with high-efficiency power components Introduce BMC-BIOS designs into Intel Node Manager, the advanced power management mechanism, and USI's intellectual cooling system designed according to different system configurations to provide a highly efficient solution

Product Material Flow

Material Flow Cost Accounting (MFCA) is a new environmental management accounting technique that keeps a track of material flows during production to determine the efficiency of resource use and environmental improvement. It is intended to realize environmental protection and improve economic benefits through resource saving, decreased pollution and cost reduction, while embodying the beneficial technology that improves the efficiency of resource use and reduces or prevents generation of pollutants through clean production from the beginning.

In 2016. USI introduced MFCA (Material Flow Cost Accounting) to indicate the resource losses, such as material recovery and waste treatment, with clear material flow and cash flow according to all processing and treatments steps for Taiwan Facility's wireless communication module products. It means a more in-depth understanding from "process map" to "energy cost" so as to identify the output of "positive products" or "negative products" as an important basis for improving sustainability and environmental management. In 2017, through the material flow project, the balance of input and output materials and cost efficiency were calculated for 4G LTE Dual-band Module of Zhangjiang Facility. Based on the negative product loss project, it shows that the negative product loss is about 9.4% of the total cost. After completing the material flow inventory calculation, we have obtained ISO 14051 certification through third-party verification. The energy use efficiency has been improved by this project for identifying low-efficiency process to achieve better profitability and environmental performance.

► MFCA



ISO 14051

4G LTE Dual-band Module in Zhangjiang Facility obtained ISO 14051 certification

Green Office

USI continues to promote green office culture. In order to reduce paper use in the office, related document signing operations have been introduced successively into online e-signature system. The electronic payroll, company parking, and accommodation expenses were incorporated with e-invoicing system. The in-plant orientations were held to promote the use of e-carrier. Furthermore, in accordance with the specifications of "EHS&En Change Management Procedure", the purchase of products related to green labels has been given priority when the equipment change or modification requests are made. In terms of office energy saving, all of our facilities have also eliminated old air-conditioning equipment as well as traditional fluorescent lamps since 2015 and replaced with new high-performance airconditioning systems and energy-efficient LED lighting fixtures. (For 2017 performance, please refer to chapter of "Energy Management".)

Cleaner Production

In addition to adopting ecological design for its products, USI conforms to the principles of the cleaner production evaluation system at all its facilities in production and manufacturing, logistics and transportation, green management and social responsibility to implement resource conservation, green manufacturing processes, pollution prevention and innovative eco-friendly design. This has not only lowered the impact of manufacturing processes upon the environment, but also reduced costs of raw materials, energy, and pollutant treatment while increasing economic and environmental protection

benefits. Since 2011, its facilities including Zhangjiang, Taiwan, Shenzhen and Kunshan Facility have successively obtained cleaner production certification. It is planned that Jinqiao Facility will receive related certification in 2018. USI will continue to devote itself to the promotion of cleaner production and the establishment of a green factory.

For "zero net deforestation", the wooden articles that we use in the company are mainly made by pallets or crates used in product transportation. In addition to the materials designated by customers, USI follows the requirements as below:

Туре	Range of Use	Requirements
Plastic Pallets or Antistatic Plastic Crates	For all in-plant transportation and storage of products/raw material, as well as the transportation to the customers nearby	Self-recycling and reuse
Regenerated Wooden Pallets or Crates	For long-distance transportation to customers	Recycle and reuse by outsourced manufacturers
Fumigated Wooden Pallets	Designated by customers	Made by fast-growing trees

In 2017, USI have saved the expenditure about USD 27,600 for company under the promotions of all green packaging and transportation projects.

► Green Packaging and Transportation in 2017

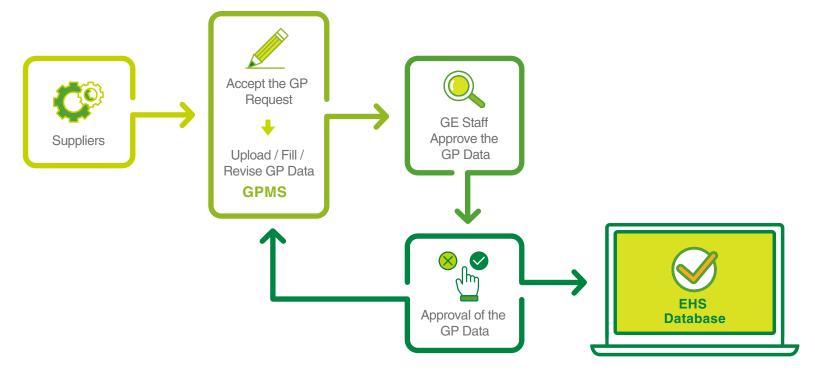
Project	Description	Performance
SPM5 packaging material reduction project	 Redesign the product package with the principle of the most economic volume New package adopts stainless steel Removed package of cartridge holder to reduce package weight 	New package design can reduce 43% volume and extend the packaging life and recycling times. Each 640 product packages can reduce 1.12kgs which lowers transportation cost as well as the negative impact on the environment caused by transportation and operation process. The saving in 2017 was about USD 6,200.
KC-2 packaging material modification and reduction project	 Redesign new product stacking method with the principle of the most economic volume Changed shock absorbing packaging material (from EPE to EPS) to be recycled and reused 	New stacking method can reduce 20% volume for more space for cargo use. The modified shock absorbing packaging material can be reused three times, greatly lowering the transportation cost of packaging materials as well as the negative impact on environment caused by transportation and operation process. The saving in 2017 was about USD 21,400.

Green Supply Chain

The trend toward sustainable development of green product 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, transportation, packing, 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.

USI has introduced Green Product Management System (GPMS), and its suppliers can obtain information regarding USI's latest green product norms through the system and log in the platform to have their green components certified. USI's R&D, production and quality assurance units can comprehend control standards for the composition and content of green products and take required control measures. The labeling of materials from suppliers must conform to Green Product Specification and Chemicals Control Procedure by USI, and suppliers should provide ingredient tables for components, test reports, declarations of conformity and safety information for its environmental, safety and health department to examine before the components can be used. For information of other supplier auditing, communications and conflict-free purchase projects, refer to "Supply Chain Management."

► GPMS/EHS System



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. The e-learning courses of green education were 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. See the chapter of "Supplier Communication" for associated activities in 2017.

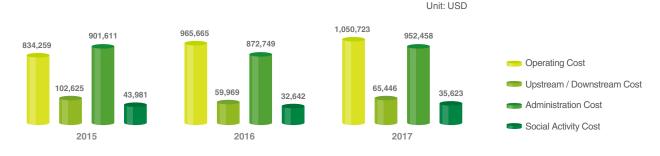
► The Green Education Training Program

Courses	Course Content							
Introduce The GP Quality Management System	 International environmental regulations and requirements for green products Framework of green management system The operating procedure for GP design/manufacture 							
Assess The Specs of GP and Parts	 Require the data about green parts Keep track of Green raw-materials inventory Recognition and change of Green raw materials Recognition of the green environmental products 							
Introduce Relevant Laws on GP	 EU RoHS and RoHS 2.0 China & Japan RoHS Halogen-Free REACH USA CEC The Relevant Regulations of Battery 	 WEEE Directive ErP USA Energy Star Eco-label & EPEAT Carbon Footprint 						

Green Expenditures

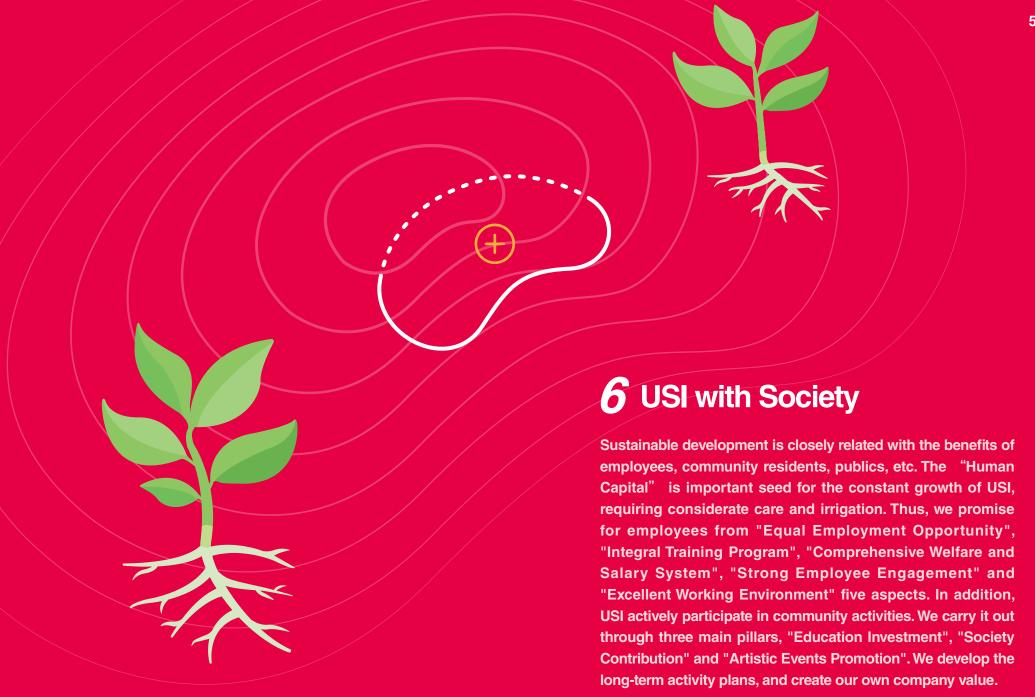
USI environmental expenditure of 2017 is a total of 2.1 million US dollars, an increase of 9% compared to the previous year, including "Operating Cost", "Upstream and Downstream Costs", "Administration Cost", "Social Activity Cost". Please refer to the following table for more details.

Expenditures of Environmental Protection



Note:

- The statistics covered Zhangjiang, Jinqiao, Shenzhen, Kunshan and Taiwan Facility.
- "Operating Cost" item included pollution prevention cost, efficient utilization and waste disposal cost.
- "Upstream / Downstream Cost" item included green procurement, recycling of used products, etc.
- 4. "Administration Cost" item included manpower engaged in environmental improvement activities and environmental education, acquisition of external environment licenses / certification, and government environmental fees, etc.





Global Workforce

Human Rights Policy

The spirit of RBA was incorporated in USI's corporate sustainability policy in June 2008 in order to protect workers' freedom of employment, humane treatment, freedom of assembly and for prevention of discrimination. USI obeys the local labor laws and acts, ask all USI employees must to observe "Code of Employees' Conduct". USI also requires each department to consider their physical and mental 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.

Code of Employees' Conduct point out clearly:

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

The employees at our worldwide facilities must undergo the "Code of Employees' Conduct" online course each year to enhance their understanding of the laws and regulations. At the same time, through the method of online testing, we confirm the employees' understanding of related provisions. In 2017, the average training hours on human rights issue for each person is 1 hour; the total number of training hours is 17,155 hours; the total number of people trained is 16,908 people, which accounts for 103% of the total number of people*.

Note: Due to the resignation of employees, the number of people trained > the number of total people.

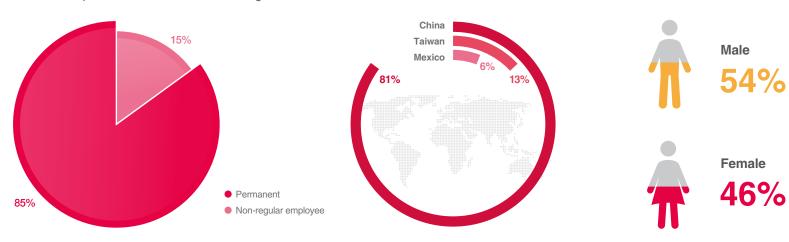


Employee Privacy

Upholding the principles of respecting and protecting employees' personal information, the Company has appointed personnel to strictly control and manage recruitment, performance appraisal and salary information that is related to personal privacy. For example, someone who needs to review employees' personal information due to the work shall submit an application according to standard procedures and receive permission from the supervisor beforehand. Those who violate regulations governing employees' personal information and privacy will be handled according to the company's rules and shall be liable for legal responsibilities. Besides, based on salary confidentiality policy, all employees are requested "Not to talk about self or other employee's salary" and "Not to ask other employees about their salary". In case of violating this rule, they shall be handled with relevant penalty rules.

