USI®

2016
USI
CSR
REPORT

**CORPORATE SOCIAL
RESPONSIBILITY REPORT**

# About This Report

## Report Scope and Overview

This is the fifth Corporate Social Responsibility report ever published by Universal Scientific Industrial (Shanghai) Co., Ltd. (USI) 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 01/01/2016 to 12/31/2016, and the statistic data are in RMB and US dollars; environmental, health and safety performances are expressed using accepted international indices.

Note:
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

The report refers to Global Reporting Initiative (GRI) 4 version and in accordance with core option, disclosing the executive achievements, responding policies, and future plans of various key issues about ESG of USI. 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 specific indexes are verified with the standard of AA1000 AS: 2008 Type 2 High Level.

EN3: Energy consumption within the organization

EN8: Total water withdrawal by source

EN10: Percentage and total volume of water recycled and reused

EN15: Direct greenhouse gas (GHG) emissions (Scope 1)

EN16: Energy indirect greenhouse gas(GHG) emissions (Scope 2)

EN18: Greenhouse gas (GHG) emissions intensity

EN19: Reduction of greenhouse gas (GHG) emissions

EN21: NOx, SOx, and other significant air emissions

EN23: Total weight of waste by type and disposal method

## Report Publication

USI publishes Corporate Social Responsibility report every year.
First Version: Released in July 2013
Previous Version: Released in July 2016
Current Version: Released in July 2017
Next Version: Planned release in July 2018

### 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 follows:

Address: No.1558, Zhang Dong Rd., Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai 201203, China

Tel: +86-21-5896-6996  Ext: 61705

Email: usi.gp.csr@usiglobal.com

Web: www.usish.com

Fax: +86-21-5896-0327

Address: No.141, Lane 351, Sec. 1, Taiping Road, Tsaotuen, Nantou County 54261, Taiwan

Tel: +886-49-235-0876  Ext: 26157

Email: usi.gp.csr@usiglobal.com

Fax: +886-49-239-3571

# TABLE OF CONTENTS

**21**

**Corporate Governance**

Managing Structure

Anti-Corruption and Anti-Bribery

Regulations Abidance

Risk Management of Enterprise

**25**

**Environmental Sustainability**

Climate Change Mitigation

Pollution Control

Green Promise

**40**

**Employee Care and Cultivation**

Global Workforce

Promises for Employees

**59**

**Customer Service and Supply Chain Management**

Customer Service and Satisfaction

Customer Privacy & Health and Safety

Supply Chain Management

**70**

**Social Participation**

Education Investment

Society Contribution

Artistic Events Promotion

**83**

**Third Party Assurance Statement**

**GRI Index**

# Corporate Sustainability Profile

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

USI extends industrial core values of "Practical Innovation" and "Enthusiastic Service" to corporate social responsibility. By integrating core values into the corporate policy and operation management, USI pursues the vision of sustainable development.

›› **We commit to**

- **Provide fulfilling and challenging working environment for employees**
- **Generate exceptional reward for stakeholders**
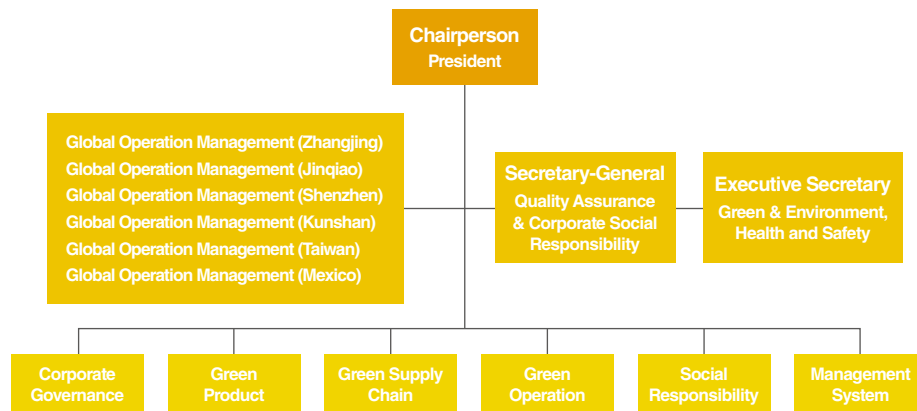- **Contribute to build a better place to live**

● **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:

- ▶ **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.**

## • Corporate Sustainable Management Mechanism

To smoothly promote USI's CSR, USI has established a responsible unit (USI CSR Promotion Committee). USI General Manager serves as the chairman of CSR committee, and Green & Environment, Health and Safety Department serves as executive secretary. They'll work on setting related rules for committee promoting. CSR committee members include every facility and unit in USI. There are 6 aspects, implementation matters will be delivered effectively through CSR committee's discussion and each member's cooperation. With regular meeting for discussion, plan for CSR promoting project of the next year and review and examine results of all the events of the year.



USI CSR Charity Ceremony & Report Launch-Charter Ceremony

**Chairperson**
President

**Global Operation Management (Zhangjing)**
**Global Operation Management (Jinqiao)**
**Global Operation Management (Shenzhen)**
**Global Operation Management (Kunshan)**
**Global Operation Management (Taiwan)**
**Global Operation Management (Mexico)**

**Secretary-General**
Quality Assurance & Corporate Social Responsibility

**Executive Secretary**
Green & Environment, Health and Safety

**Corporate Governance** | **Green Product** | **Green Supply Chain** | **Green Operation** | **Social Responsibility** | **Management System**

CSR committee held a Charity Ceremony and Report Launch on July 27, 2016. We invited SGS to participate in the event. After the event, we also had discussion, deliberation and advising with SGS. Besides, we also held annual meeting on Nov. 30, 2016. In the meeting, we not only examined the implementation status of the previous year, set the goals for the next five years, but also planned for promoting items of the next year. USI keeps moving forward to reach the goal of UN 2030 SDGs to correspond with the global sustainable issue.



CSR's Annual Meeting

## Future Plans

| SDGs | USI 6 Aspect | Goals of Each Aspect | Goals of 2020 |
|---|---|---|---|
| 8 DECENT WORK AND ECONOMIC GROWTH / 11 SUSTAINABLE CITIES AND COMMUNITIES / 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | **Corporate Governance** | • USI operation needs to follow local regulations, no corrupt practices allowed<br>• Keep promoting evaluation of operation risk and coping capacity | • Import BCM management system in 6 facilities |
| 7 AFFORDABLE AND CLEAN ENERGY / 8 DECENT WORK AND ECONOMIC GROWTH / 13 CLIMATE ACTION | **Green Product** | • Uphold the principal of 3R, and keep promoting and creating green design of products | • Keep improving low carbon product design, improving energy use and energy conversion efficiency to reduce environmental impact |
| 5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH / 10 REDUCED INEQUALITIES / 16 PEACE, JUSTICE AND STRONG INSTITUTIONS / 17 PARTNERSHIPS FOR THE GOALS | **Green Supply Chain** | • 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 | • Customer Satisfaction up to 87%<br>• Expand related product safety certification on medical care, Internet of Things, and industrial field<br>• Main suppliers join EICC-ON* platform and share their EICC SAQ*<br>• USI products need to be full compliance with conflic-free sourcing |
| 6 CLEAN WATER AND SANITATION / 7 AFFORDABLE AND CLEAN ENERGY / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION | **Green Operation** | • To reduce environmental impact, mitigate climate change, and carry out sustainable environment, USI strictly controls water resources, energy, waste, exhaust emissions. Besides, we'll keep offering innovation green project | • Reduce green house gas emission 10% lower than 2015<br>• Reduce water withdrawal for 5% than 2015<br>• Achieve process water recycling rate to 100%<br>• Lower VOC emission for 10% compare to 2015<br>• Earn Green Building Award |
| 1 NO POVERTY / 4 QUALITY EDUCATION / 8 DECENT WORK AND ECONOMIC GROWTH / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 14 LIFE BELOW WATER / 15 LIFE ON LAND / 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | **Social Responsibility** | • Through a sound system of labor communication, USI provides employee development, comfortable and safe environment to build a happy USI working environment<br>• Keep promoting and expand social participation activities | • Get EICC VAP* in 6 facilities, and gain more or equal to 180<br>• Staff Dimission Rate: Direct employees less than 60%; indirect employees less than 10%<br>• Set up Industry-University Cooperative Project, and over 45 participants |
| 17 PARTNERSHIPS FOR THE GOALS | **Management System** | • Keep strengthening the capacity of internal information security<br>• Keep strengthening the communication between internal and external stakeholder, and optimizing information disclosure system | • Full-compliance input Endpoint Protection, and strengthens the safety management of Internet Endpoint<br>• Website with modern design, and increase related media section, audio and video section |

Note:
1. EICC-ON*: EICC Online Risk Assessment Platform
2. EICC SAQ*: EICC Self-Assessment Questionnaire
3. VAP*: Validated Audit Process
4. SDGs: Sustainable Development Goals (Image Source: UN's Web)

## 2016 Award Records

### Corporate Sustainability

- USI was awarded "Outstanding Company" in the Second China (Shanghai) Corporate Social Responsibility Summit of Listed Companies

### Customer

- USI was awarded "Micron CPG 2016 Most Valued SSD Partner" by Micron
- USI was awarded "B2B Project Appreciate Award" by Micron
- USI was awarded "Best NPI Performance-Runner up" by Netgear
- USI was awarded "Service Excellence" by Lenovo
- USI was awarded "Excellent Supplier Award" by Sugon
- USI was awarded "Special Process Certification (Lead-Free)" by TOKAI RIKA

### Economy / Corporate Governance

›› **Zhangjiang Facility**

- Was awarded as one of the "2016 Shanghai Enterprises TOP 100"
- Was awarded one of the "2016 Shanghai Manufacturing Enterprises TOP 100"
- Awarded "Model Company of China Export Leading Index (ELI)"

›› **Jinqiao Facility**

- Awarded "Innovation Leadership with Farsighted Plan" (The certificate for awarding corporates that passed ISO 14001:2015 by BSI)

›› **Kunshan Facility**

- Awarded "Leading Unit of Quality Management Group" of China Electronic Information Industry
- Certified as "Suzhou City Enterprise Engineering Technology Research Center of Smart High-End Electronic Communication Components"
- Certified as "Jiangsu Province Certified Enterprise Technical Service Center"
- Certified as "Kunshan City Enterprise Technical Service Center"
- Awarded "Top 10 Private Enterprise" by Kunshan City in 2015
- Awarded "2015 Top 10 Taxpayer of Industry Enterprise-Domestic Investment"
- Awarded "2015 Top 10 Sales of Industry Enterprise-Domestic Investment"
- Awarded "Class A Enterprise Certificate" by China Quality Certification Center

### Environment

›› **Jinqiao Facility**

- Got the ISO 14001:2015 Certificate
- Got the ISO 14064-1 Certificate

›› **Kunshan Facility**

- Awarded "2015 Kunshan City Environmental Protection Leading Company"

›› **Taiwan Facility**

- Awarded "2016 Civil Power Safe Event-Electricity Utilization Control Strategy Competition"

### Society

›› **Zhangjiang Facility**

- Nominated for "Standard Enterprise of Harmonious Labor Relations" of Pudong New District, Shanghai City

›› **Jinqiao Facility**

- Got the OHSAS 18001:2007 Certificate

›› **Kunshan Facility**

- Awarded "Safety Standardization of Secondary Enterprises"
- Nominated for "2016 Model Enterprise of Occupational Health Infrastructure"

›› **Taiwan Facility**

- Awarded "Excellent Prize" of 2016 Workplace Feeding (set) Breast Room Contest
- Awarded "Healthy Workplace Certification-Health Promotion Mark" by Health Promotion Administration, Ministry of Health and Welfare

# Letter from President

In 2010, USI published the first Corporate Social Responsibility Report (2008-2009). USI was working on enterprise information disclosure and verification level evlating for building sustainable management. Through improving in environment protection in recent years, inputting efforts on community management and hard-working on caring employees' development. It was our honor to be awarded "Outstanding Company" in the second China (Shanghai) Corporate Social Responsibility Summit of Listed Companies. It represented USI concepts of striking the balance between protecting environment and business values have been approved by relevant agencies.

Though the revenue in 2016 declined 12.0% versus last year, the profit increased 5.8% instead. It was mainly because USI adjusted the product structure, gained more reasonable trading terms, improved the yield, etc. For carring out clean production, USI improved resource utilization efficiency from the beginning of the production; using techniques to reduce and avoide manufacture of contaminants to realize USI green management. USI is ahead of our competitors to take the lead in adapting Material Flow Cost Accounting (MFCA) into Wireless communication module products in Taiwan Facility to calculate the balance between input and output material and cost efficiency. It will be important reference for sustainable management and environment management.

In USI, there was no violation against environmental regulations or environmental pollution incidents in 2016. At the same year, USI achieved social contribution for RMB 1.37 per share. This report summarized USI's achievements on complying business ethics, responsibility and sustainable development. USI also acted in cooperation with 2030 Sustainable Development Goals (SDGs) announced by UN. Our CSR committee has set company's goal for the next five years. Below is the summary and please refer to the chapter of "Future Plans" for details.