Workforce Structure

USI has a workforce of 16,481 in total up to the end of 2017. It consists of 13,959 permanent, 2,522 non-regular employees; by the employee category including 873 managerial personnel, 1,213 clerical personnel, 3,137 technical personnel and 11,258 skill personnel. If by the area distribution included 13,388 in China, 2,076 in Taiwan, 1,017 in Mexico. 46% of USI's workforce composes of female as shown in the figure below:



- 1. Permanent Employees: Employees who signed the employment contract with the Company and who works 8-hour workdays, does not include dispatched workers.
- 2. Non-regular Employees: Employees who signed the fixed-term employment contract with the Company, does not include dispatched workers and pay-by-hour workers.
- 3. Only the Taiwan Facility has employed 76 dispatched works (included 51 male and 25 female), which accounts for 3.53% of the total number of Taiwan people.

16,481 people

The total employees were 16,481, and rose 9% compared to last year

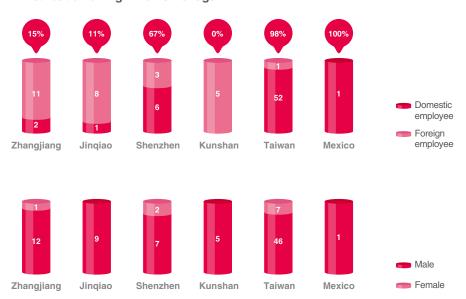
► USI Workforce Structure Table

Categories	Groups	Zhang	jiang	Jinq	iao	Shen	zhen	Kuns	han	Taiw	an	Mexi	co	Subtota Percent Grou	age by
		Number	%	Number	%										
	Management Position-Male	140	16.0%	122	14.0%	112	12.8%	95	10.9%	175	20.0%	18	2.1%	662	4.0%
	Management Position- Female	58	6.6%	22	2.5%	68	7.8%	20	2.3%	31	3.6%	12	1.4%	211	1.3%
	Technical Position-Male	501	16.0%	515	16.4%	315	10.0%	267	8.5%	883	28.1%	52	1.7%	2,533	15.4%
Employee	Technical Position-Female	161	5.1%	103	3.3%	78	2.5%	60	1.9%	190	6.1%	12	0.4%	604	3.7%
Туре	Business Position-Male	55	4.5%	26	2.1%	60	4.9%	86	7.1%	73	6.0%	33	2.7%	333	2.0%
	Business Position-Female	172	14.2%	76	6.3%	245	20.2%	126	10.4%	204	16.8%	57	4.7%	880	5.3%
	Skill Position-Male	1,101	9.8%	1,761	15.6%	1,186	10.5%	1,010	9.0%	83	0.7%	177	1.6%	5,318	32.3%
	Skill Position-Female	1,326	11.8%	1,238	11.0%	1,593	14.1%	690	6.1%	437	3.9%	656	5.8%	5,940	36.0%
Candan	Male	1,797	20.3%	2,424	27.4%	1,673	18.9%	1,458	16.5%	1,214	13.7%	280	3.2%	8,846	53.7%
Gender	Female	1,717	22.5%	1,439	18.8%	1,984	26.0%	896	11.7%	862	11.3%	737	9.7%	7,635	46.3%
1	Local	3,449	20.9%	3,829	23.2%	3,644	22.1%	2,333	14.2%	1,927	11.7%	1,017	6.2%	16,199	98.3%
Location	Non-local	65	0.4%	34	0.2%	13	0.1%	21	0.1%	149	0.9%	0	0.0%	282	1.7%
	≤ 30	2,534	23.1%	3,202	29.1%	2,485	22.6%	1,828	16.6%	416	3.8%	524	4.8%	10,989	66.7%
Age	31-49	966	18.8%	652	12.7%	1,160	22.6%	520	10.1%	1,434	28.0%	397	7.7%	5,129	31.1%
	50≥	14	3.9%	9	2.5%	12	3.3%	6	1.7%	226	62.3%	96	26.4%	363	2.2%
Subtotal by	Facility	3,514	21.3%	3,863	23.4%	3,657	22.2%	2,354	14.3%	2,076	12.6%	1,017	6.2%	-	-
Total															16,481

Note: Employee category includes management position, technical position, business position and skill position groups, and Gender category includes male and female groups. Others category are following as same as the rule.

USI has been proactive in solving the employment issue of local people and people with physical or mental disability. In 2017, the employees are local people reached 98.3% .The proportion of hiring local citizens as high profile managers is 69%. The rest managers are Taiwanese supervisors due to operational demand. In addition, worldwide sites have employed 55 disability works in each facility as shown in the table below:

► Distribution of High Profile Manager

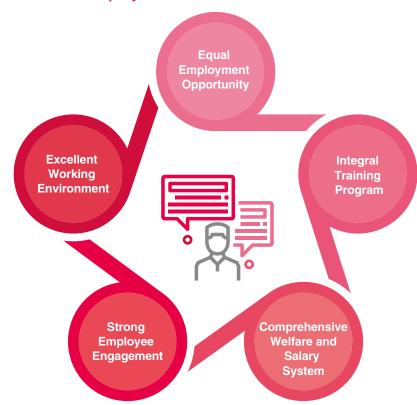


Note: High profile managers are directors and above

► Distribution of Disability



Promises for Employees

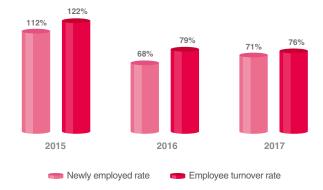




Equal Employment Opportunity

USI recruited professional talents according to objectives and competency. In worldwide sites, USI established systematic employment policies and standardized procedures. According to the human resource requirement verified by each department, and then hold recruitment publicly. 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. Select employees' professional characteristics using an objective testing tool. This enables diverse talents from the world to play their specialty.

The distribution of newly employed and turnover rates in the recent three years is shown in the table below. It can be seen that the turnover rate has declined year by year.



► New Employee Incoming and Turnover in 2017

	Zhangjiang	Jinqiao	Shenzhen	Kunshan	Taiwan	Mexico	Total			
New Employee Incoming										
Male	971	2,499	1,226	1,022	189	245	6,152			
Female	1,099	1,598	1,350	637	252	570	5,506			
Age ≤ 30	1,884	3,824	2,298	1,602	297	561	10,466			
31 ≤ Age ≤ 49	186	273	278	57	141	220	1,155			
Age ≥ 50	0	0	0	0	3	34	37			
Newly Employed Rate	59%	106%	70%	70%	21%	80%	71%			
		E	Employee Turn	over						
Male	1,338	2,050	1,390	1,016	152	244	6,190			
Female	1,561	1,604	1,673	791	167	619	6,415			
Age ≤ 30	2,587	3,361	2,672	1,712	184	571	11,087			
31 ≤ Age ≤ 49	311	291	391	95	124	260	1,472			
Age ≥ 50	1	2	0	0	11	32	46			
Employee Turnover Rate	82%	95%	84%	77%	15%	85%	76%			

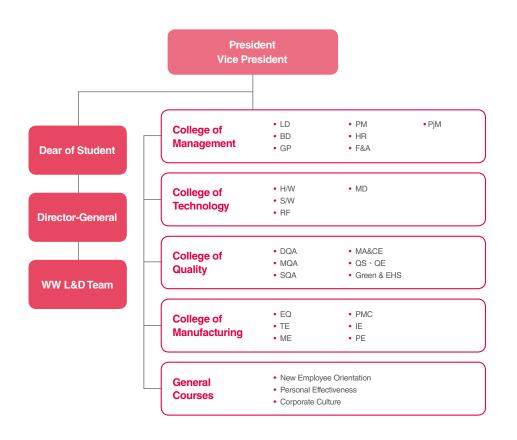
Note:

- 1. Newly Employed Rate = No. of people assuming office this year ÷ No. of people remaining in office at year end × 100%.
- 2. Employee Turnover Rate = No. of people leaving office this year \div No. of people remaining in office at year end \times 100%.
- 3. Due to batch orders at Jinqiao Facility, this caused the staff turnover rate to be higher.

Integral Training Program

Employees are important assets of USI. They are also the spirit of and motivation for the company to progress and grow. Therefore, USI has been devoted in investing talents and providing employees the most appropriate resources and effective learning models, helping them to continuously enhance themselves and show their value in relevant expertise.

Through multiple educational training, USI helps its employees cultivate professional abilities and grow. The most important learning and development system of USI is USI University (hereinafter referred to as USIU). USIU has "College of Management", "College of Technology", "College of Quality", "College of Manufacturing" and "General Knowledge Center", led by the president as the university principal; professionals who are influential in the field and who are above the vice general director level are appointed as the deans of the said colleges and director of the center. USIU integrates global learning resources for employees to learn and develop. For many years, USIU has developed excellent teachers and fine knowledge for delivering culture.



22.3 Hours

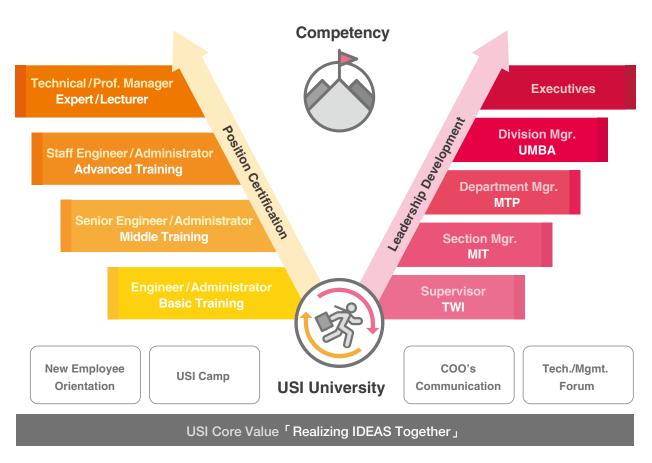
The total training hours were 367,602 hours, and each employee received 22.3 hours of training on average

► The Employees Training Hours

USI's total training hours reached 367,602 hours in 2017. The total training hours for males is 206,430 hours and the total training hours for females is 161,172 hours. Each employee received 22.3 hours of training on average. The training situations for each category employee are shown as below:

Category	Total Training Hours	No. of Employees Training	Average Hours Per Each Employee of Training
Female	161,172	7,635	21.1
Male	206,430	8,846	23.3
Indirect Employee	98,190	5,223	18.8
Direct Employee	269,412	11,258	23.9
New Employee	228,649	11,658	19.6

A learning development map that emphasizes on expertise and management has been built for USIU courses based on the company's strategies and aspects of core management, professional competency and career development. Each employee has his or her customized learning map to help colleagues solving problems at work and reach the organization's targets effectively. Besides, the company also holds regular technology and management forums to continuously update the information and respond to the trend and changes.



Note:

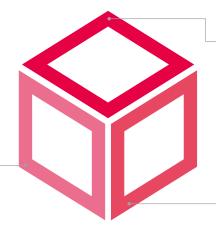
- 1. UMBA, USI Master of Business Administration
- 2. MTP, Manager Training Program
- 3. MIT, Manager Initial Training

• Multiple Learning Channel and Platform

USIU provides training courses required by comprehensive talents for employees, not only offers diverse educational training content, but also designed the methods of taking the class and relevant activities based on the course category. The courses include training in the classroom, e-learning training, on-job training, and external training. These courses help USI employees to learn and develop themselves. A multiple learning model and a precise and solid training framework. Plan diverse innovative learning channels inside or outside the trainings, inspiring employees to continuously grow. By presenting the procedure, R&D, project and innovation results, employees can also apply what they have learned in work field.

Off-Job Training (Off-JT)

New Employee Orientation, Experience Camp, Core or Management or Professional Competencies, Leadership Training, More than the second type of foreign language ability, Seminar, Training Lecture, Forum



Self Development (SD)

Professional books and journals, E-learning, On-the-Job Training

On-Job Training (OJT)

Internal Orientation Training, SOP Training, Professional Skill Accreditation, Technology Sharing Conference, Book Club













► 2017 Performance

Items	Description
Industry- University Cooperative Project	The company started to launch an industrial-academic cooperative project from 2016. Through internships, this project enables students to play their skills into full play, experience career life, and enhance personal competitiveness. The first intern training plan was taken place in 2017 and trained 21 students around the world.
Upgrade LMS (e-Learning)	The upgraded LMS learning platform has even more complete functions and friendly user-interface. The new version also supports a number of languages, browsers and teaching materials, enabling employees to profit from abundant and diverse learning resources. Employees can also share learning resources and enhance learning efficiency through the WW learning platform.
Build WW SOP Training System	Since 2016, USI building SOP Training System, the employees know each operation process and rule in the SOP by the learning platform. When the SOP is updated, the relevant personnel will receive a synchronization notification immediately to keep abreast of the latest specifications and ensure their validity.
Management Competencies Training	Since 2016, the leadership of college of management has gradually integrated with the management and competency framework across facilities to establish and manage the common language and targets while maximizing effectiveness, practicality and organizational benefits. Through solid trainings and exchange of management experiences between teachers and students, the company has managed to enhance interdepartmental and interplant management skills and communication / negotiation competency.





► Internal Instructor Program

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. Up until 2017, the total number of people in the facilities that have passed internal instructor training is 661 people.