- Corporate Governance: Import BCM management system in 6 facilities, and gain ISO 22301 certificate.
- Green Supply Chain: Main suppliers need to join EICC-ON and share their EICC SAQ.
- Green Operation: Achieving process water recycling rate to 100% to make the best use of water resources.

- Social Responsibility: Get EICC VAP done in six facilities, and gain points ≥ 180.

As USI turned 40 in 2016, we have been growing and ranked the 15 largest electronic components manufacturers in the world. By holding the spirit of achieving our commitment, we believe that USI is going to have the next 40 years or even longer to keep contributing itself to build a better place to live.

Corporate social responsibility is a sustainable task of USI. I appreciate all of our staff's endeavors. We will continue to make improvements to fulfill our commitments and sincerely welcome your precious opinions to help us move forward on this road.

Note:
Social contribution per share = basic earnings per share + (tax amount + wages and salaries of employees + interest expense + public welfare investment)/the number of shares of outstanding common stock

Sincerely



*Chen-Yen Wei*

**C.Y. Wei**
President

# Stakeholders Management

For pursuing the sustainable management, USI put emphasis on the interaction and communication with all stakeholders. By understanding the issues concerned by all stakeholders, and by responding to relevant suggestions and demand with various communication channels and platforms, we continue to propose improvement strategies and implement them.

# Stakeholders Management

## Identification of Stakeholders and Definition of Material Aspects



**Step 3**

**Analysis of Issues That Stakeholders Are Concerned about**

• **162** Feedback Questionnaire

**Step 4**

**Analysis of Issues That Significant Corporate Operation Impacts**

• **31** Senior mangers and members of CSR committee

**Step 2**

**Selection of Sustainability Issues**

• **20** Sustainability Issues

**Step 5**

**Identification of Material Issues**

• **8** Material issues
• **3** Other issues

**Step 1**

**Identification of Stakeholders**

• **8** Stakeholders

**Step 6**

**Definition of Materiality Aspects and Boundaries**

• **36** GRI aspects
• **3** Other aspects

• **Step 1 Identification of Stakeholders**

The 5 principles of "AA1000SES (2011) stakeholder engagement standard," dependency, responsibility, tension, influence and diverse perspective, were selected as the criteria of questionnaire design during the discussion of USI CSR promotion committee this year. A total of 24 questionnaires were retrieved, and the identification result were 8 stakeholders including employee and dependent, stockholder/investor, customer, supplier, affiliated company, government department, media, community.

• **Step 2, 3, 4 Select Issues and Investigate the Attention of Stakeholders and Impact**

The committee selected 20 sustainability issues for the questionnaire based on the company's industrial and business characteristics and by referencing GRI G4 sustainability indicators. Then, the attention survey and analysis was performed on identified stakeholders and selected issues. 162 copies of questionnaires were retrieved. Also, 31 high-ranking company officials and committee members were invited for a survey on the impact of these issues on the company's business. The results were analyzed along with issues concerning stakeholders.

• **Step 5 Identification of Material Issues**

Important issues of the company in terms of company governance, economy, environment and social aspect were identified, grouped based the level of magnitude, high (8 issues), middle (9 issues) and low (3 issues), and disclosed according to the following principles:

High level: Major issues that are completely disclosed.
Middle level: Secondary issues that are partially disclosed.
Low level: Minor issues that are unnecessarily disclosed

In addition, the CSR promotion committee came up with 3 issues based on the company's industrial characteristics, namely conflict-free purchase program, continuous improvement program and material flow cost accounting, all of which are disclosed in this report.

● **Governing**  ● **Economic**  ● **Environmental**  ● **Social**

**High Level**                    **Medium Level**                    **Low Level**

| | | |
|---|---|---|
| **1** Compliance | **4** Indirect Economic Impacts | **16** Workforce Diversity |
| **2** Supply Chain Management | **5** Customer Service and Privacy | **18** Security Practices |
| **3** Economic Performance | **6** Green Product | **20** Anti-competitive Behavior |
| **9** Air Management | **7** Energy Management | |
| **10** Waste Management | **8** Water Resources Management | |
| **12** Employment and Welfare | **11** Green Expenditures | |
| **13** Labor/Management Relations | **15** Training and Education | |
| **14** Occupational Health and Safety | **17** Human Rights Policy | |
| | **19** Social Participation | |

**• Step 6 Definition of Materiality Aspects and Boundaries**

The issues disclosed in this report have been compared with 39 aspects including 36 aspects selected from 46 aspects in GRI G4 along with 3 aspects belonging to corporate characteristics. Every aspect is an index of reporting one or more than one indicator with the widest boundary. Besides, advices from the specialists and scholars are also considered to obtain the final result. Identification results are as shown in the following table:

🍀 This Report    🍀 Future Plan

| Scope | Boundaries with in the Organization | | | | | | Boundaries outside the Organization | | |
|---|---|---|---|---|---|---|---|---|---|
| Aspects | USI ZJ | USI JQ | USI SZ | USI KS | USI TW | USI MX | Communities | Supplier | Customer |
| **Economic Category** | | | | | | | | | |
| Economic Performance | 🍀 | 🍀 | 🍀 | 🍀 | 🍀 | 🍀 | | | |
| Market Presence | 🍀 | 🍀 | 🍀 | 🍀 | 🍀 | 🍀 | 🍀 | | |
| Procurement Practices | 🍀 | 🍀 | 🍀 | 🍀 | 🍀 | 🍀 | | 🍀 | |

# 9 Stakeholders Management

| Scope | Boundaries with in the Organization | | | | | | Boundaries outside the Organization | | |
|---|---|---|---|---|---|---|---|---|---|
| Aspects | USI ZJ | USI JQ | USI SZ | USI KS | USI TW | USI MX | Communities | Supplier | Customer |
| **Environmental Category** | | | | | | | | | |
| Energy | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Water | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| Emissions | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☘ | ✓ | ✓ |
| Effluents and Waste | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Compliance | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Overall | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Supplier Environmental Assessment | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| Environmental Grievance Mechanisms | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Social-Labor Practices and Decent Work Category** | | | | | | | | | |
| Employment | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Labor/Management Relations | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Occupational Health and Safety | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| Training and Education | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Diversity and Equal Opportunity | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Equal Remuneration for Women and Men | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Supplier Assessment for Labor Practices | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| Labor Practices Grievance Mechanisms | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| **Social-Human Rights Category** | | | | | | | | | |
| Investment | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |
| Non-discrimination | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | |

| Scope | Boundaries with in the Organization | | | | | | Boundaries outside the Organization | | |
|---|---|---|---|---|---|---|---|---|---|
| Aspects | USI ZJ | USI JQ | USI SZ | USI KS | USI TW | USI MX | Communities | Supplier | Customer |
| Freedom of Association and Collective Bargaining | ● | ● | ● | ● | ● | ● | | ● | |
| Child Labor | ● | ● | ● | ● | ● | ● | | ● | |
| Forced or Compulsory Labor | ● | ● | ● | ● | ● | ● | | ● | |
| Assessment | ● | ● | ● | ● | ● | ● | | ● | |
| Supplier Human Rights Assessment | ● | ● | ● | ● | ● | ● | | ● | |
| Human Rights Grievance Mechanisms | ● | ● | ● | ● | ● | ● | | ● | |
| **Social-Society Category** | | | | | | | | | |
| Local Communities | ● | ● | ● | ● | ● | ● | ● | ○ | |
| Anti-corruption | ● | ● | ● | ● | ● | ● | | ● | ● |
| Compliance | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Supplier Assessment Impacts on Society | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Grievance Mechanisms for Impacts on Society | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| **Social-Product Responsibility Category** | | | | | | | | | |
| Customer Health and Safety | ● | ● | ● | ● | ● | ● | | | ● |
| Product and Service Labeling | ● | ● | ● | ● | ● | ● | | | ● |
| Customer Privacy | ● | ● | ● | ● | ● | ● | | | ● |
| Compliance | ● | ● | ● | ● | ● | ● | | | ● |
| **Other Category** | | | | | | | | | |
| Conflict Minerals | ● | ● | ● | ● | ● | ● | | ● | ● |
| Continuous Improvement | ● | ● | ● | ● | ● | ● | | | |
| Material Flow | ○ | ○ | ○ | ○ | ● | ○ | | | |

## 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 our company and the stakeholders. Issues that they are not so concerned about will be responded in each chapter of the report.

| Stakeholder | Material Issue | Communication Channel | Frequency | 2016 Performance |
|---|---|---|---|---|
| **Stockholder/ Investor** | • Sustainable development policy<br>• Economic performance<br>• Company profile<br>• Stakeholders engagement<br>• Governance and risk | • Board meetings<br>• Annual general meeting<br>• Annual report<br>• Telephone conferences<br>• Investor section on corporate website<br>• Shanghai Stock Exchange - SSE E-interaction | • Non-periodic<br>• Yearly<br>• Yearly<br>• All the time<br>• All the time<br><br>• All the time | • 4 board meetings were held in 2016<br>• Shareholder meetings are held regularly for explaining managing performance to investors and responding to their concerned issues<br>• USI reveals the company's financial information through stock exchange websites and annual financial statements, and review constantly the company's business status and data<br>• A telephone conference is held each quarter to explain USI's production and management to investors |
| **Employee** | • Employment and welfare<br>• Labor / management relations<br>• Occupational health and safety<br>• Company profile<br>• Training and education | • Employees' welfare committee/staff congress<br>• Employee Relationship Website<br>• "Meet the President" session<br>• Industrial relations meetings<br>• Training programs<br>• Employee satisfaction survey<br>• Newsletter | • Quarterly<br><br>• All the time<br><br>• Quarterly<br><br>• Quarterly<br>• Non-periodic<br>• Every other year<br>• Monthly | • A workers conference is held on a regular basis each quarter to discuss and plan recent events related to employees and propose employees' opinions<br>• "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<br>• A "general manager's symposium" is 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<br>• USI University has been established to irregularly provide employees with various educational training programs to perfect their professional skills<br>• "Employee satisfaction survey" is conducted every other year on USI's intranet<br>• 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** | • Supply chain management<br>• Governance and risk<br>• Ethics/integrity and anti-corruption<br>• Sustainable development policy<br>• Customer service and privacy | • EICC-ON<br>• After-sales service system (e-RMA)<br>• Customers' satisfaction questionnaire<br>• Mail | • All the time<br>• All the time<br><br>• Quarterly<br><br>• All the time | • To report the Self-Assessment Questionnaire (SAQ) assessment status and results through the EICC-ON platform<br>• Constant control of RMA (Note) status and relevant information through the system (e-RMA)<br>• It is provided to corresponding windows through business each quarter to help carry out satisfaction surveys |

Note: RMA, Return Merchandise Authorization

| Stakeholder | Material Issue | Communication Channel | Frequency | 2016 Performance |
|---|---|---|---|---|
| **Government Department** | • Occupational health and safety<br>• Training and education<br>• Social Participation<br>• Compliance | • Official documents<br>• Participation in conferences | • Non-periodic<br>• Non-periodic | • Actively participate in conferences held by competent authorities |
| **Supplier** | • Sustainable development policy<br>• Economic performance<br>• Supply chain management | • Quarterly Business Review<br>• Business meetings<br>• Supplier evaluation<br>• Purchase contracts/Conducts<br>• Training of suppliers<br>• On-site audit for suppliers<br>• Questionnaire investigation for Suppliers<br>• Supplier Conference | • Quarterly<br>• Non-periodic<br>• Yearly<br>• In contract period<br>• Non-periodic<br>• Non-periodic<br>• Yearly<br>• 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<br>• 55 new suppliers were subject to evaluation and 50 of them were approved.<br>• In addition to the compliance with purchase contract, suppliers have to sign "the Code of Sunshine Conduct of Suppliers" and "Supplier's Commitment to Corporate Social Responsibilities"<br>• Suppliers are selected each year to carry out on-site inspection for EICC. The number of suppliers were selected was 34 in 2016.<br>• 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<br>• Supplier sustainability presentations were held in Shanghai, Shenzhen, Kunshan and Taiwan in 2016 communicating the policies and philosophy the company is trying to convey 221 representatives from 194 suppliers in total attended these sessions. |
| **Affiliated Company** | • Sustainable development policy<br>• Compliance | • Board meetings<br>• Work/Business meetings | • Non-periodic<br>• Non-periodic | • 4 board meetings were held in 2016<br>• Work/business meetings of departments to communicate the policies, objectives and requirements of the parent group (ASE Group) |
| **Media** | • Economic performance<br>• Indirect economic impacts<br>• Sustainable development policy<br>• Company profile<br>• Employment and welfare | • USI Website/E-mail | • All the time | • To announce revenue related information every month, and publish operating results and development direction periodically |
| **Community** | • Green product<br>• Waste management<br>• Company profile<br>• Sustainable development policy<br>• Water resources management<br>• Social participation | • USI Website/E-mail/Direct line<br>• Community activities | • All the time<br>• Non-periodic | • Draw up environmental protection, occupational safety & health (ESH) SOP and measures of environment safety communication, consultancy, and participation. Keep friendly relationships with community residents<br>• Actively participate in social/community activities and establish good relationship with neighbors (refer to the chapter of "social participation") |

# Company Profile

**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 "investor relations management system" 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 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, Pudong New Area, Shanghai, P.R. 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 of Employees | 15,119 (As of 2016 /12/31） |
| Area of Operation | Shanghai / Shenzhen / Kunshan / Taiwan / Japan / USA / Mexico |

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.

- **USI 40th Milestone**

Universal Scientific Industrial (Shanghai) Co., Ltd. was founded in 2003, and Universal Scientific Industrial Co., Ltd., the former holdings company, became a subsidiary solely owned by USI Shanghai after a series of asset reformation. In 2016, USI Shanghai has taken over its former holdings company's assets and inherited USI's legacy from 1976.

USI 40th

**1976 - 1999**

**2000**
- Started manufacturing POS and video products
- Nankang facility joined for production
- Established a subsidiary, USI Japan Co., Ltd., in Japan
- Set up Shenzhen facility
- Set up California facility

**2001**
- Started manufacturing SHD products (Smart Handheld Devices) and servers
- Shenzhen facility acquired ISO 14001
- Shenzhen facility acquired ISO 9001

**2002**
- Started manufacturing car LED lamps for car electronics market
- Shenzhen facility acquired TL 9000

**2003**
- Established Universal Scientific Industrial (Shanghai) Co., Ltd.

- Shanghai R&D center started operating
- Started producing WiFi & BT modules for SHD products (Smart Handheld Devices)
- Taiwan facility acquired TS16949

**2004**
- Completed Zhangjiang facility phase 1
- Started producing control panels for flat-screen display devices and wireless communication products
- Integrated PDM and SFIS systems into SAP ERP system
- Zhangjiang facility acquired ISO 14001
- Zhangjiang, Taiwan, Shenzhen facility acquired OHSAS 18001
- Zhangjiang facility acquired ISO 9001

**2005**
- Zhangjiang facility acquired TL 9000
- Mexico facility acquired TS 16949
- Mexico facility acquired ISO 9001

**2000 - 2005**

**1976**
- Universal Scientific Industrial Co., Ltd., the former holdings company and now the subsidiary, was founded
- Started manufacturing voltage regulators for car electronics market

**1978**
- Started mass production of thick-film hybrid ICs

**1983**
- Started producing thick-film resistor networks (RMWs)

**1988**
- Started mass production of clock oscillators (CXOs)

**1989**
- Developed SMT and produced VGA cards, SIMM, 286 All-in-One desktop PC motherboards, etc.

**1991**
- IPO approved by Securities Supervisory Committee in Taiwan

**1993**
- Started producing wireless communication products for wireless communication industry
- Taiwan facility acquired ISO 9001

**1995**
- Became public as approved by Securities Supervisory Committee, Ministry of Finance in Taiwan

**1996**
- Started company stock trading in Taiwan stock market

**1997**
- Set up Mexico facility

**1998**
- Established a subsidiary in Scotland
- Taiwan facility acquired ISO 14001
- Tsaotuen 2nd facility joined for production
- Merged ABIT Computer Corporation

**2011**
- R&D center was recognized as the "Shanghai Corporate Technology Center"
- Completed business integration and expanded production capability to more than 100 patching production lines
- Set up Kunshan facility
- Kunshan facility acquired ISO 14064-1 and ISO 9001

**2012**
- Listed in SSE A share, stock code: 601231
- Shanghai R&D Center was promoted to "Shanghai Municipal Technology Center"
- Kunshan facility acquired ISO 14001, OHSAS 18001 and IECQ QC080000

**2013**
- Zhangjiang facility acquired ISO 50001 and ISO ANSI/ESD S20.20
- Set up Jinqiao facility

- Kunshan facility acquired TL 9000 and TS 16949

**2014**
- Consolidated annual revenue reached USD 3.5 billion
- Mexico facility acquired OHSAS 18001
- Taiwan, Shenzhen, Kunshan facility acquired ISO 50001
- Kunshan facility acquired ISO 13485

**2015**
- Consolidated annual revenue reached USD 4.3 billion
- Introduced double Slided Conformal Shielding to wireless communication module products
- Jinqiao facility acquired IECQ QC080000, ISO 9001, ANSI/ESD S20.20 and TL 9000

**2016**
- Jinqiao facility acquired ISO 14001
- Jinqiao, Mexico facility acquired ISO 14064-1
- Jinqiao facility acquired OHSAS 18001

**2006 - 2010**

**2011 - 2016**

**2006**
- Completed Zhangjiang facility phase 2
- Introduced supplier management and inventory system
- Started providing design and manufacturing service for storage products
- Started SSD manufacturing service
- Mexico facility acquired ISO 14001
- Taiwan facility acquired IECQ QC080000

**2007**
- Acquired high-tech enterprise qualification
- Zhangjiang, Shenzhen, Mexico facility acquired IECQ QC080000
- Zhangjiang facility acquired TS 16949

**2008**
- Started providing WWAN modules for SHD (industrial handheld devices)

**2009**
- Taiwan facility acquired ISO 14064-1

**2010**
- Established a subsidiary, Universal Global Scientific Industrial Co., Ltd., in Taiwan
- Defined 5 Products Groups and the revenues had reached RMB 8 billion
- Consolidated annual revenue figures exceeded RMB 13 billion
- Universal Scientific Industrial Co., Ltd. was delisted from Taiwan Stock Exchange
- Became a technology leader in SiP miniaturization products
- Zhangjiang, Shenzhen facilities acquired ISO 14064-1

• **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.



- R/D
- Manufacturing
- Global Sales
- RMA & Logostics

• **Association Organization Map**
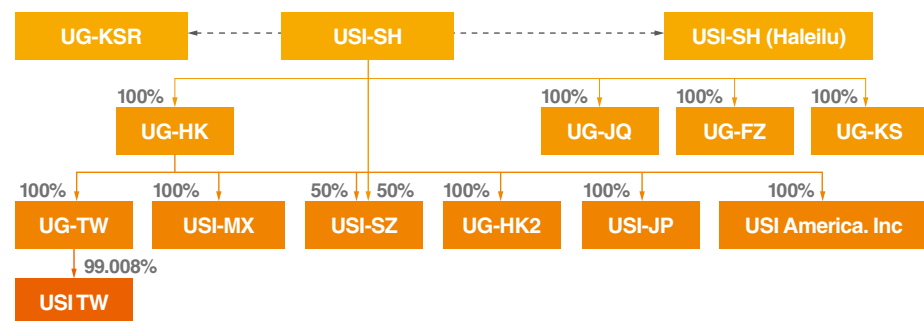


Note:

Universal Scientific Industrial Co., Ltd. (USI TW), a Taiwan-based wholly owned subsidiary whose stock shares were held indirectly by USI (UG TW), purchased the common stocks of USI (USI TW) from ASE Group. As of May 30 2016 when the transaction was completed, the share holdings accounted for 99.008% of stocks issued by USI (USI TW).

## Financial Performance

In 2016, USI reported consolidated sales revenue of RMB 23.984 billion with a decrease of 12.02% comparing with 2015; the net profit was RMB 806 million with a growth of 5.83% comparing with 2015; the net sales was RMB 23.984 billion; its total capital is divided into liabilities and equity, which are RMB 7.868 billion and RMB 7.537 billion. Additionally, USI's R&D investment totaled RMB 884 million, accounting for 3.69% of its revenue. RMB 218 million was paid for stock dividends, accounting for 0.91% of sales revenues. The company has provided 459,567,895 products or services.

Unit: RMB

| Items | 2016 | 2015 |
|---|---|---|
| 1. Operating Revenue | 23,983,883,716.87 | 27,260,058,959.373 |
| 2. Operating Costs | 21,398,217,873.36 | 24,934,821,160.94 |
| Business Taxes and Levies | 35,208,657.28 | 23,961,491.53 |
| Selling Expenses | 223,677,288.10 | 239,135,409.25 |
| Administrative Expenses | 1,399,401,057.46 | 1,333,784,572.83 |
| Financing Expenses | -53,060,779.59 | 38,837,527.58 |
| Impairment Losses of Assets | -344,319.60 | -52,835,896.70 |
| Add: Gain from Change of Fair Value (Loss is Filled with "Negative") | -5,767,564.52 | -681,451.43 |
| Investment Income (Loss is Filled with "Negative") | 15,555,213.69 | 80,793,826.88 |
| 3. Operating Profit | 990,571,589.03 | 822,467,069.39 |
| Add: Non-operating Income and Expenses | 16,779,606.51 | 20,764,396.43 |
| 4. Total Profit | 1,007,351,195.54 | 843,231,465.82 |
| 5. Net Profit | 806,266,321.83 | 761,842,271.09 |

Note:

Consolidated results shown; Account processing was performed for equity transfer of USI. The information was disclosed in the statement. A restatement was made for the 2015 financial statement.

- **Interests Paid to Loan Providers**

Unit: RMB

| Zhangjiang Facility | Jinqiao Facility | Shenzhen Facility | Kunshan Facility | Taiwan Facility | Total |
|---|---|---|---|---|---|
| 2,288,364 | 7,312,651 | 282,033 | 428,228 | 2,905,735 | 13,217,011 |

Note: The facility in Mexico has no interest expenses; the amount was rounded to the nearest integer

- **Payment to Government: All Taxes Payable (Business Tax, Income Tax, Property Tax, etc.)**

Unit: RMB

| Zhangjiang Facility | Jinqiao Facility | Shenzhen Facility | Kunshan Facility | Taiwan Facility | Mexico Facility | Total |
|---|---|---|---|---|---|---|
| 70,460,681 | 7,058,014 | 133,501,359 | 32,092,970 | 27,677,405 | 34,508,314 | 305,298,742 |

Note: The amount was rounded to the nearest integer

- **Employee Salary and Employee Welfare Expenses**

Unit: RMB

| Zhangjiang Facility | Jinqiao Facility | Shenzhen Facility | Kunshan Facility | Taiwan Facility | Mexico Facility | Total |
|---|---|---|---|---|---|---|
| 495,281,166 | 258,802,645 | 346,934,428 | 174,352,812 | 450,870,793 | 49,407,472 | 1,775,649,316 |

Note: The amount was rounded to the nearest integer

- **Community Investment**

Unit: RMB

| Zhangjiang Facility | Jinqiao Facility | Shenzhen Facility | Kunshan Facility | Taiwan Facility | Total |
|---|---|---|---|---|---|
| 79,140 | 22,552 | 37,500 | 128,550 | 931,168 | 1,198,910 |

Note: The amount was rounded to the nearest integer; the statistics do not cover the Mexico facility

- **Government Subsidy**

Unit: RMB

| Zhangjiang Facility | Jinqiao Facility | Shenzhen Facility | Kunshan Facility | Taiwan Facility | Total |
|---|---|---|---|---|---|
| 18,591,350 | 13,552,568 | 83,840,252 | 3,134,797 | 10,305 | 119,129,272 |

Note: The main subsidized items are R&D charges, training subsidies and tax rebates; the amount was rounded to the nearest integer

- **CIP Cost Saving**

Unit: RMB

| Zhangjiang Facility | Jinqiao Facility | Shenzhen Facility | Kunshan Facility | Taiwan Facility | Mexico Facility | Total |
|---|---|---|---|---|---|---|
| 20,258,812 | 20,077,788 | 11,104,784 | 5,876,569 | 919,804 | 560,204 | 60,514,712 |

Note: The amount was rounded to the nearest integer

**23.984** Billion
Business revenues up to RMB 23.984 billion

**806** Million
Net profits up to RMB 806 million, maintain a state of positive surplus

# EICC

Facilities in Zhangjiang, Jinqiao,
Shenzhen, Kunshan and Taiwan
are qualified for EICC VAP certification
and disclosed in EICC-ON

## 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:

● **Shenzhen Facility**
- Shenzhen Taiwan Business Association ☆☆
- Shenzhen Hi-tech Industry Association ☆
- Shenzhen Foreign Investment Enterprise Association ☆
- Shenzhen Entry-Exit Inspection and Quarantine Association ☆
- Shenzhen Corporate Social Responsibility Development Association
- Guangdong Shenzhen Customs Brokers Association ☆
- Shenzhen Enterprise Confederation ☆
- Shenzhen Chamber of Commerce for Import & Export ☆☆
- Shenzhen Chamber of Investment ☆
- Shenzhen Credibility Assurance Committee
- EICC-ON

● **Taiwan Facility**
- Chinese National Association of Industry and Commerce, Taiwan
- Taiwan Industrial Technology Association
- SMT, Surface Mount Technology Association ☆
- Taiwan Electrical and Electronic Manufacturers' Association ☆
- Industrial Safety and Health Association of the R.O.C.
- Taiwan Telematics Industry Association ☆
- Chuming Educational Foundation of NCTU