Facility Gender	Zhangjiang	Jinqiao	Shenzhen	Kunshan	Taiwan	Mexico	Total
Female	39	47	26	39	47	10	208
Male	100	101	67	84	101	0	453
Total	139	148	93	123	148	10	661

Comprehensive Welfare and Salary System

USI is willing to give employees reasonable rewards for what they have given for the company. According to market salary standards, external competitiveness of talents, and the supply and demand status of the labor market, a competitive salary system is made. Also, in accordance with the operation status of the Company, the employee annual performance assessment results, employee performance at work, and other consideration factors, the Company participates in the salary survey publicly held by the most well-known local business consultants and regional salary associations, so as to adjust employee salary in a timely manner, so that the employees can receive a reasonable wage, ensuring that the Company's overall salary are competitive in the market.

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

USI abides by local labor laws and decrees, and the starting salaries and rewards of its employees do not vary due to gender, religion, political affiliation and marital statuses. The ratio of the standard starting salary of entry-level personnel (direct employees) to the local minimum wage is about 1.02~1.16: 1 after calculation; while the ratio of the wage of male and female indirect employees is 1.21:1. An analysis on the proportion of basic and total salary indicates that the salary difference between male and female is relatively bigger only in the Taiwan Facility (the proportion of basic salary between male and female is 1.31). Details are shown as follows:



- 1. Proportion of starting salaries of direct labor and local minimum wages = Starting salaries of direct labor ÷ local minimum wages.
- 2. Proportion of male and female salaries = Salaries of male employees ÷ Salaries of female employees.

67 USI with Society

• Employee Performance Appraisal and Function Development

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.

▶ Distribution of Employees Receiving Regular Performance and Function Development Review in 2017

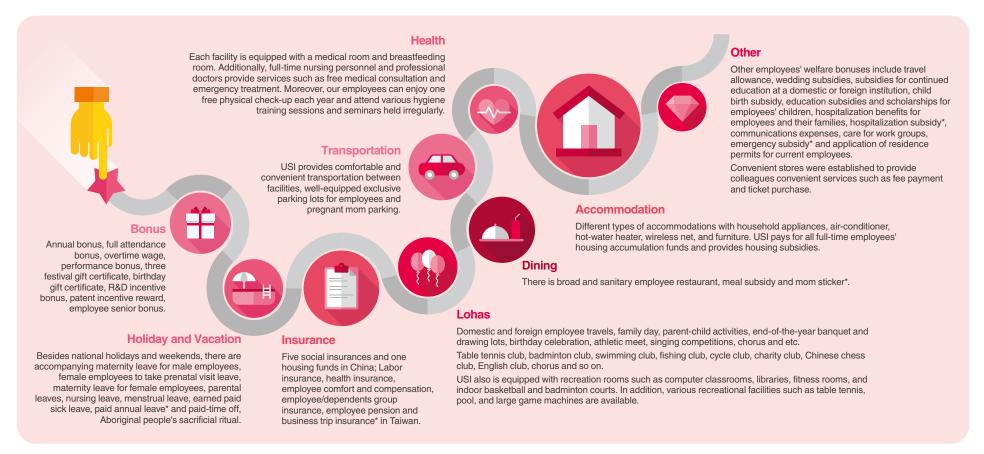
			Regular Performance R	eview	Function Development Review				
Gender	Hiring Types	Amount of the Employees	No. of Employees Accepted Regular Examinations	Percentage of Employees Accepted Regular Examinations	Amount of the Employees	No. of Employees Accepted Regular Examinations	Percentage of Employees Accepted Regular Examinations		
	Management Position	664	659	99%	659	639	97%		
Male	Technical Position	2,535	2,151	85%	2,151	2,151	100%		
iviale	Business Position	341	298	87%	298	298	100%		
	Skill Position	5,318	3,704	70%	3,704	3,704	100%		
Subtotal		8,858	6,812	77%	6,812	6,792	100%		
	Management Position	212	210	99%	210	210	100%		
Famala	Technical Position	604	546	90%	546	546	100%		
Female	Business Position	888	800	90%	800	800	100%		
	Skill Position	5,940	4,583	77%	4,583	4,583	100%		
Subtotal		7,644	6,139	80%	6,139	6,139	100%		
Total		16,502	12,951	78%	12,951	12,931	100%		

Note:

^{1.} Performance Assessment Personnel Qualification: The regular staff who have assumed post for 3 months or more during the assessment period. However, those who haven't passed the probationary assessment, or those on leave without pay for less than three months are not listed in the name list of performance assessment personnel.

^{2.} Executives of deputy managerial, managerial rank or higher are not included in the functional development assessment and review.

• Employees' Welfare



- 1. "Paid annual leave" is implemented according to local regulations.
- In China facilities: An employee who has been working for more than one year and less than 10 years will be offered with 5 days of annul leaves; more than 10 years and less than 20 years will be offered with 10 days; more than 20 years will be offered with 15 days.
- In Taiwan facility: An employee who has been working for more than 6 months and less than 1 year will be offered with 3 days of annual leave; more than 1 year and less than 2 years will be offered with 7 days; more than 2 years and less than 3 years will be offered with 10 days; more than 3 years and less than 5 years will be offered with 14 days; more than 5 years and less than 10 years will be offered with 15 days; more than 10 years will be offered with one additional day each year.
- In Mexico facility: Those who have been working for 1 year will be offered with 6 days; more than 1 year will be offered with days of annual leave each additional year (no more than 12 days in total); more than 4 years will be offered with two additional annual leave every five years.
- 2. Apart from managers above the section level, starting from 2017, employees above the G8 grade will be offered with a "hospitalization subsidy", and dispatched employees will be offered with "business trip insurance".
- 3. For pregnant employees who show the "mom sticker" will be offered with an extra portion of meal.
- 4. Furthermore, employees who suffered from a difficult situation due to an emergency or major incident can apply for emergency subsidy to the company's welfare committee. Upon receipt of the committee's approval, the "emergency subsidy" will be offered accordingly.

Statistics on Parental Leave in 2017

No	Taiwan		
Item	Male	Female	Total
No. of People Qualified to Apply for Parental Leave That Year	58	27	85
No. of People Actually Applied for Parental Leave That Year	2	7	9
No. of People Expected to Be Reinstated That Year	1	3	4
No. of People Actually Reinstated That Year	1	3	4
No. of People Reinstated in Previous Year	1	2	3
No. of People Reinstated in Previous Year and Continued to Work for More Than One Year	1	2	3
Reinstatement Rate for Parental Leave (%)	100%	100%	100%
Percentage of People Holding Their Post Due to Parental Leave (%)	100%	100%	100%

Note:

- The data only cover Taiwan Facility because other facilities do not provide parental leave.
- Qualification for Application of Parental Leave without Pay that Year:
 Those who have applied for "Paternity Leave" or "Pregnancy Leave" (20 weeks or more) from 2014 to 2017 and who still hold a post in 2017.
- Reinstatement rate for parental leave = No. of people actually reinstated that year ÷ No. of people expected to be reinstated that year × 100%.
- 4. Percentage of people holding their post due to parental leave = No. of people reinstated in previous year and continued to work for more than one year ÷ No. of people reinstated in previous year × 100%.

► Employee Insurance and Retirement

USI and its subsidiaries provide retirement welfare by following local laws and regulations. In China facilities, USI provides all employees five social insurances and one housing funds. The Taiwan Facility, on the other hand, appropriates an amount to employees' retirement account each month and calculates the retirement fund each year. Where the balance of retirement account is insufficient to pay for relevant expenses of the year, the Taiwan Facility will make up the balance before 31 March in the following year. An estimation made at the end of 2017 indicated that the balance was NTD 277,482,320, which was short of NTD 5,677,670, and was made up in March of 2018. In the same year, China facilities appropriated RMB 125,465,252 (retirement insurance funds). The proportion of appropriation of each facility is as follows:

Note: The five social insurance, and one housing funds is standardized social insurance in China, it's included the retirement insurance, medical insurance, unemployment injury insurance, maternity insurance and housing provident fund.



Balancing Work and Life

In USI, various clubs have been established for the purposes of "health", "happiness" and "learning". Related expenses are appropriated each year for the clubs to hold activities and to enhance physical and mental development of staff.

▶ 3 Main Axes of the Event

(4)Health

Happiness

The philosophy of happiness is the magic wand to create win-win for a company and its employees. If "failure is the mother of success, happiness will be the father of success". Employees get their passion and inspiration from happiness, whereas happiness is the spring of power that keeps employees going.

Only a healthy body can create infinite possibilities. By improving employees' knowledge and environment of healthy life, the efficiency is improved and productivity doubled.

Learning

Learning keeps you young. Learning is to take care of employees for the rest of their lives. Learning programs are developed for employees' career development. Looking for the fun of learning keeps life going and makes employees willing to work harder.

To organize employees' welfare and related activities, USI has established "Employees' Welfare Committee" in Taiwan Facility. The committee holds interesting and public events with clubs to let more employees and their families attend and achieve the objective of "cultivating useful skills in life". It has not only brought spiritual joy and healthy and happy life to employees, but also cultivated teamwork, promote harmonious work atmosphere and enhance work efficiency.

























Strong Employee Engagement

USI builds a good employer-employee communication mechanism, and signs labor contracts conforming to local laws and regulations with its employees (the signing rate reached 100%). The contracts explicitly state rights and obligations for both parties to abide by. When there is any great change to USI's operation which makes labor contracts unable to be fulfilled, employees shall be notified in advance in accordance with local laws and decrees. We also communicate with the affected employees, explaining the rights and interests that they should have, while cooperating with the Vocational Training Bureau to provide training and planning, and collecting information on job opportunities in nearby regions to assist the colleagues in transferring jobs.

In addition, USI in order to provide a complete communication channel and to continuously establish an open and smooth management environment built upon mutual trust, so as to facilitate labor relations and effectively raise the coherence of all staff members, the communication channels provided are as follows:



In 2017, the Company held a total of 58 employee symposiums. It was included 34 new employees, 2 foreign employees and 22 general employees.



are shown as follows: :

General Manager's Symposium (Zhagjiang Facility)

In 2017, the Company received a total of 3 employee complaint cases. All of the cases have been made responses and improvements, and the closed rate reach 100%. Details

Appeal Cases	Response Measures	Current Status
The employee refused to follow the company's arrangement and became dispirited and slack in work. As it resulted in a production loss, the employee received two major demerits and was dismissed. The employee then sought for a labor agreement. (Shenzhen Facility)	Actions were taken according to the court decision.	Closed
The employee could not accept the performance evaluation results in 2016 and sought for a labor agreement. (Taiwan Facility)	An agreement was reached between the parties through the mediation of the competent authority (Nantou County Government).	Closed
The employee had a concern regarding the salary during the machine shutdown period and overtime pay and therefore sought for a labor agreement. (Taiwan Facility)	An agreement was reached after the Company continued to communicate and negotiate with the employee, and returned the employee's rights and benefits.	Closed

The Zhangjiang Facility has established the Trade Union Committee of Universal Scientific Industrial (Shanghai) Co., Ltd. The committee not only maintains major employees' legal rights, but also promotes employees' proactive and creative attitudes toward work and enhances USI's coherence and competitiveness, and creates a trusting relationship and communications channels between the company and the employees. At the moment, both the Zhangjiang and Mexico Facility have Union Committee, the proportion of employees who participated in the Union Committees are, respectively 48% and 55%, among which the Mexico Facility has signed the collective agreement.

Employee Engagement Survey

It is USI's expectation to receive feedback in regard to employees' level of engagement with the company and work from this survey. The purpose is to better fulfill employees' demands by improving its procedures, strategies and relevant measures, helping to create a win-win situation. In 2017, USI has appointed the consulting company to carry out a 12day employee engagement survey. The survey targets are indirect employees who have been working for the company for more than three months. In total, 5,026 questionnaires have been distributed and 4,131 effective questionnaires have been collected with a feedback rate of 82.2%. The company's degree of engagement is 60%, which is about 1% higher than the average of regular companies in Taiwan and 5% lower than the average of regular companies in China.

Besides, USI held "WW Engagement Survey Workshop" on 24 Jan 2018. President and one-down of all units have participated in this event to clarify and focus the survey results and following plan. It is expected that, in the following two years, the executive vice general manager of each plant will become the chairman, and the manager of each plant's human resource department will become the executive secretary to form a project team with representatives of each unit. The team shall carry out action plans based on the survey results and launch the improvement projects.

Excellent Working Environment

To make sure staff healthily growth of physical and mental at the working time, USI has stipulated safety and health policies, objectives and standard procedures and conducted educational training, and global facilities all passed the OHSAS 18001 Occupational Safety and Health Management System to satisfy the requirements of occupational health and safety laws and our own policies, continuing to provide a safety and comfortable work space for staff.