● **Jinqiao Facility**
- Shanghai Jinqiao Economic and Technology Development Zone Enterprises Association
- Shanghai Pudong New Area Accounting Association

● **Zhangjiang Facility**
- Shanghai Integrated Circuit Industry Association
- Shanghai Pudong New Area Accounting Association
- Shanghai Foreign Investment Enterprises Association
- Shanghai Accounting Association
- The Listed Companies Association of Shanghai
- China Association for Public Companies
- EICC-ON

● **Kunshan Facility**
- Kunshan Taiwan Business Association (KSTBA) ☆
- China Quality Management for Electronics Industry
- EICC-ON

Note:
☆☆ Represent the position of Honorary President/Honorary Vice President
☆ Represent the position of Director/Supervisor

• **Promotion of EICC**

ASE Group joined Electronic Industry Citizenship Coalition (EICC) and became its member in 2015. Being a member of ASE Group, USI actively abides by the behavioral norms of EICC and requests its facilities around the globe to implement the corporate responsibility. 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 EICC-ON platform.
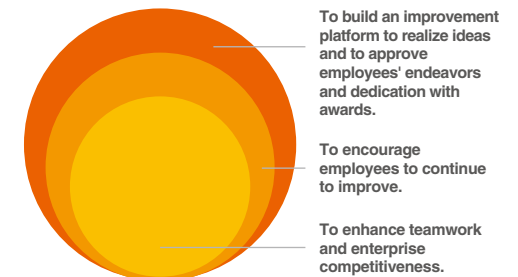
The results of the self-assessment questionnaire (SAQ) on the EICC-ON platform show that Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan and Mexico facilities are at low risks in 2016. Additionally, Zhangjiang, Jinqiao, Shenzhen, Kunshan and Taiwan facilities received and passed the clients EICC auditing in 2016, and internal auditing will be executed on a regular basis each year in the company. In addition, USI has been asking and encouraging suppliers to join the EICC-ON platform. See the chapter of "EICC Management" for auditing results and associated matters.

• **Promotion of CFSI**

In 2011, EICC set up the information website of Conflict-Free Sourcing Initiative (CFSI) with Global e-Sustainability Initiative (GeSI). 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.
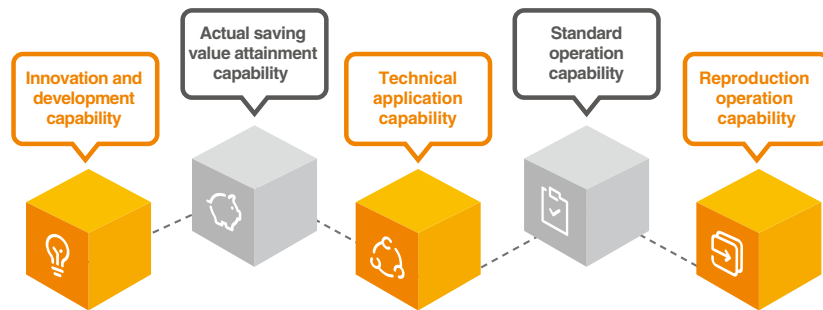
## Continuous Improvement Program

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:

To build an improvement platform to realize ideas and to approve employees' endeavors and dedication with awards.

To encourage employees to continue to improve.

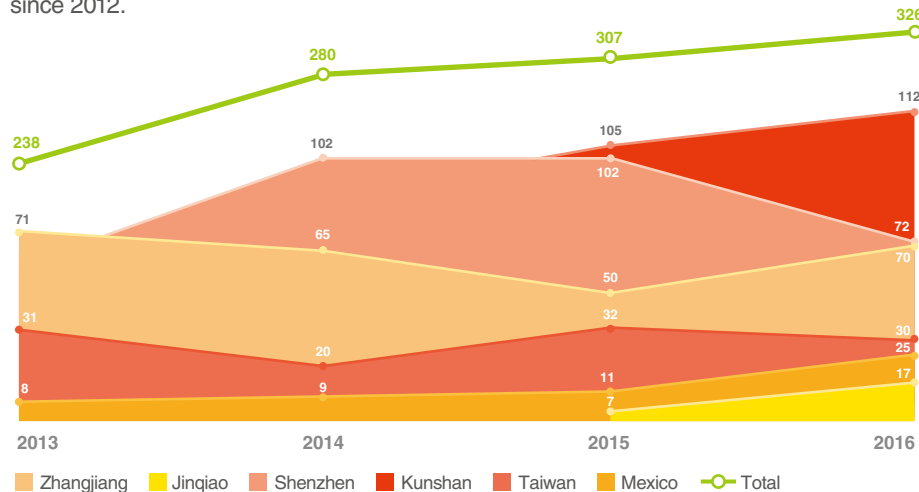To enhance teamwork and enterprise competitiveness.

Each facility first proposes cases which are reviewed by Site Review Committee (SRC) for their project results and saving benefits 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.

A case has to be evaluated by SRC whether it is defined or not. The evaluation criteria are as follows:

Innovation and development capability

Actual saving value attainment capability

Technical application capability

Standard operation capability

Reproduction operation capability

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 2012.

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Total | 238 | 280 | 307 | 326 |
| Shenzhen | 71 | 102 | 105 | 112 |
| | | 65 | 102 | 72 |
| Zhangjiang | | | 50 | 70 |
| | 31 | | 32 | 30 |
| | | 20 | | 25 |
| | 8 | 9 | 11 | 17 |
| | | | 7 | |

Zhangjiang  Jinqiao  Shenzhen  Kunshan  Taiwan  Mexico  —○— Total

Note: Jinqiao facility joined the program in July 2015

After the total performance of 2016 was reviewed by CRC, the actual value of saved tangible costs is USD 9,114,000, and its ratio to the revenue is 0.34% (Target: 0.21%). Incentive payments were not awarded to facilities that did not achieve the target. A total of USD 48,800 was awarded.

• **CIP Excellent Contribution Award**

Each facility proposes representative or innovative cases to enter global competitions. Awarded teams are granted trophies and incentive payments. In 2016, four projects achieved the target and were awarded bronze medals.

**WM1502 T2 4RF Ports to 2RF Ports**
**Bronze Medal**

Previously, NIC WiFi module was used in SiP products as Golden for signal transmission. NIC WiFi module has 4 antennas, corresponding to the four ones on SiP EVB.

Therefore, the hope is to use SiP products with fewer antennas as Golden for signal transmission. Once the SiP products are changed to Golden, the number of antennas can be reduced to two. As a result, only 2 antennas are required for the module, which translates to reduction of connection and wiring equipment by 50%, not only improving the compatibility but also reducing the cost for wiring.

With this project, not only less costs and expenses are required, but the wiring environment is also simplified, and efficiency of wiring and maintenance is improved as well. The quality of the products stays intact when compared to the erstwhile statistics, and it is estimated that USD 155,000 has been saved since the project was launched in Mar. 2016.

Original design (4RF Ports)
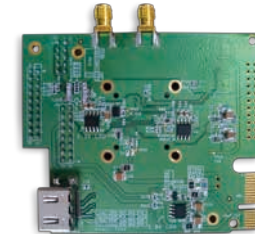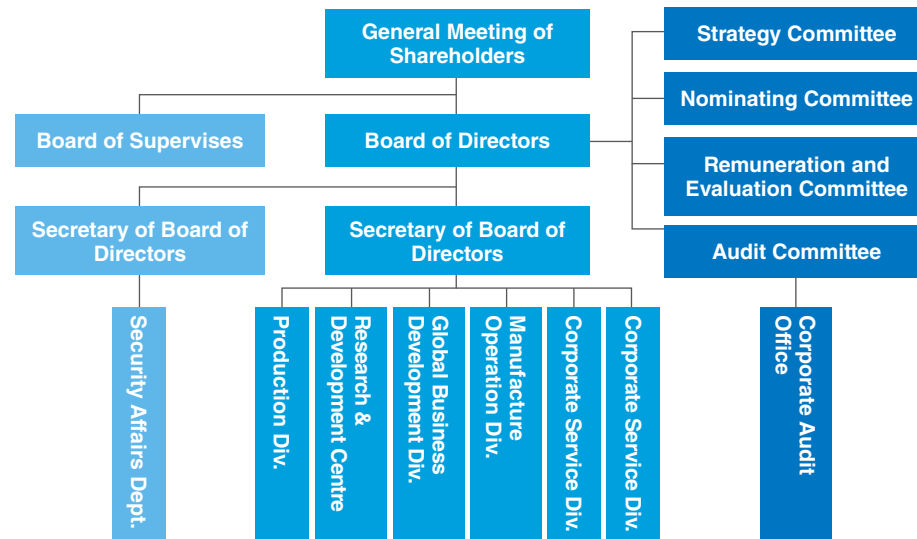
After improvement (2RF Ports)

# 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, realized internal audit and strengthened internal risk management. By promoting the governance of the corporation, USI seeks sustainable industrial development.
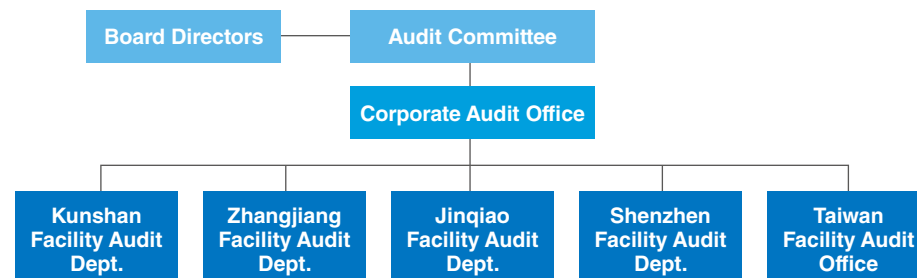
# Corporate Governance

## Managing Structure

```
General Meeting of Shareholders ──── Strategy Committee
                                      Nominating Committee
Board of Supervises ── Board of Directors ── Remuneration and Evaluation Committee
                                              Audit Committee

Secretary of Board of Directors    Secretary of Board of Directors

Security Affairs Dept. | Production Div. | Research & Development Centre | Global Business Development Div. | Manufacture Operation Div. | Corporate Service Div. | Corporate Service Div. | Corporate Audit Office
```

### • 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.

```
Board Directors ──── Audit Committee
                          │
                  Corporate Audit Office
                          │
Kunshan Facility Audit Dept. | Zhangjiang Facility Audit Dept. | Jinqiao Facility Audit Dept. | Shenzhen Facility Audit Dept. | Taiwan Facility Audit Office
```

### • 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.

## Anti-Corruption and Anti-Bribery

To make sure USI employees do not have illegal profit exchanges with related institutes, USI employees must put more emphasis on incorruptible deeds. In employees' working regulations, they are definitely required not to deal with private affairs through USI's resources and to engage in activities for personal gain with their authority. When freshmen are accepting training, they are given related training courses. Currently, USI has drawn up "Fraud Risk Management 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.

**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

To acknowledge employees to follow the "Employee Codes of Conduct", USI has not only announced related information on the company's internal website, but also made them into e-learning educational materials and the compulsory course. That is, all the employees must read this course e-learning and conduct quizzes at the end of the class. Employees' course attendance record will be listed as tracking projects to ensure that every employee has accomplished the "Employee Codes of Conduct" course. Besides, USI also holds irregular promotions on the "Sunny Action (honest and incorruptible employees)" policy to remind the employees to pay attention to and to comply with relevant regulations. USI has so far not discovered any actions 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 deeds

▸ Design examination program of Integrity deeds

- **Employee Codes of Conduct**

▸ Employment Morality and Code of Ethics

▸ Rules of Avoiding Conflict of Interest

▸ Rules of Gifting and Entertaining

▸ Reporting Responsibilities and Obligations

▸ Violation Handling

## Regulations Abidance

USI worked hard to maintain its industrial image in these years, following regulations and rules related to corporate governance, financial management, environmental protection, employee welfare, and production supply. If some deeds cause influence on the industrial image or violate regulations, USI will establish special case group for drawing up responsible solutions. USI has not yet been seriously fined or punished in other forms due to illegal events till the end of 2016.

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

## 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.

We planned to introduce the business continuity management (BCM) system in 2016, hoping that all 6 facilities will adopt the system by 2020.

- **Organizational Framework of 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.

• **Results of Risk Assessment**

The 2016 USI risk assessment program is summarized as follows:

| Aspect | | Item |
|---|---|---|
| **Macro-economy** | Political environment | • Now elected as the president of USA, Trump may change the trading policies of the US (NAFTA: Made in USA)<br>• Risks of power rationing in Taiwan |
| | Social and cultural environment | • Difficulty in recruiting experienced professionals for system integration and failure analysis for miniaturization process<br>• Company is not located at major city / industrial park, which may make it difficult to replenish large quantity of manpower for the corporate development strategies in a short period of time notice due to the limitations of demographic distribution / willingness of employment |
| **Micro-economy** | Legislation and policy | • AE clients ask for ISO 26262 certifications for OEM suppliers<br>• The merger with ASE-NT indicates the need for a wastewater discharge permit according to the applicable regulations<br>• Conflict minerals investigation reply and objective fail to achieve what clients requested<br>• Failure to comply with Labor Standards Act; for example, the number of mentally or physically disabled employees does not meet the requirement |

| | | |
|---|---|---|
| **Micro-economy** | Market demand | • Excessive materials are prepared for ODM models or distributors/retailers overestimated market demands, causing excessively redundant materials left<br>• Sudden and significant increase / decrease of demand forecast or order from clients leads to redundant / stagnant materials<br>• A single client accounts for an alarmingly large percentage of sales revenue |
| | Competition | • Failure to deliver on schedule for Double Side molding<br>• Leak of classified proprietary technology / business secrets<br>• Employees defected to competitor companies |

**Risk Level**

| | Yes | Partial | No |
|---|---|---|---|
| **H** | ▸ R&D information management<br>▸ Product/Technical development<br>▸ Product/Technical strategy<br>▸ Promotion opportunity<br>▸ Credit management | ▸ Technical strategy<br>▸ Worker recruitment | ▸ Business strife limitation and business secrets<br>▸ Talent retention |
| **M** | ▸ Legal compliance/customer's requirement<br>▸ Raw material demand and control<br>▸ Quality standard management<br>▸ Purchasing cost management<br>▸ Credit management | ▸ Business concentration<br>▸ Legal compliance<br>▸ Geopolitics<br>▸ Inventory management | ▸ Supplier management |
| **L** | ▸ Safety of physical environment<br>▸ Manufacturing process design<br>▸ Delivery management<br>▸ Production equipment<br>▸ Production management | ▸ Health and safety of emplyee<br>▸ In-house safety risks<br>▸ Risks of natural disaster<br>▸ Production planning<br>▸ Business model | ▸ Employee recruitment |

**Controal Effectiveness**

# Environmental Sustainability

With an emphasis on environmental protection, USI takes aggressive measures against climate change and has shown impressive results.

# Environmental Sustainability

It incorporates environmental concerns into the operating decisions and business management, with the board of directors and high-level executives both held accountable for such tasks as communicating with USI's stakeholders, proposing feasible improvements to cope with climate change. Additionally, USI continues to promote ISO14001, ISO14064-1, ISO 50001 and cleaner production each year. To fulfill its Green Responsibilities, USI also adopts a green management model by effectively disclosing environmental data. A telephone hotline and mailbox are provided for suggestions or complaints from stakeholders. No official complaint about environmental impact was received in 2016.

USI continues to include clients' environmental protection requirements into its green management system and green production procedure, and to reveal green commitment and implementation results on a regular basis. In addition, USI always refers to stakeholders' opinions to adjust its green management strategies. Moreover, USI also requests its employees to participate in environmental protection and resource recycling to reduce the operational costs of its facilities around the globe and elevate economic benefits when the enterprise promotes environmental protection by saving water and electricity costs. It is hoped that USI can carry out corporate social responsibility and pursue the sustainable development of the enterprise and environment while taking its management and environmental protection into consideration.
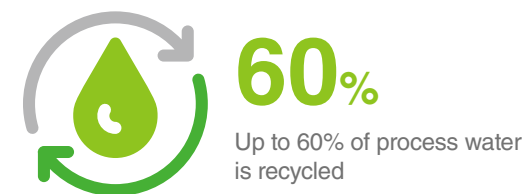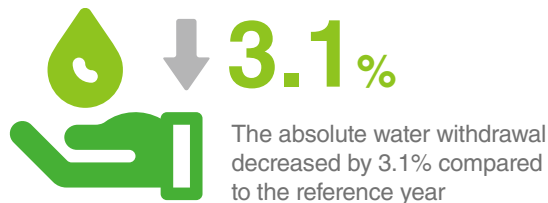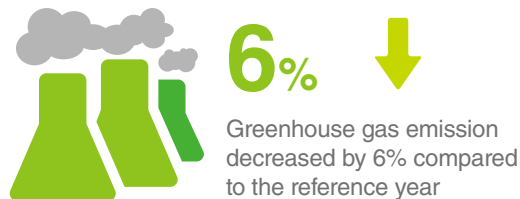
Climate change has taken its tolls on USI. For example, carbon quota management is now in place in Shanghai, Shenzhen China, and legislation regarding greenhouse gas (GHG) reduction is in progress in Taiwan. Cap and trade system for GHG and possible energy or carbon taxes are issues USI is always paying attention to. In addition to the continuous efforts in energy efficiency improvement, the promotion of Green Promise and the environmental protection measures of will be in place 2016 in facilities to minimize risks from climate change.

• **EHS & Energy Policy**

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

Therefore, USI established Energy, Environment, Health & Safety (EHS & Energy) policy. USI made good use of limited internal resources and required all staffs to comply with the policies below to reduce impacts on environment and employees' safety and health caused by activities, products and services. That way, USI will be able to fulfill the corporate social responsibilities.

USI has been dedicating to reducing negative impact from production procedures upon environment. Moreover, USI effectively manages the usage of raw materials, energy saving, waste disposal, greenhouse gas reduction and the utilization of water resources in accordance with its environmental, safety, health and energy policies.

**6%**
Greenhouse gas emission decreased by 6% compared to the reference year

**3.1%**
The absolute water withdrawal decreased by 3.1% compared to the reference year

**60%**
Up to 60% of process water is recycled

▶ **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, suppliers 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.

## Climate Change Mitigation

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 coexistence 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.

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

• **All Greenhouse Gas Emissions**

| Year | Greenhouse Gas Emissions (Tons, $CO_2e$/year) | | | | |
|---|---|---|---|---|---|
| | Fixed Burning Emission | Mobile Burning Emission | Fugitive Emission | Processing Emission | Indirect Energy Emission |
| **2016** | 5,758.11 | 367.56 | 1,931.57 | 0.00 | 142,043.16 |
| **2015** | 5,776.50 | 349.52 | 1,899.58 | 0.00 | 151,916.97 |

• **Categories of Greenhouse Gas Emissions**

| Year | Emissions of Each Category (Tons, $CO_2e$/year) | | |
|---|---|---|---|
| | Scope 1 | Scope 2 | Total |
| **2016** | 8,057.25 | 142,043.16 | 150,100.40 |
| **2015** | 8,025.59 | 151,916.97 | 159,942.56 |

Note:

1. The data presented came from the ISO14064-1 inventory results, rounded to the 2nd decimal point.
2. The data cover 6 production bases, including Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan (TT2) and Mexico.
3. Data collected at the boundaries of the organization have adopted the Regulations of the Operation Control Right.
4. The conspicuous threshold is set at 3%, whereas the materiality threshold is set at 5%.
5. The greenhouse gas emission includes various categories such as $CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $NF_3$ and $SF_6$.
6. The data of Mexico facility and the Nantou facility merged from ASE Group in Taiwan in 2016, and, therefore, the emission data of the reference year (2015) was corrected.

The total emission of 2016 was 150,100.40 tons $CO_2e$, a decrease of 9,842.16 tons $CO_2e$ compared to 2015. In terms of revenues, the emission generated per million RMB of revenues was equal to 6.24 tons $CO_2e$, an increase of 0.39 tons $CO_2e$ compared to 2015. In terms of net profits, the emission generated per million RMB of net profits was 182.89 tons $CO_2e$ in 2016, a decrease of 23.45 tons $CO_2e$ compared to 2015. The difference came from the adjustment of product combinations and the improvement of production yield. The analysis numbers are presented in the figure below:

• **Revenue**
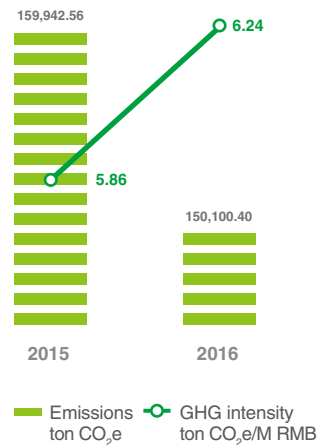


• **Net profit**
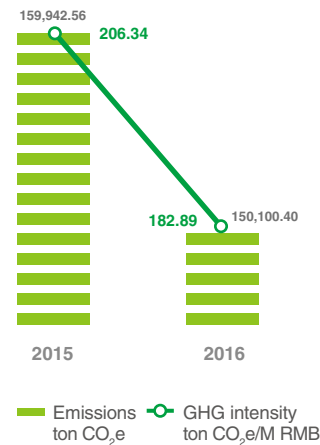


### Energy Management

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

• **Energy Consumption**

| Category / Year | Direct Energy Consumption (GJ) | | | Indirect Energy Consumption (GJ) | Total Energy Consumption(GJ) |
|---|---|---|---|---|---|
| | Diesel | Gasoline | Natural Gas | Electricity | |
| **2016** | 530.25 | 4,367.25 | 101,997.58 | 624,491.07 | 731,386.15 |
| **2015** | 701.15 | 4,096.90 | 101,996.69 | 643,076.58 | 749,871.32 |

Note:
1. The data presented came from the ISO14064-1 inventory results, rounded to the 2nd decimal point.
2. The data included Zhangjiang, Jinqiao, Shenzhen, Kunshan, Taiwan (TT2) facilities.
3. Conversion data of the heat value index
   - Zhangjiang, Jinqiao, Shenzhen and Kunshan facilities 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 (2015).

The total energy consumption of 2016 was 731,386.15 GJ, a decrease of 18,485.17 GJ compared to 2015. In terms of revenues, the energy consumption generated per million RMB of revenues increased 3.14 GJ compared to 2015. In terms of net profits, the energy consumption generated per million RMB of net profits decreased 91.83 GJ compared to 2015. The difference came from the adjustment of product combinations and the improvement of production yield. The analysis numbers are presented in the figure below:

• **Revenue**
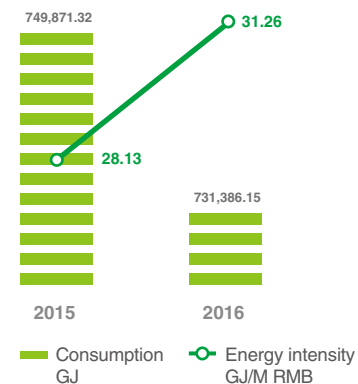


• **Profit**
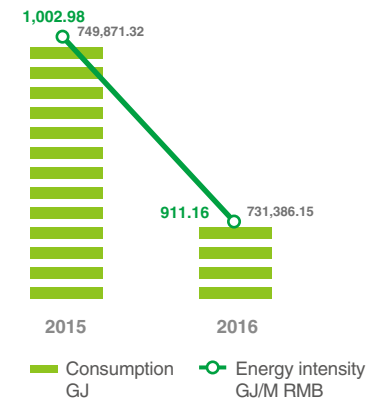
- **Measures Taken to Save Energy and the Results in 2016**

| Facility | Electricity-Saving Measures | Annual Power Saving (MWh/year) | Annual $CO_2$ reduction (ton $CO_2$e/year) |
|---|---|---|---|
| Zhangjiang | **Renewed water chillers (Building A)**<br>• The spiral chillers were replaced with 2 1200RT centrifuges<br>• The 4 old 450RT spiral chillers were now backup units | 3,559 | 2,887 |
| Shenzhen | **Renewed water chillers**<br>• 2 spiral chillers were replaced | 657 | 589 |
| Shenzhen | **Low-efficiency motors replaced with high-efficiency ones**<br>• 14 Class III motors were replaced with YE3 series Class II performance motors | 76 | 68 |
| Taiwan | **Renewed water chillers (Replacement Phase 2)**<br>• Spiral 240RT*2 (NO.1&2) replaced with 500 RT Trane centrifugal chillers<br>• Efficiency (KW/RT): 1.21=>0.57 | 840 | 444 |

Note:
1. The amount was rounded to the nearest integer
2. $CO_2$ reduction = power saving amount × heat value coefficient upon the conversion of units
3. Electricity emission factory:
   - Facilities in China: Based on "2015 Baseline Emission Factors for Regional Power Grids in China" promulgated by National People's Congress Resolution on Climate Change (Zhangjiang and Kunshan facilities has adopted East China Grid: 0.8112 tons $CO_2$e/MWh; Shenzhen facility has adopted South China Grid: 0.8959 tons $CO_2$e/MWh)
   - Taiwan facility has adopted "104 Electricity Emission Factory" announced by Bureau of Energy, Ministry of Economic Affairs: 0.528 tons $CO_2$e/MWh

## Pollution Control

| 2020 Goals | 2016 Results |
|---|---|
| Water withdrawal decreased 5% comparing with base year | Water withdrawal decreased 3.1% comparing with base year |
| Process water recycling rate reach 100% | Process water recycling rate reached 60% |
| VOCs emissions decreases 10% comparing with base year | VOCs emissions increased 14% comparing with base year |

Note: The goal for the next 5 years is established with 2015 as the reference year.