Safety and Health Management

In 2017, USI input reached RMB 61,730,000 for safety and health management. The occupational safety and health input cost includes employee insurance, physical check-up, operating environment monitoring and OHSAS 18001 verification fee, etc.

Note: Statistical data were included the Zhagjiang, Jinqiao, Shenzhen, Kunshan and Taiwan Facility.

Safety and Health Management Goals and Statuses

2017 Goals	2017 Performance
Maintaining the Incidence Rate of Occupational Diseases at "Zero"	No cases of occupational disease occurred.
Maintaining the Number of Work-Related Deaths at "Zero"	No cases of work-related deaths occurred.
"Zero" Infections from Infectious Diseases within Facilities	From 2016, the worldwide notification mechanism was established, enhancing emergency response capabilities. And no infectious disease-related cases occurred causing significant losses to the Company.
"Zero" Food Safety Cases within Facilities	Through Operation Procedure of Staff Restaurant Food Safety and Hygiene Policy, we kept close tabs from the purchase of ingredients and storage to processing food and cafeteria environment, etc., and established emergency response mechanisms. In 2017, we continued to achieve the goal of "0 Food Safety".

Distribution of IR, ODR, LDR and AR in 2017

Facility		y Rate IR)	Diseas	pational ses Rate DR)		ay Rate DR)		tee Rate \R)
	Male	Female	Male	Female	Male	Female	Male	Female
Zhagjiang	0.04	0.06	0.00	0.00	1.42	0.88	0.92%	1.31%
Jinqiao	0.00	0.00	0.00	0.00	0.00	0.00	2.05%	2.61%
Shenzhen	0.02	0.00	0.00	0.00	0.75	0.00	1.30%	2.29%
Kunshan	0.03	0.00	0.00	0.00	0.00	0.00	1.07%	1.10%
Taiwan	0.00	0.09	0.00	0.00	0.00	1.07	0.13%	0.16%
Mexico	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.02%

Note:

- Statistics of Data do not cover the injury information of contractors.
- 2. Statistics of occupational disease are in accordance with the definition of occupational diseases from relevant local laws and regulations for each facility.
- 3. Only the Absentee Rate (AR), the statistics of data cover traffic accidents to and from work. The statistical formulas for the various data are as follows:
- Injury Rate (IR) = (Times of injuries ÷ Total hours worked) × 200,000.
- Occupational Diseases Rate (ODR) = (Total numbers of occupational diseases ÷Total hours worked) × 200,000.
- Lost Day Rate (LDR) = (Number of days lost due to injury ÷ Total hours worked) × 200,000.
- Absence Rate (AR) = (Number of days lost due to absence ÷ Total days worked) × 100%. Number of days lost due to absence covers injury and sick leaves.

In 2017, USI total occurred 9 injury cases which all physical injury. To prevent work injury accidents from happening home and abroad, USI irregularly holds work injuries orientations and conducts educational training for employees, and follow-ups relative data on a regular basis to improve. Moreover, USI monitors operational environments with high risks including noises, the concentration of carbon dioxide, organic solvents, specific chemical substances and lead in the workplace to ensure that the threshold values of concentration of harmful substances and noises are below standards. The specific physical

check-ups* are provided for high-risk employees to make sure they work in a healthy and safe working environment. In 2017, the monitoring results show that no harmful substance or noise exceeded standards and no cases of occupational diseases were discovered.

Note:

Specific physical check-ups covered noises, the concentration of carbon dioxide, organic solvents, specific chemical substances, dust and lead in the workplace.

Emergency Response Center

USI has established an emergency response center for environment and safety and made a general education proposal on hazards and emergency response procedure. In addition, it conducts emergency response training for disasters caused by earthquakes, fires, hazardous substances and infectious diseases. Moreover, it holds environmental, safety and health programs such as emergency response to organic solvents, the labeling of hazardous and harmful substances, the usage of labor protective equipment and general education training for employees to participate in drills and take examinations to enhance their safety awareness and emergency response abilities. These drills and training help prevent work accidents from happening. Units using hazardous substances are examined on a regular basis and audited irregularly. In 2017, USI total held 2 earthquake disaster prevention drills. 12 fire drills and 9 chemical disaster drills.











Physical and Mental Health Care

To provide employees with comprehensive health care, USI has built a healthy workplace system better than what is regulated in laws. It has established complete software and hardware facilities and assigned specialized personnel to provide professional services. Additionally, it holds health training, workshops and group activities irregularly. Moreover, USI conveys information of the company to its employees through journals (newsletter), health email and bulletin board on a regular basis to enhance their health knowledge and skills to maintain their physical and mental health and to build an excellent healthy workplace.

Software and Hardware Measures

Regarding the software facilities, USI wishes to provide employees a quality healthcare service. It has not only hired a number of nurses, special family medicine doctors, occupational medicine doctors and psychologists, but also invited physiotherapists and nutritionists to provide services in the facility on an irregular basis. As for hardware, USI has a medical room equipped with changing dressing facilities, manometers and weighing scales, rest room, lounge, counseling room and breastfeeding room for employees to take a rest, consult a doctor and breastfeed. Among which, the Taiwan Facility has received the "Nantou County Excellent Breast Feeding (Collection) Room" certification for four consecutive years, continuing to provide an even more comfortable breastfeeding space for mothers.

Physical and Mental Health

To effectively achieve health management, USI conducts physical check-ups each year in accordance with laws and regulations. In addition, USI tracks employees with major abnormalities and conducts the prevention and management of contagious diseases to achieve the effect of early diagnosis and early treatment.

In mental health, USI not only hold birthday parties and single parties on a regular basis for employees (the details please see the Comprehensive Welfare and Salary System chapter), but also has Employee Assistance Programs (EAPs), and it works with its human resources department to make sure employees' pressure from their families, work and life can be released or taken care of.

Employee Assistance Program provides a welfare and supportive service for the company's employees. Different from others, it helps enhance employees' mental abilities to improve their comprehensive performances. In addition to managing human resources more effectively, it can deal with sudden crises efficiently, improve production efficiency and create a harmonious work environment as well. Besides, the company has specially arranged an overall work adaptability assessment for employees with physical or mental difficulties this year, to ensure that all employees have received professional assistances.



Health Promotion and Training

To prevent the happening of chronic and occupational diseases, we strengthen the safety and health management of work place, enhance its ability of identifying health risks, USI not only provides professional physician consultations to employees, but also holds various health education seminars, trainings and events (ex. pregnancy healthcare, four cancer screening services, first-aid trainings, vaccination services, blood donation activities and weight loss competitions). We held total of about 30 events, there were a total of 5,530 people who participated.







Yihugh Weight Loss Competition

In Taiwan, about 51% of male are overweight. Among employees of USI Taiwan, about 57% of male and 33% of female are overweight, which is higher than the nation's average. To fight against obesity; prevent blood cholesterol, blood pressure and blood sugar; and reduce cardiovascular hazard, the Taiwan Facility followed policy of Health Promotion Administration to promote weight management starting from 2011 and hold regular weight loss competitions.

The theme of 2017 was "Yihugh Weight Lose Competition", aiming to encourage employees to lose weight together with the weight losing expert "Yihugh" and company leaders. The activity included advocacy and health education, physical fitness testing, requesting units preparing group meals to coordinate and prepare low-calorie meals, integrating with the exercise club of the company, and holding free exercise courses in concert with the event, etc. To encourage employees to keep fit and do a good weight management, the company increased the number of rewards and successfully attracted over 500 employees to participate in the competition. This event not only helps employees to become healthier, but also receives affirmations and recognitions from all circles. In addition to obtaining the "Badge of Accredited Healthy Workplace - Smoke-Free & Health Promotion" from the Health Promotion Administration, Ministry of Health and Welfare, and awarding "Taiwan i Sport Certification" from the Sports Administration Ministry of Education.







Social Participation

As USI believes that social participation enables employees to enhance their self-cognition and life quality, and help them to head towards sustainability, it has planned relevant activities based on long-term goals to make continuous contributions to local communities and this land. By bringing a positive influence and promoting corporate awareness, USI has virtually established an attitude and created its value.

USI promises to actively participate in community activities in USI sustainable development policy to fulfill corporate responsibility. We carry it out through three main pillars, Education Investment, Society Contribution and Artistic Events Promotion. Organizers including the company's charity association and welfare committee release information of various activities through e-mails, posters and WeChat to recruit volunteers joining the line. In 2017, we totally held 39 social participation activities and invested over RMB 2,400,000. In total, 841 people, including the employees and their families, joined these activities. The total of participation hours is 3,535 hours. For our three main pillars further analysis, please refer to the chart below for the percentage of each pillar.



Three Pillars	Idea	2017 Performance
Education Investment	We believe 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.	 Donated The First "New Inhabitant Multicultural and Philanthropic Library" in Nantou County (Taiwan Facility) Sponsorship of The Global Chinese Literature Award for Students (Taiwan Facility)
Society Contribution	With the belief in caring about "Care for Vulnerable Groups, Environment Friendly", USI gathers the power of employees and participates in public affairs and social activities of public welfare. In the meantime of seeking corporate growth, USI wishes to devote itself to the society.	 Accurate Poverty Alleviation Find The Pearls Project (Shenzhen, Kunshan Facility) China Charity Federation - "Take Me to Your Heart" to The Poor Event (Kunshan Facility) Social Inclusion An Egg Walkathon (Zhangjiang Facility) Sponsorship of The Cross-Strait Student Baseball League (Zhangjiang Facility) Oi Man Estate - Respect for The Elderly Event (Jinqiao Facility) Welfare House - Provide Financial Aid to Orphans and Elder Orphans (Kunshan Facility) USI Dream Come True Project - "A Ticket to A Dream Come True - A Dream Takes Off " (Taiwan Facility) Environment Friendly The Million Tree Project (Global) "Love The Source of Life"- International Beach Clean-up Action (Zhangjiang, Jinqiao Facility) Participated in The 7th Shanghai Charity Partner Day - "'Charity · Enterprise' Together, You As A Volunteer" Event (Zhangjiang Facility) Sponsorship of Road Maintenance Program (Taiwan Facility)
Artistic Events Promotion	By supporting and sponsoring artistic events, USI wishes to enhance the artistic appreciation of people, and accumulate the energy creativity.	 Sponsorship of The Annual Autumn Tour of Cloud Gate Dance Theatre (Taiwan Facility) Sponsorship of Countryside Tour of Ming Hwa Yuan Arts & Cultural Group (Taiwan Facility) Sponsorship of 2017 Nantun Lantern Festival (Taiwan Facility) Collection Art Work of Nantou County Yushan Art Award (Taiwan Facility) Performed at The 2nd Cultural and Art Joint Performance of Qiandeng Township Qinfeng Award (Kunshan Facility) Represented Qiandeng Township to Sing at The Theme Concert "Carols Dedicated to The Party" (Kunshan Facility)

Education Investment





Donated The First "New Inhabitant Multicultural and Philanthropic Library" in Nantou County (Taiwan Facility)

USI assisted the foundation to establish "Taiwan Reading and Culture Foundation" to promote "Reading Plan in Elementary Schools" and built "Philanthropic Library" to purchase extracurricular books for elementary schools in the mountain area of Nantou County since 2005. After over 10 years of development, it leads Nantou County to achieve the goal of becoming the first city/county in Taiwan to realize the goal of "one philanthropic library in one township". Apart fulfilling the needs for reading resources among minority groups and people living in remote areas of Nantou, the investment is expanded to remote elementary schools in other counties, cities and offshore island. In our plan, we'll also successively develop events from our book donation campaign, such as "Reading Workshop", "Parent-Child Reading", and "Meet the Author", etc. With its contributions over the years, USI has created a good reading environment within the county and succeeded in delivering love and creating vitality among the seeds of hope in remote countries.

In 2017, to make the "Philanthropic Library" even more multivariant and characteristic, USI further assists Nantou County to build the county's first "Multicultural Philanthropic Library for New Immigrants". The library has specially collected books that introduce the folklore, culture and stories of south-east Asia, and coopearted with Nantou County Government to hold "2017 Reading Startup - Book and E-Book Reader Donation Campaign of Nantou County". The company donated 10 and 30 boxes of "Philanthropic Library" to Pinghe Elementary School of Nantou City and Zhongliao Elementary School of Zhongliao Township respectively. Over the last 11 years, USI has totally dontaed 565 boxes of books. There were five student events and one teacher workshop of "Meet the Author" helded separately in Lanyu Township, Taiwan. USI invited the author to share their prodcution process, analysis of works, as well as teacher-student learning experience sharing. Students of Lanyu Towship have the chance to talk to the author face-to-face. We believe it'll give students multiple stimulus and promote their learning motivation. The participants of these events are 266 people, then donated the 235 books to schools. USI has held employees' "Parent-Child Reaing" event. This year, we developed children reading interest and understanding of Taiwan's environmental issues through children environmental picture books and lively and interesting animations to attach the importance to environmental protection. Total participants are 101 people.





565 Boxes

USI has totally donated 565 boxes of books for "Philanthropic Library"





Sponsorship of The Global Chinese Literature Award for **Students (Taiwan Facility)**

USI believes that the power of innovative R&D comes from imagination and creativity, and that's why USI has been working with organization, Mingdao Literature and Arts by combining the power of "culture" and "technology" to encourage students who learns Chinese in England, United States, Hong Kong, Macau, and Mainland China to create and help them improve their literacy in literature and come up with inspiration of creation. Starting from 2007, USI sponsors NTD 300,000 awards for contributions each year to enhance people's cultural literacy by supporting literary creations and in the hope of cultivating more talents in creating Chinese works.

At the 2017 awarding ceremony, senior vice president Brian Shih delivered a speech and expressed "USI has made its greatest efforts to social participation over the last couple of years. About ten years ago, the company joined 'Mingdao Award of Literature' by chance and this award then became today's 'Global Chinese Literature Award for Students'. As long as the organizer continues to offer this award, the company will continue to sponsor this event. Besides, although all of you will eventually leave the school, writing is not something that can only be done by students. This award is the tongue of flame and it encourages students to continue to road of writing. This will not only enhance the atmosphere of this society, but also bring spiritual growth to the world. This is what I think and would like to share with you."

Society Contribution

Accurate Poverty Alleviation

Poverty alleviation in forms of education has always been USI's target. USI has launched a series of student donation activities to assist children in poverty acquire better educational resources and promote a harmonious development of the society. In 2017, USI totally invested RMB 404,000 to two poverty alleviation projects - "Find The Pearls Project" and "Take Me to Your Heart" – and succeeded in helping 381 students in poverty.





Find The Pearls Project (Shenzhen, Kunshan Facility)

USI has been active in participating in "Find The Pearls Project" to finance poor students with excellent performance complete their studies. After financed 5 students who joined the project, in 2017, USI donated RMB 300,000 to Luoyang City Third Junior School located in Henan Province to set the "USI Pearl Class", helping 40 students in poverty to complete their studies. Together with the EMBA Alumni Association of Peking University HSBC Business School held the "Hope for Pearl" Charity Concert. USI is invited to participate in the performance, the choir used their beautiful songs to unite social forces to support students in need to continue further studies. The event raised a total amount of RMB 2,331,720.5, it is expected to fund 311 students through three years of high-school education.

► Feedback with Gratitude

"The most precious things are the light in the darkness and the window of opportunity in despair. Find the Pearls Project not only finds excellent students who are pearls covered in dust and spread in corners of this society, but also encourage them and give them a chance to make changes. When giving people a rose, the fragrance of rose will leave in our hands; when we find the pearls, we make good deeds" chairman of the EMBA14 Class of Peking University HSBC Business School.

"I thank you for your care and supports. I will do my best to complete my studies and to thank the companies for their love and kind acts. I will also make contributions to the society and share this love with other people" the student from the USI Pearl Class.









China Charity Federation – "Take Me to Your Heart" to The Poor Event (Kunshan Facility)

USI has been active in launching various donation activities in order to assist people in poverty and minority groups. It continued to join the "Take Me to Your Heart" campaign held by the China Charity Federation in 2017. Through the China Charity Foundation, it distributed "Philanthropic Gift" totaled RMB 3,000 to 30 poor families living in Kunshan. USI lights hope with their love and help the students to realize their dreams.

We invested over RMB 2.4 million **841 people** joined these activities The total of participation hours has reached 3,535 hours

404 Thousand We invested RMB 404 thousand in the program of "Accurate Poverty Alleviation", and helped 381 students in poverty

Social Inclusion







USI Dream Come True Project "A Ticket to A Dream Come True - A Dream Takes Off" (Taiwan Facility)

In order to sponsor children supported by Taiwan Fund for Children and Families to have a dream, we believe that one game can achieve a great player, even a lot of people's goals. We hope that with an activity of spiritual significance, we can enable the children more possibilities on their ways. USI also invited employees and their families to join. We hope that they take USI as part of their family member. Besides, USI would like kids to feel supported while they were building their dreams. Make this activity more meaningful.

The activity had two sessions. First Session: Sport oriented. It was to help outgoing kids have a goal to look forward to. Thus we invited kids to Baseball Stadium to watch baseball games and enjoyed the performance of the baseball players. We expect kids to know that sports can be their lifelong career, too. Second Session: Cooperate with "If Kids Theater", we hope to through music and theatrical body performance. USI expects to encourage those kids to fly to their dreams and have a more wide-open world.





An Egg Walkathon (Zhangjiang Facility)

"An Egg" project was mainly about offering an egg per kid who lives in remote districts. "An Egg Walkathon" is an activity that raises money for charity through the form of charitable walking, then is different from traditional charity fundraising. It is a private welfare fundraising event that was full of joy. Participants shall walk 50 km within 12 hours and raise money from their network in a creative way. To take personal challenges and realize social participation, the raised money will be used for the children's nutrition and health, educational development, safety and protection, and social communion in 4 directions. USI has already participated in the activity "An Egg Walkathon" organized by Shanghai United Foundation two years in a row and the total amount of donation is RMB 41,678 in 2017.

Meanwhile, we got the chance to discuss with other companies, exchange and gain suggestions. USI would be able to improve our influence in every trade. Besides, through media exposure organized by event planner, it was a good publicity stunt to USI. USI participants wore t-shirts with USI logo, and held banners with USI logo. We were able to participate in charity event as well as promoted USI culture and image. At the same time, USI employees had more chances to understand and know more about public welfare service. It will also help promote intra company culture of public welfare service.

During the journey, a string of words an employee of participating that is impressive to him is, "Thanks to the children who gave us an opportunity to express our love". A walkathon accomplishes the dreams of a group of children; a walkathon witnesses a group of people's perseverance. The road ahead is still very long, may you and me can meet during the journey of charity and move forward together!







Sponsorship of The Cross-Strait Student Baseball League (Zhangjiang Facility)

Chinese Taipei Baseball Association and the Softball and Base Clubs of Society of Physical Education of Peiking University formed the "Cross-Strait Student Baseball Exchange and Cooperation Committee" and held "The First Sponsorship of the Cross-Strait Student Baseball League". USI also sponsored this event with RMB 515,000, helping both sides to exchange ideas in regard to baseball.



Oi Man Estate – Respect for The Elderly Event (Jingiao Facility)

USI Employees visited the nursing home in Fengxian District Fengcheng Township. Apart from delivering living supplies, the employees also assisted the nursing home to arrange internal affairs and clean the environment. USI respects and cares for the elderly people to extend this traditional virtue of Chinese speaking people.



Welfare House - Provide Financial Aid to Orphans and Elder Orphans (Kunshan Facility)

Pay visit to Kunshan City Warfare House every year to care for orphaned and disabled children and elder. Provide them with goods with amusing performances and shows. All these are done with a bid to make them feel embraced and like a part of the society.

Environment Friendly







The Million Tree Project (Global)

This afforestation activity took into account both ecological risk and humanitarian assistance. In the ecological aspect, it can reduce desertification of land in Zhaogensumo Gacha, Bagatala Sumu Keerqin Left Back Banner, Tongliao City of Inner Mongolia. The growth of a forest can protest vegetation against sandstorm caused by desertification. From a humanitarian perspective, local residents can grow crops in the space between the trees for their livelihood without having to leave their homes, and revitalize local vitality.

USI is the long-term sponsor of Million Tree Project of Shanghai Roots & Shoots. By internal promotional activities, employees learned to know about the weather changing has affected the ecology and subsistence in some areas. USI offered the chances for employees who participated in donation to plant the trees by themselves, and allowed employees to experience the importance of protecting the environment and soil conservation. USI has donated for projects since 2013. There has been 20,000 trees planted and USI forest was up to 18.7 hectare, and awarded "The Million Tree Project Valuable Partnership" in 2017. Besides, the "USI Staff Forest" was launched in 2016. This campaign is listed in the company's five-year plan with a target of reaching an annual growth of 30%. With the active involvement of all facilities, USI raised 3,004 trees in 2017. This has reached the company's annual target with a growth of 39% basis on 2016.

► The USI Participants Say

- 1. "After reading Echo's Sahara Desert, I have been yearning for a trip to the desert. I would like to show my gratitude to USI for offering this opportunity. I entered the sands to plant trees and prune. When the sand swirling in the sky flew by my mouth and ears, suddenly I was no longer attracted by desert described in Echo's book anymore, but felt that it was a cruel and harsh environment. We casually throw away trash, use disposable dishes and chopsticks...Each of our casual actions and habits will invisibly push the environment we rely on to the desert. In the environmental protection business, 'Every individual matters. Every individual has a role to play. Every individual makes a difference.' Let's do the favor together to protect the environment!"
- 2. "Although the trip was short, I realized many first-times in my life: entering Inner Mongolia for the first time; getting in touch with desert for the first time; planting 20 giving trees on the ground with my own hands for the first time; and pruning for the first time. From now on, environmental protection for me is no longer a slogan but a practical responsibility and duty. I will turn what I have seen and learned into actions to influence and motivate all of my colleagues, relatives and friends! On the road of environmental protection, the burden is heavy and the course is long. I believe that as long as everybody values environmental protection, we will surely be able to return the glory to the erstwhile land!"

► USI Trees Performance

Forest	Year	Location	Area (Hectare)	Species / Quantity
	2017	Derijilitu Gacha, Keerqin Zuoyihouqi, Tongliao City, Inner Mongalia	4.85	Pines / 4,000
	2016	Keerqin Left Back county, Tongliao City, Inner Mongalia	4.85	Pines / 4,000
USI Forest	2015	W.Bahuta, Keerqin Left Back Banner, Tongliao City (Zhaogensumo)	3.0	Poplars / 4,000
_	2014	Zhaogensumo Gacha, Keerqin Left Back Banner, Tongliao City	3.0	Poplars / 4,000
	2013	Zhaogensumo Gacha, Keerqin Left Back Banner, Tongliao City	3.0	Poplars / 4,000
USI Staff Forest	2017	Derijilitu Gacha, Keerqin Zuoyihouqi, Tongliao City, Inner Mongalia	3.64	Pines / 3,004
	2016	Keerqin Left Back county, Tongliao City, Inner Mongalia	2.6	Pines / 2,160











"Love The Source of Life"- International Coastal Cleanup **Action (Zhangjiang, Jinqiao Facility)**

"Love The Source of Life"- International Beach Clean-up Action was guided by UN Environment and China State Environmental Protection Administration. USI followed the instruction of Northwest Pacific Action Plan to implement classification of waste types, quantities, and so on, making it a marine surveillance data for further analysis and research. From 2007 the beginning to the end of 2017, Rendu Ocean totally held 110 "Love the Source of Life" beach cleaning activities. USI has been cooperated with Rendu Ocean Public Welfare Development Center to hold beach cleaning activities and encourage our employees to join this campaign every year since 2015.

	Zhangjiang	Jinqiao
Date	July 8 2017	October 14 2017
Venue	Jiuduansha Wetland of Sanjia Harbor in Pudong New District, Shanghai City	Nanhuizui Park in Pudong New District, Shanghai City
Participants	25	36
Performance	258.58 Kg	98.57 Kg





Participated in The 7th Shanghai Charity Partner Day- " 'Charity · Enterprise' Together, You as A Volunteer" Event (Zhangjiang Facility)

Co-organized by Shanghai City Civil Affairs Bureau and Municipal Administration of Social organizations, the 7th Shanghai Charity Partner Day promotes the way of living "everyone does charity in everywhere and at any time happily". The idea is to create a sound charity service and support system and build Shanghai as "a city with warmth". With the introduction of the Implementation Advice about the Development of Public Cultural Facilities and Leifeng Volunteer Service, every unit actively organizes activities to allow the enterprises to have an opportunity to convey love to the public. Zhangjiang Development Association invited USI to participate in the 7th Shanghai Charity Partner Day -"Zhangjiang · With Love, Caring for the laborers around you" condolence ceremony. On the day of the event, some of the enterprises in the area shared charity stories. The chairman, Mi-Lin, represented USI to award gifts to the volunteers.

USI received a written invitation from the Shanghai Association of Enterprises with Foreign Investment to join the " 'Charity

• Enterprise Together, You as A Volunteer" plate event. This event aims to build a platform that enables companies and charity organizations to exchange ideas and cooperate, and provides companies an opportunity to show their involvement

in charity activities. Besides, USI also invited employees and their families to join charity activities specially designed with interesting elements (such as mobs, charity challenges, voicing and experiencing activities). This time, USI exhibited the "Million Tree Project", "Love The Source of Life" for beach clean-up, and the "An Egg Walkathon".