## Water Resource Management

As global warming has resulted in obvious climate changes, the storage and distribution of water resources have also become an important topic for us. For USI, we do not have issues on contaminating catchment areas as our facilities are not built around it. Besides, we do not own, rent or manage any factories located in ecological reserve zones or water resource protection areas. Despite that, we still 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.

USI keeps a track on the water use at all 6 manufacturing facilities. In addition to the collection of water use data on a regular basis, the wastewater is treated before discharging for the compliance with local regulations. Statistically, USI used a total of 717,334 tons of water in 2016, a reduction of 3.1% compared to 2015 (740,293). All the water was utility water except 39,862 tons of groundwater used at Taiwan facility. It is shown below that the absolute water intake is decreasing in recent years, and no violation of water discharging regulations was recorded in 2016. In 2017, 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.

Unit: tons



Water withdrawal
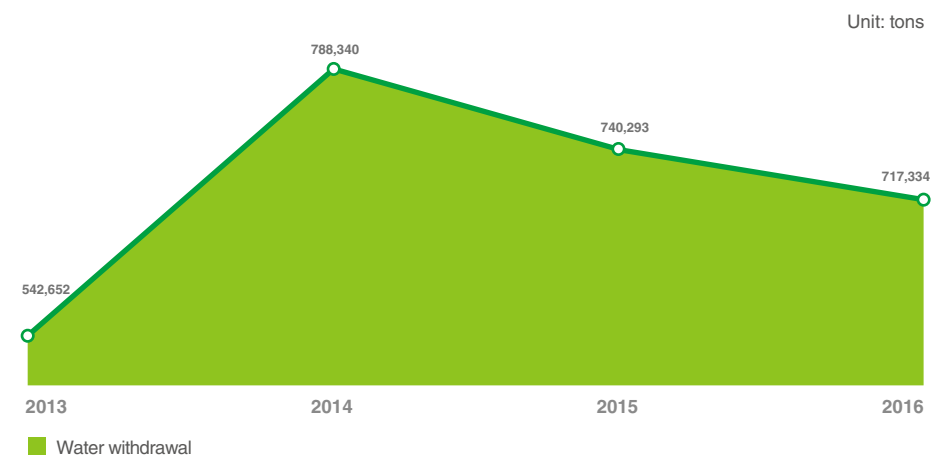
Note:
1. The significant increase of water use in 2014 because the data of Jinqiao facility was included as its production activities started.
2. The statistical numbers before 2015 were based on water bills and now are based on metering records from flow meters after 2016.

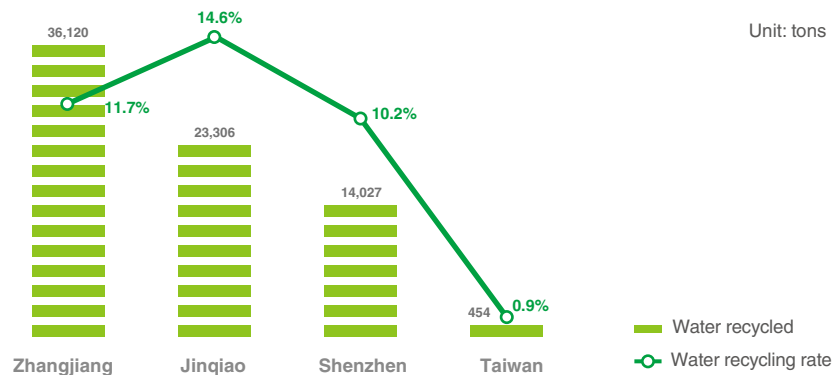To make the use out of every drop of water, USI is planning to recycle as much water as possible via improvement of equipment and technology. Currently, wastewater recycling facilities are up and running at Zhangjiang, Jinqiao, Shenzhen and Taiwan facilities. The statistics show that 100,160 tons of process water was used in 2016 and 59,880 tons of it was recycled for a 60% recycling rate. At Jinqiao facility, an industrial wastewater zero discharge system was installed to achieve 100% recycling of process water. Also at Shenzhen facility, a drinking water recycling system was installed in Dec 2015. The total water recycled in 2016 added up to 7,372 tons, thus improving the recycling efficiency. The water recycling at each facility in 2016 is provided in the figure below.

Drinking water recycling system (Shenzhen facility)

management and environmental safety are committed to its promotion. The "Green & Environmental, Health and Safety Department" is in charge of the coordination and subsequent control.

The statistics show that 5,432.57 tons of wastes were generated in total in 2016. For recycling, 87.14% of the wastes were recycled in 2016, exceeding the predetermined goal of 84%, as shown below. In the future, USI will continue to realize the water reduction policy and start from the beginning for the goal of resource sustainability.

**• The Total Waste**

Unit: tons

|  | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Non-hazardous waste | 3,933 | 4,666 | 4,783 | 5,036 |
| Hazardous waste | 62 | 191 | 382 | 396 |

Note: Spent solvent and other dangerous wastes are placed under the category of hazardous waste.

Unit: tons

Water recycled figure:
- Zhangjiang 36,120 — 11.7%
- Jinqiao 23,306 — 14.6%
- Shenzhen 14,027 — 10.2%
- Taiwan 454 — 0.9%

■ Water recycled
○ Water recycling rate

**• Percentage of Waste Recycled**

Unit: %

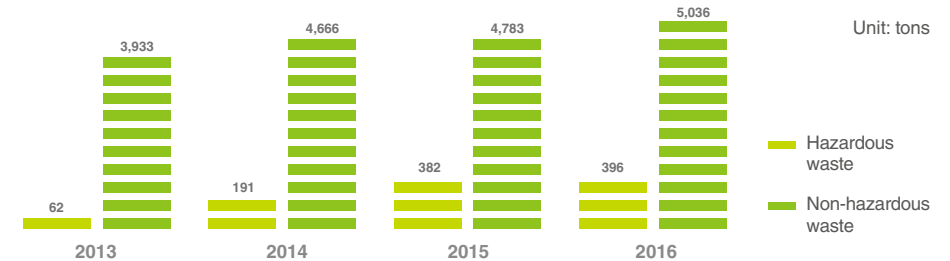| 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|
| 88.7% | 88.53% | 86.68% | 87.14% |

■ Waste recycling rate

## Waste Management
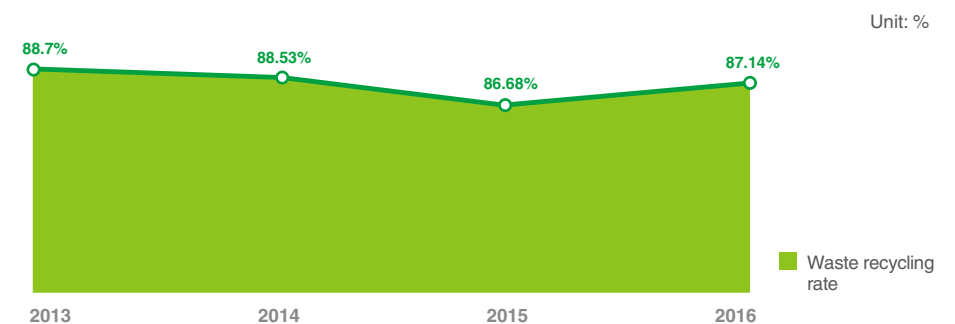
USI is always aiming for "pollution prevention and continuous improvement." Apart from abiding by local regulations, USI has added waste reduction and reusing as part of company policy. The facilities are asked to put it in practice and list it as an annual performance indicator. For this, all departments involving process, R&D, facility

For the compliance with local regulations regarding waste treatment, 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 2016 are as shown in the table below:

- **Hazardous Wastes**

Unit: tons

| Facility \ Treatment | Reuse | Recycling | Landfill | Incineration |
|---|---|---|---|---|
| Zhangjiang | 0.00 | 32.53 | 4.07 | 121.08 |
| Jinqiao | 0.00 | 6.31 | 0.00 | 85.15 |
| Shenzhen | 0.00 | 86.98 | 0.00 | 32.09 |
| Kunshan | 0.00 | 0.00 | 0.00 | 3.44 |
| Taiwan | 0.00 | 0.00 | 1.32 | 0.00 |
| Mexico | 6.88 | 0.00 | 0.00 | 16.25 |

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

- **Non-Hazardous Wastes**

Unit: tons

| Facility \ Treatment | Reuse | Recycling | Recovery | Composting | Landfill |
|---|---|---|---|---|---|
| Zhangjiang | 0.00 | 522.89 | 0.00 | 0.00 | 24.00 |
| Jinqiao | 0.00 | 238.21 | 0.00 | 0.00 | 39.56 |
| Shenzhen | 411.64 | 2,019.76 | 0.00 | 55.27 | 115.29 |
| Kunshan | 0.00 | 710.31 | 0.00 | 164.61 | 44.39 |
| Taiwan | 14.85 | 150.86 | 27.42 | 0.00 | 167.72 |
| Mexico | 79.24 | 183.76 | 0.00 | 22.24 | 44.46 |

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

## Air Pollution Control

USI strictly controls hazardous and harmful substances required for manufacturing procedures in its facilities. In addition to using low-toxic substances, chemicals are stored in accordance with their hazard characteristics, storage facilities comply with laws and regulations, the labeling of hazardous substances conform to laws and regulations and GHS, and safety data sheets (SDS) are available in operation sites. Additionally, ventilation has been improved in operation environment, operation environment is inspected in accordance with laws and regulations, operators receive hazardous substances training and drills on a regular basis, and emergency treatment equipment is equipped.

In the light of air pollutants, the Taiwan facility is required to report the use of volatile organic compounds (VOCs) but this is not the case for the other facilities. Nevertheless, Zhangjiang, Jinqiao and Shenzhen facilities have established their testing and tracking mechanisms. USI has developed the goal for the next 5 years, which requires the reduction of VOCs by 10% compared to 2015. However no substantial emission reducing measure was established in 2016 since the entire mechanism was still on the design table, which is why the VOCs emission in 2016 was 14% higher than that of the reference year.

- **VOCs Emissions**
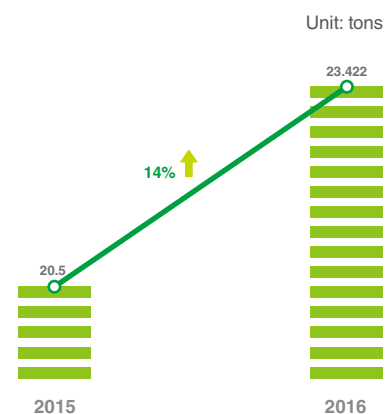
Unit: tons



14%↑

20.5 — 2015
23.422 — 2016

Note:

1. The data included Zhangjiang, Jinqiao, Shenzhen, Taiwan facilities.

2. The VOCs data in 2015 (20.36466 tons) was revised in the report of previous year for the following reasons:

- The VOCs emission of previous year was estimated in the third party test report where the part lower than the test threshold was estimated with the threshold value; the estimation method was revised in 2016 where the data lower than the test threshold was excluded. Also, the VOCs emission of 2015 was revised.

- The data of Jinqiao facility was added to the 2016 range and the VOCs emission of 2015 was revised all.

With respect to nitrogen oxides, sulfur oxides and suspensions, only Zhangjiang and Jinqiao facilities have spontaneously carried out tests and disclosure. In the future, USI will request other facilities to disclose air pollutants. Related data in 2016 are as shown in the table below:

Unit: tons

| Category \ Facility | Zhangjiang | Jinqiao | Shenzhen | Taiwan |
|---|---|---|---|---|
| **Volatile Organic Compounds (VOCs)** | 13.861 | 0.463 | 0.780 | 8.318 |
| **Nitrogen Oxides (NOx)** | N.D. | 0.284 | N/A | N/A |
| **Sulfur Oxides (SOx)** | N.D. | N.D. | N/A | N/A |
| **Particulate Mmatter (PM)** | 6.586 | N/A | N/A | N/A |

Note:
1. The data included Zhangjiang, Jinqiao, Shenzhen, Taiwan facilities.
2. The data are rounded to the third decimal point.
3. N.D.: not detectible, i.e. the level is too low to be detected by the instrument.
4. N/A: no applicable local regulation is specified and no self-testing data is available.
5. The estimated emission level and amount in the test report produced by a third party test body are adopted for the Zhangjiang, Jinqiao and Shenzhen facilities.
6. 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.