Sponsorship of Road Maintenance and Greenification Program (Taiwan Facility)

Since 2007, USI has applied to Directorate General of Highways Nantou Branch to adopted Caotun Township Caoxi Road (Zhongxing intersection to Maoluo River bridge), Taiwan Freeway No.3 access road to provincial highway No.14B (Maoluo River bridge to Shengfu intersection), and Shengfu intersection to the station central island at Shanglin police, implementing shrub/ tree trimming, turf maintenance. We also reacted to the greenification policy of Caotun Township by sponsoring Zhongxing Road's plant maintenance committed by the town hall for many years. In order to keep the city green and clean, we landscape setting with an expenditure of NTD 806,000 in 2017.

Artistic Events Promotion







Sponsorship of The Annual Autumn Tour of Cloud Gate Dance Theatre (Taiwan Facility)

Since 2005, USI not only sponsors NTD 1 million on the daily operation of the Cloud Gate Dance Foundation every year, but also promotes arts inside USI by holding the "Cloud Gate Gathering" activity. USI invited the teacher of a theatrical troupe to express their work. Wish to enhance the artistic appreciation of staff, and accumulate the energy of R&D creativity. USI sponsored About the Island performed by Cloud Gate in 2017 and purchased the VIP room tickets for guests to watch this spectacular performance on the second floor of Taipei National Theater. Through the company's welfare committee, the tickets were also distributed to USI's employees, suppliers and their families and friends to watch the performance in Taichung or Taipei. In total, about 289 of them participated in these two events. USI also donated NTD 500,000 to Cloud Gate to cover the expenses of visiting Damshui Cloud Gate Theater.





Sponsorship of 2017 Nantun Lantern Festival (Taiwan Facility)

As a local company, USI cooperates with Nantou County Government to hold the Nantou Lantern Festival "The Cockcrow in the Early Spring" in 2017 to promote the local development. Sponsorship of the USI image lantern "A Great Fortune in the Year of Rooster".

Nantou local artist combines USI development history in the lantern. Therefore, USI had already surveyed the road that surrounded USI and adopted to maintain it. The lantern was able to become an installation art because it was designed to fit in the environment and the road safety regulations to reduce waste. USI Image Glass Lantern is able to make the most of it after the Lantern Festival ended.



Sponsorship of Countryside Tour of Ming Hwa Yuan Arts & Cultural **Group (Taiwan Facility)**

Upholding the business concept of "whatever gathered from the society shall be used in the society", USI has devoted to promote good folklore, culture and local art performance. The Company not only aims to give positive feedback to home villages, but also to become a good "cultivator". To connect "local culture" and build up team spirit, USI cooperates with Caotun Township Office to hold the year-end dinner party of "Straw Crafts Festival" each year. USI sponsors NTD 1 million for the Ming Hwa Yuan Arts & Cultural Group to give a public performance in townships. Apart from Caotun, it further sponsored the Department of Cultural Affairs of Nantou County, with an amount of NTD 1 million to hold two more public performances in Nantou County. Local residents are invited to enjoy Taiwan's unique theater culture.

2017 marked the sixteenth year of USI's continuous sponsorship of Caotun Township's local public performance at "Straw Crafts Festival". Thousands of people in all ages were drawn to watch the brilliant "Ming Hwa Yuan Opera's Drama: The Legend of Eight Deities - Cao Guojiu". About 4,000 people participated in the performance. The Mayor of Nantou County Lin Mingzhen and Town Mayor of Caotun Hong Guohao both attended the performance of Ming Hwa Yuan Arts & Cultural Group. In this event, Mayor Lin Mingzhen expressed "the reputation of Ming Hwa Yuan Arts & Cultural Group is known nationwide. We thank USI for its contributions in holding this charity event and taking care for this township. Every year, USI cooperate with the county government to invite Ming Hwa Yuan Arts & Cultural Group to perform in Caotun. Next year, on the 10th of January of lunar year, USI will invite Ming Hwa Yuan Arts & Cultural Group to make another performance in Nantou stadium. We welcome all of you to join the performance". With USI's contributions of money and labor, the Straw Crafts Festival has already become a grand event at the end of each year. Not only have local residents shown their support to USI, but also government agencies at all levels praises highly warmly for USI's efforts in promoting the traditional theater culture.

Time	Place	Drama	Cooperative Partner / Sponsorship
2017/11/25	Caotun Zhongshan Park	The Legend of Eight Deities - Cao Guojiu	Invested NTD 1 million to cooperate with the year- end party of "Straw Crafts Festival" held by Nantou County Caotun Township Office
2017/10/9	The Tianditang Temple Goddess of Earth, Puli Zhenbaohu Deity Palace	Legend of Jigong - The Snow Fox Story	Sponsor NTD 1 million for two public performances in the township held by the Department of Cultural
2018/2/25	Nantou County Stadium	Willing to come again	- Affairs of Nantou County Government











Collection Art Work of Nantou County Yushan Art Award (Taiwan Facility)

USI assisted Nantou County Government Cultural Bureau to promote the specialty of Nantou Art and Culture. Collect the art works selected in Nantou County Yushan Art Award and displaying them in the opening area in USI facility for public and customers from all over the world to admire. USI make art into the company and promote it to the world.

Collection of 2017:

Left: Mme. He Xiuji - The Swimming Fish No. 6 (water color)

Right: Mme. Wen Yuqin - The Majestic Yushan (ink and washing painting)





Qiandeng Township to Sing at The Theme Concert "Carols Dedicated to The Party" (Kunshan Facility)

USI Choir was built in 2011, it not only participates in all kinds of artistic and cultural event but also actively join all kinds of charity performance to raise funds. And help kids learning in the poor areas and poor families.

The themed concert "Carols Dedicated to The Party" was organized by the Propaganda Department of the municipal party committee of Kunshan and held in Baoli Theater in Kunshan. The choir from USI represented Qiandeng Township to participate in the performance and chose the song "Walking into a new era". General Manager of Kunshan Facility David Lin was the conductor of the performance this time. They performed perfectly on the stage and all of the audience gave them a round of applause.





The 2nd Cultural and Art Joint Performance of Qiandeng Township Qinfeng Award (Kunshan Facility)

USI was invited to participate in the 2nd Cultural and Art Joint Performance of 2017 Qiandeng Town Qinfen Award. As the only invited enterprise, USI specially prepared *Daddy*, a jazz dance performed by 15 skillful dancers from USI Dancing Club. On the stage of Shipu Theater, which was crowded with people on the day, our dancers delivered an exceptional performance that truly impressed the audience.

Award Records

Aspect	Award or Certificate					
Corporate Sustainability	The 3 rd China (Shanghai) Corporate Social Responsibility Su	ummit of Listed Companies "Outstanding Enterprise"				
Economy, Corporate Governance	 Zhangjiang Facility The 42nd of 2017 Shanghai Enterprises Top 100 The 15th of 2017 Shanghai Manufacturing Enterprises Top 100 2016 Shanghai City Top 10 Best Economic Benefits in IC Industry Golden Intelligence Award – 2017 China Listed Companies Outstanding Technology Vanguard Award Golden Intelligence Award – 2017 China Listed Companies Outstanding Industrial Chain Innovation Award Fortune Prize – The 257th of China Top 500 Ranking 	 Shenzhen Facility Shenzhen Enterprises TOP 100 From 2016 to 2017 Quality Improvement Award From 2017 to 2019 Chain High-tech Enterprise Qualification Total Import Volume of General Trading Enterprises Top 10 2016 Top 10 Turnover Companies 2016 Double Outstanding Enterprises 2016 Industry Enterprises TOP 100 	 Kunshan Facility Leading Unit of Quality Management Group of China Electronic Industry 2016 Qiandeng Township Top 10 Taxpayer of Domestic Investment Enterprise 2016 Qiandeng Township Top 10 Sales of Domestic Investment Enterprise 2016 Qiandeng Township Top 10 Import and Export Enterprise 			
Environment	 Zhangjiang Facility The Million Tree Project Valuable Partnership Award Kunshan Facility Awarded "2016 Advanced Environmental Unit" by Qiandeng 2016 Qiandeng Township 10 Best Environment Development 					
Society	 Kunshan Facility Occupational Health Infrastructure Activities Achieve The "D 2017 Dust Hazard Control Demonstration Enterprise 2016 Qiandeng Township 10 Best Safety Production Entrepr Taiwan Facility 2016 Nantou County Excellent Breast Feeding (Collection) R 2016 Taiwan i Sport Certification 	eneurs				

Management System Certification Table

Management System	Zhangjiang Facility	Jinqiao Facility	Shenzhen Facility	Kunshan Facility	Taiwan Facility	Mexico Facility
ISO 14001	2004	2016	2001	2012	1998	2006
ISO 14064-1	2010	2016	2010	2011	2009	2016
ISO 50001	2013	2017	2014	2014	2014	2017
OHSAS 18001	2004	2016	2004	2012	2004	2006
IECQ QC 080000	2007	2015	2007	2012	2006	2007
TL 9000	2005	2015	2002	2013	-	-
ISO 9001	2004	2015	2001	2011	1993	2005
TS 16949	2007	-	-	2013	2003	2005
ANSI/ESD S20.20	2013	2015	-	-	-	-
ISO 13485	-	-	-	2014	-	-
ISO 26262	2017	-	-	2017	-	-

Note: In the table year refers to year of initial management system certification as of the end of 2017. All management systems are continuously updated to the latest version of the certification.

Sustainable Development Goals (SDGs)

	Goals	Goals Description
1 POURTY	No Poverty	End poverty in all its forms everywhere.
2 YEAD HANDER	Zero Hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3 COOD WEATHH AND WILL GUING	Good Health and Well-Being	Ensure healthy lives and promote well-being for all at all ages.
4 QUALITY EDUCATEN	Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
5 GENOLE EQUALITY	Gender Equality	Achieve gender equality and empower all women and girls.
6 CLEANWATER AND SANITATION	Clean Water and Sanitation	Ensure availability and sustainable management of water and sanitation for all.
7 AFFORMALE AND CLEAR CHERRY	Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable and modern energy for all.
8 DESENT WORK AND COUNTS	Decent Work and Economic Growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9 INDUSTRY AMERICAN	Industry, Innovation and Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

	Goals	Goals Description
10 MEDIATES	Reduced Inequalities	Reduce income inequality within and among countries.
11 SUBSEQUENCE COPIES AND COMMUNES	Sustainable Cities and Communities	Make cities and human settlements inclusive, safe, resilient and sustainable.
12 ISSUPPRINT ROUTE OF THE PROPERTY OF THE PRO	Responsible Consumption and Production	Ensure sustainable consumption and production patterns.
13 CEPHATE	Climate Action	Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.
14 UFF SECONDATES	Life Below Water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15 or Land	Life on Land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16 PADE AUSTRE BRITTOTICS BRITTOTICS	Peace, Justice and Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17 PARTIMESIMPS FOR THE GOALS	Partnerships for the Goals	Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Third Party Assurance Statement



414-2 : NEGATIVE SOCIAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN 419-1: NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA valuation of the report against the Global Reporting Initiative Sustainability Reporting Standards The assurance comprised a combination of pre-assurance research, interviews with relevant employees. superintendents, CSR committee members and the senior management in Taiwen, documentation and record review and validation with external todies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance STATEMENT OF INDEPENDENCE AND COMPETENCE The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training environmental, social and sustainability report assurance. SGS affirm our independence from USI, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the VERIFICATION/ ASSURANCE OPINION On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within USI's CSR Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of USI sustainability activities in 01/01/2017 to 12/31/2017 The assurance fearn is of the coince that the Report can be used by the Reporting Organization's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance; furthermore, the 15 disclosures of 5 sites-Taiwan, Zhangjiang, Shenzhen, Jinqiao & Kunshan against the AA1000 Type 2, High AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS USI has demonstrated a great commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, USI may proactively consider having more direct diversified involvement of Materiality USI has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders. Developing a systematic materiality approach will reinforce the results of identification. The report includes coverage given to stakeholder engagement and channels for stakeholder feedback. GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, USI's CSR Report of 2017, is adequately in line with the GRI Standards in accordance with Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of USI's evaluation of the effectiveness of the management approach (103-3) how the specific actions were taken to improve performance. Moreover, developing a unified data collection procedure for each site such as online tool is suggested to maximize the efficiency and reliability. The disclosure of other indirect (Scope 3) GHG emissions AA1000 Licensed Assurance Provider 14 May, 2018