## 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.



Fulfilling USI's Green Promises
- Green Management
- Green Education
- Green Supply Chain
- Green Expenditures
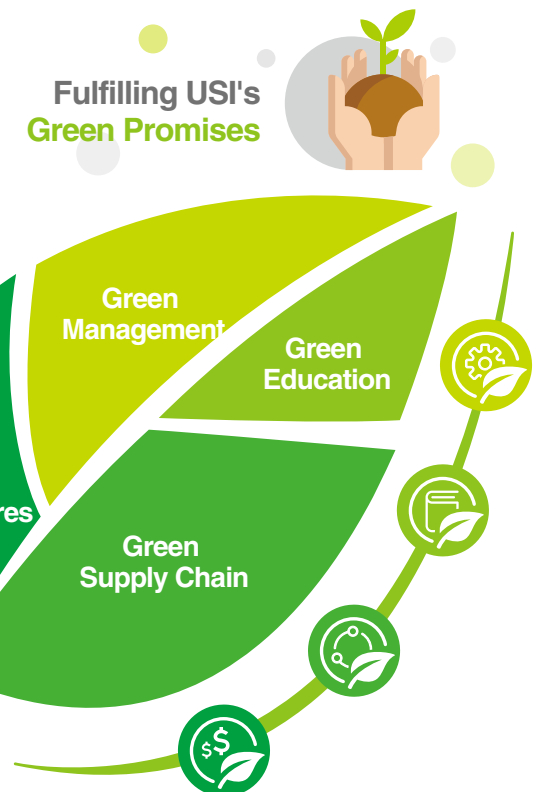
• **Four Green Promises of USI**

### Green Management

• Build a comprehensive Green Management System
• Introduce Designs for Environment
• Introduction of Green Product Management System
• Build an EHS database
• Implement auditing for the hazardous substances management system
• IIntroduction of Material Flow Cost Accounting
• Implement cleaner production in each facility

### 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
• To become the member of CFSI
• To hold the supplier sustainability conference

### Green Education

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

### Green Expenditures

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

## 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; for example, no bromine-based fire retardant in the plastic casing of products.

• **Three Main Aspects of Eco-design of Green Product**

| Aspects | Environment Directives | Requirements | USI' DFEs |
|---|---|---|---|
| **Hazardous substances in electronic products** | • RoHS (Restriction of Hazardous Substances)<br>• REACH (Registration, Evaluation and Authorization of Chemicals)<br>• Halogen-free parts and process requirements<br>• Battery Directive and Packaging and Packaging Waste Directive | • Low-polluting<br>• Non-toxic | • Phase out the use of BFRs<br>• Phase out the use of PVC<br>• Use non-halogen materials |
| **Recycling management of electronics** | • WEEE (Waste Electrical and Electronic Equipment) | • Recyclable<br>• Easy to take apart<br>• Easy to process | • Reduce the number of tools used to take machines apart<br>• Introduce the labeling for recyclable plastics<br>• Increase the percentage of recyclable module designs |
| **Ecological energy design of products** | • ErP (Energy-related Product)<br>• CEC (California Energy Commission) | • Energy saving<br>• Resource saving<br>• Reduced environmental impact | • Reduce the energy consumption of machinery in stand-by or off mode<br>• Increase the efficiency of energy conversion of EPS<br>• Keep machinery in power-saving mode |

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) (as shown in Picture).

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, helps evaluate the life cycle of products, and obtains required environmental protection marks based on clients' demand. Each year, USI assures that our plants home and abroad pass the inspection of the third unit and complete the examination of "Environment management system", "hazardous substance management system", "GHG management system" to rapidly respond to the change of international environmental protection laws and regulations and conform to them.

- **Schedule for the Introduction of Green Management System**

| Management System | Zhangjiang Facility | Jinqiao Facility | Shenzhen Facility | Kunshan Facility | Taiwan Facility | Mexico Facility |
|---|---|---|---|---|---|---|
| **ISO 14001** | 2004 | 2016 | 2001 | 2012 | 1998 | 2006 |
| **IECQ QC080000** | 2007 | 2015 | 2007 | 2012 | 2006 | 2007 |
| **ISO 14064-1** | 2010 | 2016 | 2010 | 2011 | 2009 | 2016 |

- **ISO14001、IECQ QC080000 and ISO14064-1 Certificates**

- **Design Results of Green Products**

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 $CO_2$ reduction, efficient use of water resource, pollutant emission, resource wasting and recyclability.

- **Future Goals**

| Types of Product | 2020 Goals |
|---|---|
| **Server** | • DC-DC Converter Efficiency: Full load 92.6%<br>• To use PSU meets EU CoC Tier-2 & US DOE<br>• To use 80 PLUS titanium PSU |
| **NAS (Network Attached Storage)** | • To replace coin battery with super charge caps<br>• To improve DC/DC design efficient, target: 90% |
| **NS** | • To achieve the latest standby requirement of ErP Lot 26 |
| **SDS** | • To achieve fully supports PCIe low power features<br>• 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<br>• To keep strengthening the integrated module design and improving the efficiency of energy use |

Note:
For intensified promotion of green products, USI is planning to establish the "green design innovation and invention-special encouragement system of patent bonus" in 2017, which will be disclosed in detail in the next year's report.

**ISO 14064-1**
ISO 14064-1 management system is introduced to Jinqiao and Mexico facilities

**ISO 14001**
ISO 14001 management system is introduced to Jinqiao facility

USI's performance of green design in 2016 as shown below table:

| Product Category | Key Features of the Green Design | 2016 Performance |
|---|---|---|
| **Smart Handheld Device-System Part** | • Body safety electromagnetic wave design | • Conforming to SAR regulations to reduce the harm of electromagnetic waves to human bodies |
| | • Meets RoHS<br>• Design principle for 3 R's of environment | • The design of mechanism parts complies with the requirements of RoHS and 3Rs, i.e. Reduce, Reuse and Recycle |
| **POS-external DC Adaptors** | • Improve energy efficiency<br>• Reduce power consumption at standby | • The energy certification of wall-mounted products escalates from DoE Level-V to Level-VI<br>  - The average energy efficiency is improved from 75.04% to 80.215%<br>  - Power consumption drops from 0.3W to 0.1W at no load<br>• The energy certification of desktop products escalates from DoE Level-V to Level-VI<br>  - The average energy efficiency is improved from 87% to 88%<br>  - Power consumption drops from 0.5W to 0.21W at no load<br>• The power adaptor used for the products of new client T complies with DoE Level 6. The powr consumption is reduced to below 0.1W at no load and the power conversion efficiency improved to 87.4% or more. The product's switch board meets the PVC Free requirement |
| **Server** | • Improve energy efficiency | • 80 Plus Gold medal efficiency is elevated to platinum medal efficiency:<br>  - 20% rated load: 88% → 90%<br>  - 50% rated load: 92% → 94%<br>  - 100% rated load: 88% → 91%<br>• DC-DC Converter Efficiency reached 91%<br>• External power supply: Conforming to European Union CoC Level 6 Tier-1 and Level 6 of United<br>• Internal power supply: Conforming to 80 PLUS platinum<br>• Optimized fan control; for example, the control mechanism for CPU and virtual HDD is developed to keep a track on CPUs and HDDs. The fan RPM is regulated while CPU/HDD is standing by or running, so that the power consumption is minimized<br>• Highly efficient power supply elements are adopted in the design. The power conversion efficiency on motherboard reaches up 90% when system loading is greater than 20%<br>• The advanced power management of Node Manager is introduced to BMC/BIOS design. The intelligent heat dissipation system mechanism designed according to various system configurations provides a solution featuring high performance and energy efficiency<br>• System performance is improved with software optimization |

| Product Category | Key Features of The Green Design | 2016 Performance |
|---|---|---|
| **Wireless Communication** | • Meets EU ErP<br>• Module compatibility<br>• Improve energy efficiency<br>• Reduction of consumables | • Starting from 2017, the power consumption at standby mode shall be smaller than 8W for the requirements of ErP Lot26 Tier 1. USI's NS product (PWT16) was tested in 2016 at 4.3524W, which is smaller than 8W and meets the requirements of ErP lot26 Tier1<br>• The wireless communication module for IoT applications is designed to allow clients to choose one single wireless communication module design that fits across different system platforms and functional requirements, and USI is able to customize the chipsets and circuit design so that a universal design is shared across the motherboard design of system platform for clients. As a result, clients' motherboard design for system platform can be simplified and the shareability is improved significantly for less waste of materials<br>• The latest generation module requires only a third of power compared to the first generation. It is estimated to save 200,000kWh of power per year. The module design is more compact to save PCB space, parts and consumables. Compared Generation 1, up to 75% of PCB space can be saved |
| | • Improve energy efficiency | • Optimized fan control; for example, the control mechanism for CPU and virtual HDD is developed to keep a track on CPUs and HDDs. The fan RPM is regulated while CPU/HDD is standing by or running, so that the power consumption is minimized<br>• While the mother board id designed, the DC power conversion efficiency (Vcore/DDR) reaches up 90% when system loading is greater than 20%<br>• Highly efficient power elements and platinum and titanium level power supply are adopted in the design. The power efficiency of CPU and memory can be as high as 92% at full load<br>• The advanced power management of Node Manager is introduced to BMC/BIOS design. The intelligent heat dissipation system mechanism designed according to various system configurations provides a solution featuring high performance and energy efficiency |
| **NAS** | • Improve energy efficiency | • The DC power conversion efficiency is up to 87% for motherboard design, and DDR4 is introduced to save power |
| **SSD** | • Improve energy efficiency | • SSD products feature 100% support for Ultra Low Power mode. In SATA SSD products, the criterion of <20mW at standby is achieved through the support for DEVSLP. Some products even reach <1mW at standby. For example, PCIe Gen3 SSD has reached L1 sub-states at standby<br>• In power supply design, the solution that features high dynamic performance at a wide range of loading scenarios is selected for the main power supply. The optimized output efficiency is achieved when PWM mode is used as medium/high loading conditions. At light loading, the PFM mode is activated for less power consumption |

- **Important Achievement**

The wireless communication module for IoT applications is designed to allow clients to choose one single wireless communication module design that fits across different system platforms and functional requirements, and USI is able to customize the chipsets and circuit design so that a universal design is shared across the motherboard design of system platform for clients. As a result, clients' motherboard design for system platform can be simplified and the shareability is improved significantly for less waste of materials.
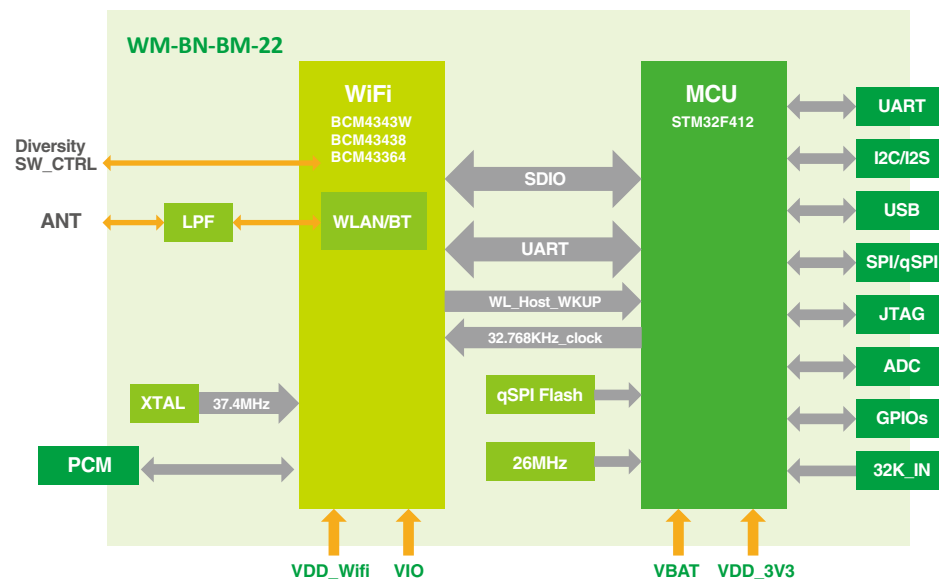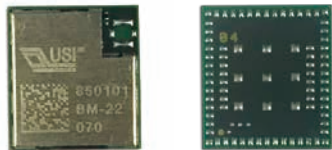




Note:
1. BCM43364 features support for IEEE802.11b/g/n wireless communication.
2. BCM43438 features support for IEEE802.11b/g/n+BT4.1 wireless communication.
3. BCM4343W features support for both IEEE802.11b/g/n+BT4.1wireless communication and A4WP wireless charging.

- **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.

- **MFCA**
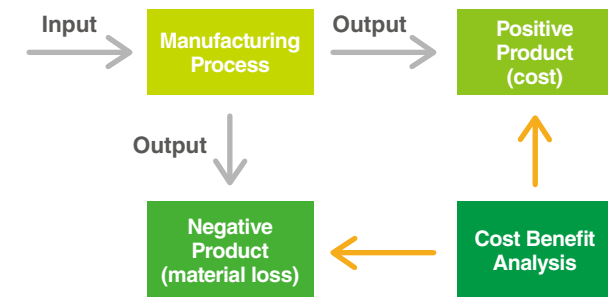




MFCA
Application of Material
Flow Cost Accounting

USI introduced MFCA in 2016, and started to determine the balance between materials fed in and produced and the cost efficiency of the wireless communication modules produced at Taiwan facility as an important basis for sustainable operations and environmental management. A deeper understanding from "process map" to "energy and resource costs" was enabled thanks to the material flow project. The production of "positive products" and "negative products" are identified and the process of losses is analyzed for each individual metering center. Based on the losses to negative products, it is found that the losses to negative products account for 0.02% to 0.09%. This provides a clear picture of resource efficiency and improvement, thus facilitating more efficient use of materials and energy.