GRI Index

General Disclosures

sclosures			O Mod	derate Level	High Leve
Disclosure	Chapter	Page	Additional Explanation	External As	surance
tional Profile					
Name of the organization	Company Introduction	18		0	
Activities, brands, products and services	Company Introduction	18		0	
Location of headquarters	Company Introduction	18		0	
Location of operations	Company Introduction	18		0	
Ownership and legal form	Company Introduction	19		0	
Markets served	Company Introduction	18		0	
	Company Introduction	18		0	
Scale of the organization	Financial Performance	20		0	
	Patent Research and Continuous Improvement	21		0	
Information on employees and other workers	Global Workforce	58		0	
Supply chain	Supply Chain Management	34		0	
Significant changes to the organization and	Company Introduction	19		0	
its supply chain	Supply Chain Management	34		0	
Precautionary principle or approach	Green Promise	49		0	
External initiatives	External Participation and Initiatives	23		0	
	Disclosure tional Profile Name of the organization Activities, brands, products and services Location of headquarters Location of operations Ownership and legal form Markets served Scale of the organization Information on employees and other workers Supply chain Significant changes to the organization and its supply chain Precautionary principle or approach	Disclosure Chapter itional Profile Name of the organization Company Introduction Activities, brands, products and services Company Introduction Location of headquarters Company Introduction Location of operations Company Introduction Ownership and legal form Company Introduction Markets served Company Introduction Scale of the organization Financial Performance Patent Research and Continuous Improvement Information on employees and other workers Global Workforce Supply chain Supply Chain Management Company Introduction Financial Performance Patent Research and Continuous Improvement Significant changes to the organization and its supply chain Supply Chain Management Company Introduction Supply Chain Management Green Promise	Disclosure Chapter Page itonal Profile Name of the organization Company Introduction 18 Activities, brands, products and services Company Introduction 18 Location of headquarters Company Introduction 18 Location of operations Company Introduction 18 Ownership and legal form Company Introduction 19 Markets served Company Introduction 18 Scale of the organization Financial Performance 20 Patent Research and Continuous Improvement 21 Information on employees and other workers Global Workforce 58 Supply chain Supply Chain Management 34 Significant changes to the organization and its supply chain Green Promise 49	Disclosure Chapter Page Additional Explanation fional Profile Name of the organization Company Introduction 18 Activities, brands, products and services Company Introduction 18 Location of headquarters Company Introduction 18 Location of operations Company Introduction 18 Ownership and legal form Company Introduction 19 Markets served Company Introduction 18 Scale of the organization Company Introduction 18 Scale of the organization 20 Financial Performance 20 Patent Research and Continuous 21 Information on employees and other workers Global Workforce 58 Supply chain Supply Chain Management 34 Precautionary principle or approach Green Promise 49	Disclosure Chapter Page Additional Explanation External Assional Profile Name of the organization Company Introduction 18 OActivities, brands, products and services Company Introduction 19 OACTIVITIES, brands, products and services Company Introduction 18 OACTIVITIES, products and services Company Introduction 18 OACTIVITIES, products and Company Introduction 18 OACTIVITIES, products and Company Introduction 18 OACTIVITIES, products and Company Introduction 19 OACTIVITIES, products and Company Introducts an

	Disclosure	Chapter	Page	Additional Explanation	External Assurance
102-13	Membership of associations	External Participation and Initiatives	23		0
Strategy					
102-14	Statement from senior decision-maker	Letter from President	1		0
100.15	Kay impacts views and appartunities	Future Goals	7		0
102-15	Key impacts, risks, and opportunities	Enterprise Risk Management	26		0
Ethics and	I Integrity				
102-16	Values, principles, standards, and norms of behavior	Business Ethics and Regulations Abidance	25		0
102-17	Mechanisms for advice and concerns about ethics	Business Ethics and Regulations Abidance	25		0
Governand	ce				
102-18	Governance structure	Corporate Governance	24		0
102-40	List of stakeholder groups	Stakeholders Communications and Responses	15		0
102-41	Collective bargaining agreements	Strong Employee Engagement	71		0
102-42	Identifying and selecting stakeholders	Identification of Stakeholders and Material Topics	11		0
102-43	Approach to stakeholder engagement	Stakeholders Communications and Responses	15		0
102-44	Kou tonice and concerns raised	Identification of Stakeholders and Material Topics	11		0
102-44	Key topics and concerns raised	Stakeholders Communications and Responses	15		0

	Disclosure	Chapter	Page	Additional Explanation	External Assurance
Reporting	Practice				
102-45	Entities included in the consolidated financial statements	Company Introduction	19		0
102-46	Defining report content and topic Boundaries	Identification of Stakeholders and Material Topics	13		0
102-47	List of material topics	Identification of Stakeholders and Material Topics	13		0
102-48	Restatements of information	-	-	Description in each chapter	0
102-49	Changes in reporting	Identification of Stakeholders and Material Topics	13		0
102-50	Reporting period	About This Report	-		0
102-51	Date of most recent report	About This Report	-		0
102-52	Reporting cycle	About This Report	-		0
102-53	Contact point for questions regarding the report	About This Report	-		0
102-54	Claims of reporting in accordance with the GRI Standards	About This Report	-		0
102-55	GRI content index	GRI Index	92		0
102-56	External assurance	About This Report	-		0

• Topic-specific Standards (For Material Issues)

Moderate Level High Level

M	anagement .	Approach and Disclosure	Chapter	Page	Additional Explanation	External Assurance
Economic						
			Company Introduction	18		0
	103-1~3	Management Approach	Comprehensive Welfare and Salary System	68		0
Economic Performance	201-1	Direct economic value generated and distributed	Financial Performance	19		0
	201-3	Defined benefit plan obligations and other retirement plans	Comprehensive Welfare and Salary System	69		0
	201-4	Financial assistance received from government	Financial Performance	20		0
Procurement	103-1~3	Management Approach	Supply Chain Management	34		0
Practices	204-1	Proportion of spending on local suppliers	Supply Chain Management	35		•
Environmenta	al					
	103-1~3	Management Approach	Climate Change Mitigation	42		0
	302-1	Energy consumption within the organization	Energy Management	43		•
Energy	302-2	Energy consumption outside of the organization	Energy Management	43		0
37	302-3	Energy intensity	Energy Management	44		0
	302-4	Reduction of energy consumption	Energy Management	44		0
	302-5	Reductions in energy requirements of products and services	Energy Management	44		0

М	anagement <i>l</i>	Approach and Disclosure	Chapter	Page	Additional Explanation	External Assurance
	103-1~3	Management Approach	Water Resource Management	45		0
	303-1	Water withdrawal by source	Water Resource Management	46		•
Water	303-2	Water sources significantly affected by withdrawal of water	Water Resource Management	46		0
	303-3	Water recycled and reused	Water Resource Management	46		•
	103-1~3	Management Approach	Carbon Management	42		0
	103-1~3	манадентент Арргоаст	Air Pollution Control	48		0
	305-1	Direct (Scope 1) GHG emissions	Carbon Management	43		•
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	Carbon Management	43		•
EIIIISSIOIIS	305-4	GHG emissions intensity	Carbon Management	43		•
	305-5	Reduction of GHG emissions	Energy Management	44		•
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Air Pollution Control	48		•
	103-1~3	Management Approach	Waste Management	47		0
Effluents and	306-2	Waste by type and disposal method	Waste Management	47		•
Waste	306-3	Significant spills	-	-	There were no leakage of chemicals, waste, fuels cases in 2017.	0

Ma	anagement <i>i</i>	Approach and Disclosure	Chapter	Page	Additional Explanation	External Assurance
	103-1~3	Management Approach	Business Ethics and Regulations Abidance	26		0
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	USI with Environment	42	USI has not yet been seriously fined or punished in other forms due to illegal events till the end of 2017.	0
	103-1~3	Management Approach	Supply Chain Management	35		0
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	Supply Chain Management	35		0
Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management	37		0
Social						
	103-1~3	Management Approach	Excellent Working Environment	72		0
Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Excellent Working Environment	73		0
	403-3	Workers with high incidence or high risk of diseases related to their occupation	Excellent Working Environment	73		•
	103-1~3	Management Approach	Excellent Working Environment	62		0
	404-1	Average hours of training per year per employee	Excellent Working Environment	62		•
Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	Excellent Working Environment	63		0
	404-3	Percentage of employees receiving regular performance and career development reviews	Comprehensive Welfare and Salary System	67		0

Ma	anagement <i>i</i>	Approach and Disclosure	Chapter	Page	Additional Explanation	External Assurance
	103-1~3	Management Approach	Supply Chain Management	35		0
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	Supply Chain Management	35		•
	414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	37		•
Customer	103-1~3	Management Approach	Customer Privacy & Health and Safety	33		0
Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy & Health and Safety	33		0
Socioeconomic	103-1~3	Management Approach	Business Ethics and Regulations Abidance	25		0
Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Business Ethics and Regulations Abidance	26		•
USI Specific D	isclosure					
Conflict	103-1~3	Management Approach	Conflict Minerals Compliance	39		0
Minerals Management	USI01	Percentage of Responsible Minerals Sourcing	Conflict Minerals Compliance	40		0
Continuous Improvement	103-1~3	Management Approach	Patent Research and Continuous Improvement	21		0
Program	USI02	Cost Saving of CIP Program	Patent Research and Continuous Improvement	22		0

• Topic-specific Standards (Voluntary Disclosure)

Moderate Level High Level **Management Approach and Disclosure Additional Explanation** Chapter Page **External Assurance Economic** Ratios of standard entry level wage by Comprehensive Welfare and 66 0 202-1 gender compared to local minimum wage Salary System Market Presence Proportion of senior management hired 202-2 Global Workforce 60 0 from the local community Indirect Infrastructure investments and services Economic 203-1 Social Participation 76 supported Impacts Operations assessed for risks related to Business Ethics and Regulations 205-1 25 0 corruption Abidance Communication and training about anti-Business Ethics and Regulations 25 0 Anti-corruption 205-2 corruption policies and procedures Abidance Confirmed incidents of corruption and **Business Ethics and Regulations** 0 205-3 26 actions taken Abidance In 2017. USI has not been identified as Anti-competitive Legal actions for anti-competitive behavior, Business Ethics and Regulations involved in anti-competitive behavior, 206-1 26 anti-trust, and monopoly practices Behavior Abidance neither any lawsuit related to Antitrust Law. Social New employee hires and employee 401-1 **Equal Employment Opportunity** 61 0 turnover Benefits provided to full-time employees Comprehensive Welfare and 68 that are not provided to temporary or part-0 Employment 401-2 Salary System time employees Comprehensive Welfare and 69 401-3 Parental leave 0 Salary System Labor/ Minimum notice periods regarding Management 402-1 Strong Employee Engagement 71 0 operational changes Relations

Ma	ınagement	Approach and Disclosure	Chapter	Page	Additional Explanation	External Assurance
Diversity ad Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	Comprehensive Welfare and Salary System	66		0
Non- discrimination	406-1	Incidents of discrimination and corrective actions taken	-	-	There were no discrimination cases in 2017.	0
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Supply Chain Management	36		0
Child Labor	408-1	Operations and suppliers at significant risk	External Participation and Initiatives	23		0
		for incidents of child labor	Supply Chain Management	35		0
Forced or Compulsory	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	External Participation and Initiatives	23		0
Labor		for incidents of forced or compulsory labor	Supply Chain Management	36		0
	412-1	Operations that have been subject to human rights reviews or impact assessments	Global Workforce	57		0
Human Rights Assessment	412-2	Employee training on human rights policies or procedures	Global Workforce	57		0
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Global Workforce	57		0
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	Social Participation	76		0
Customer	416-1	Assessment of the health and safety impacts of product and service categories	Customer Privacy & Health and Safety	34		0
Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Customer Privacy & Health and Safety	34	In 2017, no complaint cases or violations of products linked to human health and safety risks have been received.	0

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		Disclosure	Chapter	Page	Additional Explanation
Responsibilit	y Managem	ent			
	G1.1	Corporate mission, vision, values	Sustainability Management	4	
Vision (G1)	G1.2	Corporate social responsibility concept or slogan	Sustainability Management	4	
	G2.1	Substantive Social Responsibility Issues Identification and Management	Identification of Stakeholders and Material Topics	11	
	G2.2	Social responsibility strategy rules and	Sustainability Management	5	
Strategy (G2)	G2.2	annual plan	Future Goals	7	
	G2.3	Promote social responsibility into corporate development strategies and daily operations	Sustainability Management	5	
	G2.4	Mode an impactful, sustainable brand	Corporate Sustainability Profile	3	
	G3.1	Corporate executives support and promote social responsibility work	Sustainability Management	4	
Organization (G3)	G3.2	Social responsibility leadership and working mechanism	Sustainability Management	4	
	G3.3	Social responsibility organization system and division of responsibilities	Sustainability Management	4	
	G4.1	Establish social responsibility management system	Sustainability Management	4	
System (G4)	G4.2	Building social responsibility index	Sustainability Management	4	
2,000 (0.1)	G4.3	Rich social responsibility theory research	Sustainability Management	5	
	G4.3	mon social responsibility theory research	Future Goals	7	

		Disclosure	Chapter	Page	Additional Explanation
Culture (G5)	G5.1	Develop organize social responsibility training	Sustainability Management	4	
	004	Identify and respond to stakeholder	Identification of Stakeholders and Material Topics	11	
	G6.1	requirements	Stakeholders Communications and Responses	15	
Participation (G6)	G6.2	Corporate-led social responsibility communication participation activities	About This Report	-	In addition to publish the annual CSR report, related information on sustainable management has also been disclosed on the corporate social responsibility official website of the company. (http://csr.usish.com/index.php)
	G6.3	Externally initiated economic, environmental, social conventions, principles, or other initiatives that organization participate or support	External Participation and Initiatives	23	
Market Perfo	rmance				
	M1.1	Regulate corporate governance	Corporate Governance	24	
	M1.2	Nomination and selection process of the top governance unit and its committee	Corporate Governance	24	
	M1.3	Anti-corruption	Business Ethics and Regulations Abidance	25	
Shareholder	M1.4	Compliance information disclosure	Business Ethics and Regulations Abidance	24	The detailed information of disclosing to shareholders, please refer to "2017 USI Annual Report".
Responsibility (M1)	M1.5	Protect the interests of small and medium investors	-	-	Please refer to "2017 USI Annual Report".
-	M1.6	Growth	Financial Performance	20	Please refer to "2017 USI Annual Report" for the financial details.
	M1.7	Profitability	Financial Performance	20	Please refer to "2017 USI Annual Report" for the financial details.
-	M1.8	Safety	Financial Performance	20	Please refer to "2017 USI Annual Report" for the financial details.

		Disclosure	Chapter	Page	Additional Explanation
	M2.1	Improve product and service accessibility	Company Introduction	18	
	M2.2	Product and service quality control system -	Customer Service and Satisfaction	30	
	IVIZ.Z		Management System Certification Table	89	
	M2.3	Pass rate	Customer Service and Satisfaction	30	
	M2.4	Adhere to the drive of innovation	Patent Research and Continuous Improvement	21	
	M2.5	Research and development investment	Patent Research and Continuous Improvement	21	
	M2.6	New number of patents	Patent Research and Continuous Improvement	21	
	M2.7	7 Industrialization of scientific and – technological achievements	Customer Service and Satisfaction	30	
Customer Responsibility			Patent Research and Continuous Improvement	21	
(M2)	M2.10	Potential risk warning	Customer Privacy & Health and Safety	34	
	M2.11	Fair trade	Business Ethics and Regulations Abidance	26	
	M2.12	Promote sustainability consumption	Green Management	50	
	IVI2.12	Promote sustainability consumption	Green Supply Chain	54	
	M2.13	Protect customer information	Customer Privacy & Health and Safety	33	
	M2.14	Active after-sales service system	Customer Service and Satisfaction	30	
	M2.15	Actively respond to consumer complaint	Customer Service and Satisfaction	31	
	M2.16	Complaint resolution rate	Customer Service and Satisfaction	32	
	M2.17	Stop loss and compensation	Customer Service and Satisfaction	31	
	M2.18	Customer satisfaction	Customer Service and Satisfaction	32	

				_	
		Disclosure	Chapter	Page	Additional Explanation
	M3.1	Business integrity	Sustainable Value Chain	28	
	IVIO.1	Business integrity	Business Ethics and Regulations Abidance	25	
	M3.2	Economic contract compliance rate	Business Ethics and Regulations Abidance	26	
	M3.3	Fair competition	Business Ethics and Regulations Abidance	26	
	MO 4	Charles via a company and a sharing a sharing a sharing	Customer Service and Satisfaction	30	
	M3.4	Strategic common mechanism platform	Green Supply Chain	54	
	M3.5	Respect and protect intellectual property right	Business Ethics and Regulations Abidance	26	
	M3.6	Helping the development of the industry	Customer Service and Satisfaction	30	
	M3.7	Fair trade	Supply Chain Management	34	The small shareholders' equity, please refer to "2017 USI Annual Report".
Partner Responsibility	M3.8	Social responsibility policy, Initiative and requirement for supplier	Supply Chain Management	35	
(M3)	M3.9	Number of potential suppliers that were rejected because of social irresponsibility	Supply Chain Management	36	
	M3.10	Supplier's social responsibility routine management mechanism	Supply Chain Management	35	
	M3.11	The process and method of supplier social responsibility audit	Supply Chain Management	35	
	M3.12	Number of suppliers audited during the reporting period	Supply Chain Management	37	
	M3.13	Number of suppliers whose cooperation was terminated due to unqualified social responsibility	Supply Chain Management	36	No supplier suspended due to non-compliance of social responsibility till the end of 2017.
	M3.14	Supplier's social responsibility performance assessment	Supply Chain Management	35	
	1013.14	and communication	Supplier Communication	38	
	M3.15	Supplier's social responsibility training	Supplier Communication	38	
	M3.16	Supplier's social responsibility training performance	Supplier Communication	38	

		Disclosure	Chapter	Page	Additional Explanation
Social Perfor	mance				
	S1.1	Legal compliance system	Business Ethics and Regulations Abidance	26	
	04.0	Law compliance training -	Business Ethics and Regulations Abidance	25	
Government Responsibility	S1.2		Green Education	55	
(S1)	S1.3	Total tax amount	Financial Performance	20	
	S1.5	Drive employment	Global Workforce	60	
	S1.6	Number of employment was absorbed in the report period	Global Workforce	58	
	S2.1	The composition of employee	Global Workforce	59	
	S2.2	Equal employment	Equal Employment Opportunity	61	
	S2.3	Labor contract signing rate	Strong Employee Engagement	71	
	S2.4	Democratic management	Strong Employee Engagement	71	
	S2.5	Female manager ratio	Global Workforce	60	
	S2.6	Employee privacy management	Global Workforce	58	
Employee Responsibility	S2.7	Anti-forced labor and harassment abuse -	External Participation and Initiatives	23	
(S2)			Supply Chain Management	36	
	S2.8	Diversity and equal opportunity	Equal Employment Opportunity	61	
	S2.9	Annual leave per capita	Comprehensive Welfare and Salary System	68	
	S2.10	Welfare and Salary System	Comprehensive Welfare and Salary System	68	
	S2.11	Occupational health management	Excellent Working Environment	74	
	S2.12	Working environment and condition guarantee	Excellent Working Environment	72	

		Disclosure	Chapter	Page	Additional Explanation
	S2.13	Employee mental health assistance	Excellent Working Environment	74	
	S2.14	Employee training system	Excellent Working Environment	62	
	S2.15	Annual training performance	Excellent Working Environment	62	
Employee	S2.16	Career development passage	Excellent Working Environment	63	
Employee Responsibility (S2) Safe Production (S3)	S2.17	Balance of life and work	Comprehensive Welfare and Salary System	68	
	S2.18	Difficult employee assistance	Comprehensive Welfare and Salary System	68	
	S2.19	Employee satisfaction	Strong Employee Engagement	72	
	S2.20	Employee Turnover Rate	Equal Employment Opportunity	61	
	S3.1	Safety production management system	Excellent Working Environment	72	
	S3.2	Safety emergency management mechanism	Excellent Working Environment	73	
	S3.3	Safety education and training	Excellent Working Environment	73	
	S3.4	Safety training performance	Excellent Working Environment	73	
	S3.5	Safety production investment	Excellent Working Environment	72	
	S3.6	Number of safety production accident	Excellent Working Environment	72	
	S3.7	Casualties of employee	Excellent Working Environment	72	
	S4.1	Community communication and participation mechanism	Stakeholders Communications and Responses	16	
Employee Responsibility (S2) Safe Production (S3) Community Responsibility (S4) Safe Safe Safe Safe Safe Safe Safe Saf	S4.2	Staff localization policy	Global Workforce	60	
	S4.3	Localization employment ratio	Global Workforce	60	
	S4.4	Localization procurement policy	Supply Chain Management	34	
	S4.6	Charitable contribution policy and its main sector	Social Participation	76	

		Disclosure	Chapter	Page	Additional Explanation
	S4.8	Total donation	Social Participation	76	
	S4.9	Building brand public welfare projects	Social Participation	76	
Community Responsibility (S4)	S4.10	Supporting volunteer activities policy and measure	Social Participation	76	
	S4.11	Employee volunteers activities performance	Social Participation	76	
(54)	S4.12	Helping accurate poverty alleviation	Social Participation	78	
_	S4.13	Poverty alleviation funds	Social Participation	78	
	S4.14	The number of people out of poverty	Social Participation	78	
Environmenta	al Perform	nance			
	E1.1	Environmental management system	USI with Environment	42	
-	E1.2	Environmental protection early warning and emergency response mechanism	Green Management	50	
			Risk Management of Enterprise	26	
-	E1.3	Environmental technology R&D and application	Green Management	50	
	E1.4	Methodology of statistical assessment system for environmental indicators	USI with Environment	-	Please see each chapter description of "USI with Environment" for the details.
	E1.5	Environmental training and education	Green Education	55	
Green Management	E1.6	Building green supply chain	Green Supply Chain	54	
(E1)	E1.7	Support the development of green and low-carbon industries	Green Management	50	
	E1.8	Total investment in environmental protection	Green Expenditure	55	
-	E1.9	Responding to climate change	Climate Change Mitigation	41	
-	E1.10	Carbon intensity	Carbon Management	42	
	E1.11	Non-fossil energy proportion	Energy Management	45	USI doesn't use renewable energy and is currently promoting green energy voucher purchases at the China facilities. Please refer to "Energy Management" chapter.
	E1.12	Carbon sink	Social Participation	82	Please refer to "The Million Tree Project"

		Disclosure	Chapter	Page	Additional Explanation
	E2.1	Green design	Green Management	50	
	E2.2	Purchasing and using environmentally	Green Management	50	
		friendly raw material	Green Supply Chain	54	
	E2.3	Improve energy efficiency	Energy Management	43	
		improve energy emorency	Green Management	50	
	E2.4	Annual total energy consumption and reduction	Energy Management	43	
	E2.5	Comprehensive energy consumption per unit output value	Energy Management	44	
	E2.6	Clean energy policy and measure	Energy Management	45	USI doesn't use clean energy and is currently promoting green energy voucher purchases at the China facilities. Please refer to "Energy Management" chapter.
Green Production (E2)	E2.7	Clean energy usage	Energy Management	45	USI doesn't use clean energy and is currently promoting green energy voucher purchases at the China facilities. Please refer to "Energy Management" chapter.
	E2.8	Water conservation policy and measure	Water Resource Management	46	
	E2.9	Annual fresh water consumption	Water Resource Management	46	
	E2.11	Reduce exhaust emissions policy, measure, or technique	Air Pollution Control	48	
	E2.12	Exhaust emissions and emission reduction	Air Pollution Control	48	
	E2.13	Reduce wastewater discharge policy, measure, or technique	Water Resource Management	46	
	E2.14	Wastewater discharge and emission reduction	Water Resource Management	46	
	E2.15	Reduce waste emissions policy, measure, or technique	Waste Management	47	
	E2.16	Waste emissions and emission reduction	Waste Management	47	

		Disclosure	Chapter	Page	Additional Explanation
	E2.17	Develop circular economy policy and measure	Sustainability Management	5	
			Green Management	52	
	E2.19	Green Package	Green Management	53	
	E2.20	Total amount of packaging materials used in finished products (in tonnes) and (if applicable) per unit	-	-	USI's shipments and packaging materials are complicated by industry characteristics. Currently, the number of pics is used for management.
Green	E2.21	Green transportation	Green Management	53	
Production (E2)	E2.22	Environmental impact of product transportation or hand haulage	Green Management	53	
	E2.23	Energy conservation policy measure -	USI with Environment	42	
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	E3.1	Green office measure	Green Management	53	
	E3.2	Green office performance	Energy Management	44	
	E3.3	Ecological restoration and governance	Social Participation	82	Please refer to "The Million Tree Project"
Green Operation (E3)	E3.4	Protecting biodiversity	-	-	USI's 6 facilities are not located in ecological protection areas or adjacent ecological protection areas, so currently there is no relevant management policy for biological protection.
	E3.5	Zero net deforestation	Green Management	53	
	E3.6	Environmental charity activities	Social Participation	76	

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Provide special protection for special population (such as pregnant women, breastfeeding women and so on)	Evaluation Index System of Shanghai Listed Corporate Social Responsibility Development Index (2017)	Comprehensive Welfare and Salary System	68
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The company is rewarded by the environmental protection department status	Shanghai Stock Exchange Listed Company Environmental Information Exposure Guideline	Award Records	88





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By using the concept of tree rings to convey the importance of forests to humans and the preservation of biodiversity.









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