MFCA analysis became officially a part of the ISO 14000 environmental system standards in 2011. USI Taiwan facility is expected to acquire the verification statement (ISO14051:2011) from a verification (auditing) body in 2017 and internalize economical and external costs for the interactive relationship between people, biology and environment.

**• 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 facilities have successively obtained cleaner production certification. It is planned that Jinqiao facility will receive related certification in 2017. USI will continue to devote itself to the promotion of cleaner production and the establishment of a green factory.

## Green Supply Chain

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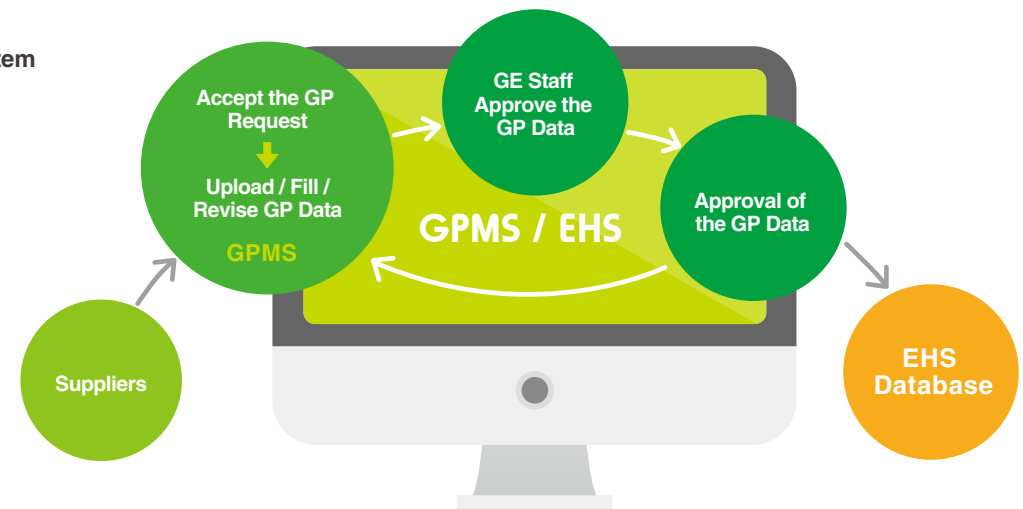
## Green Education

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. An e-learning program was added to USI's internal training that informed the employees of GP-related regulations, requirements, operating procedures and eco-friendly materials.

- **The Green Education Training Program**

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

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 2016.

## Green Expenditures

To meet customer requirements, USI was not only keen to participate in international forums that disclose carbon emission details, but also carried out plans for energy conservation and carbon emission reduction. By instilling the Green concepts at internal training programs while drawing from external experiences in this regard, USI conveyed its Green values and fulfilled the Green Promises. The total number of green expenditures in 2016 is USD 1.93 million as shown below table.

- **Expenditures of Environmental Protection**

Unit: USD

| Expenditure Items | Amount of Expenditure in 2016 |
|---|---|
| Cost of Pollution Prevention | 233,113 |
| Prevention of Climate | 275,737 |
| Cost of Disposing Industrial Waste | 456,815 |
| Others | 965,359 |
| **Total** | **1,931,024** |

Note:
1. The statistics covered Zhangjiang, Jinqiao, Shenzhen, Kunshan and Taiwan facilities.
2. "Others" item cover green procurement, eco-friendly product, educational training, related certification and environmental donation.

# Employee Care and Cultivation

Human capital is important seed for the constant growth of USI, requiring considerate care and irrigation. Therefore, we contributed to build high quality, safe, and challenge working environments.

# Employee Care and Cultivation

Besides strictly ensuring the safety and health in the workplace and caring of employees' physical and mental health, we also provided well systematic training programs. Through multiple training and development programs, employees could continually grow and increase their professional value. There is also comprehensive welfare system in the company to ensure various employee rights. Managers base on human oriented management philosophy to foster employee's sense of achievement and commitment to maintain harmonious employer-employee relations.

## • Human Rights Policy

The spirit of EICC 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. Employee information database is carefully maintained.

USI obeys the local labor laws and acts, and all USI employees must observe Employee Codes of 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.

USI "Employee Work Rules" 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 "Employees' Code of 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 2016, the average training hours on human rights issue for each person is 1 hour; the total number of training hours is 16,434 hours; the total number of people trained is 15,985 people, which accounts for 105% of the total number of people (Note).

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

## Global Workforce

USI has a workforce of 15,119 in total up to the end of 2016. It consists of 13,908 permanent, 1,211 non-regular employees, including 12,358 in China, 1,825 in Taiwan, and another 83 dispatched workers, 936 in Mexico. 49% of USI's workforce composes of women as shown in the table below:

Among which there are 944 managerial personnel, 1,184 clerical personnel, 2,959 technical personnel (including 2,189 R&D personnel, which accounts for 14% of the total number of employees), and 10,032 skilled personnel.

# 15,119

USI's employees are reached 15,119

**92%**
**Permanent**

**8%**
**Non-regular employee**

**51%**
**Male**

**49%**
**Female**

**81%**
**Cina**

**13%**
**Taiwan**

**6%**
**Mexico**
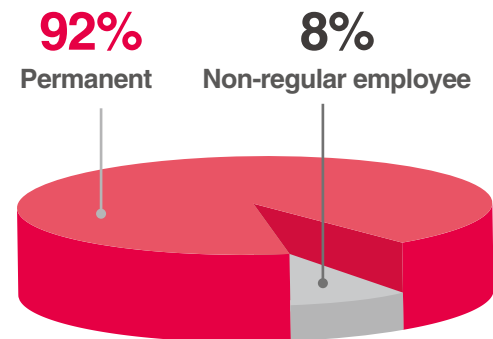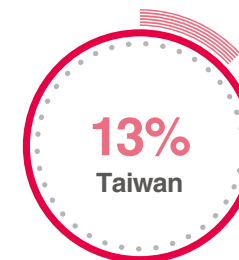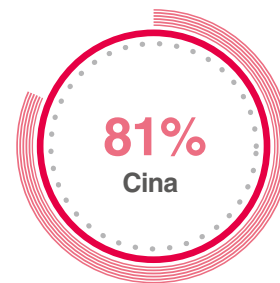
Note:

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. Only the Taiwan facility has non-regular employees (employed 83 dispatched workers).

• **USI Workforce Structure**

| Categories | Groups | Zhangjiang | | Jinqiao | | Shenzhen | | Kunshan | | Taiwan | | Mexico | | Subtotal and Percentage by Groups | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Number | % | Number | % | Number | % | Number | % | Number | % | Number | % | Number | % |
| **Employee Category** | Management Position-Male | 181 | 19.2% | 126 | 13.3% | 116 | 12.3% | 90 | 9.5% | 172 | 18.2% | 18 | 1.9% | 703 | 4.6% |
| | Management Position-Female | 73 | 7.7% | 29 | 3.1% | 71 | 7.5% | 25 | 2.6% | 29 | 3.1% | 14 | 1.5% | 241 | 1.6% |
| | Technical Position-Male | 561 | 19.0% | 417 | 14.1% | 331 | 11.2% | 230 | 7.8% | 788 | 26.6% | 39 | 1.3% | 2,366 | 15.6% |
| | Technical Position-Female | 187 | 6.3% | 85 | 2.9% | 79 | 2.7% | 53 | 1.8% | 178 | 6.0% | 11 | 0.4% | 593 | 3.9% |
| | Business Position-Male | 63 | 5.3% | 27 | 2.3% | 69 | 5.8% | 81 | 6.8% | 73 | 6.2% | 25 | 2.1% | 338 | 2.2% |
| | Business Position-Female | 203 | 17.1% | 50 | 4.2% | 244 | 20.6% | 111 | 9.4% | 186 | 15.7% | 52 | 4.4% | 846 | 5.6% |
| | Skill Position-Male | 1,228 | 12.2% | 899 | 9.0% | 1,128 | 11.2% | 841 | 8.4% | 67 | 0.7% | 160 | 1.6% | 4,323 | 28.6% |
| | Skill Position-Female | 1,518 | 15.1% | 799 | 8.0% | 1,737 | 17.3% | 706 | 7.0% | 332 | 3.3% | 617 | 6.2% | 5,709 | 37.8% |
| **Gender** | Male | 2,033 | 26.3% | 1,469 | 19.0% | 1,644 | 21.3% | 1,242 | 16.1% | 1,100 | 14.2% | 242 | 3.1% | 7,730 | 51.1% |
| | Female | 1,981 | 26.8% | 963 | 13.0% | 2,131 | 28.8% | 895 | 12.1% | 725 | 9.8% | 694 | 9.4% | 7,389 | 48.9% |
| **Location** | Local | 3,950 | 26.1% | 2,396 | 15.8% | 3,763 | 24.9% | 2,116 | 14.0% | 1,756 | 11.6% | 934 | 6.2% | 14,915 | 98.7% |
| | Non-local | 64 | 0.4% | 36 | 0.2% | 12 | 0.1% | 21 | 0.1% | 69 | 0.5% | 2 | 0.0% | 204 | 1.3% |
| **Age** | ≤ 30 | 3,068 | 29.7% | 2,001 | 19.4% | 2,746 | 26.6% | 1,722 | 16.7% | 288 | 2.8% | 495 | 4.8% | 10,320 | 68.3% |
| | 31~49 | 930 | 20.7% | 425 | 9.4% | 1,022 | 22.7% | 409 | 9.1% | 1,351 | 30.0% | 364 | 8.1% | 4,501 | 29.8% |
| | 50 ≥ | 16 | 5.4% | 6 | 2.0% | 7 | 2.3% | 6 | 2.0% | 186 | 62.4% | 77 | 25.8% | 298 | 2.0% |
| **Subtotal by Facility** | | 4,014 | 26.5% | 2,432 | 16.1% | 3,775 | 25.0% | 2,137 | 14.1% | 1,825 | 12.1% | 936 | 6.2% | - | - |
| **Total** | | | | | | | | | | | | | | 15,119 | |

The proportion of hiring local citizens as high profile managers in each facility is as shown in the following table. The rest managers are Taiwanese supervisors due to operational demand.

| 3 : 12 | 2 : 8 | 4 : 4 | 0 : 5 | 44 : 6 | 1 : 0 |
|---|---|---|---|---|---|

■ Local
■ Non-Local

**Zhangjiang    Jinqiao    Shenzhen    Kunshan    Taiwan    Mexico**
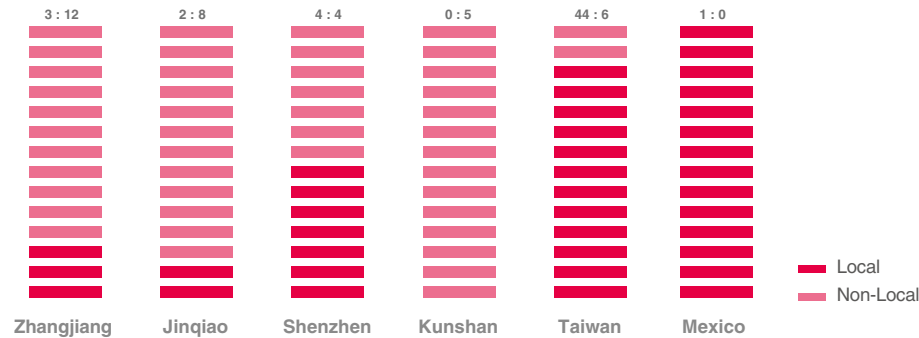
Note: High profile managers are directors and above

## Promises for Employees

• **USI Promises for Employees From Five Aspects**

- Integral Training Program
- Comprehensive Welfare and Salary System
- Strong Employee Engagement
- Equal Employment Opportunity
- Excellent Working Environment

### Equal Employment Opportunity

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

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. Objective sexual orientation and occupational aptitude testing tools are used so that the diverse talents in the world can all play to their strengths at the right position and job.

• **Distribution of Newly-employed Staff**

| Facility | Zhangjiang | Jinqiao | Shenzhen | Kunshan | Taiwan | Mexico | Total |
|---|---|---|---|---|---|---|---|
| Male | 1,028 | 1,484 | 1,016 | 854 | 138 | 202 | 4,722 |
| Female | 1,361 | 1,195 | 1,523 | 743 | 84 | 630 | 5,536 |
| Age ≤ 30 | 2,162 | 2,548 | 2,309 | 1,547 | 143 | 608 | 9,317 |
| 30<Age<50 | 225 | 131 | 230 | 48 | 78 | 211 | 923 |
| Age ≥ 50 | 2 | 0 | 0 | 2 | 1 | 13 | 18 |
| Percentage of New Employees | 60% | 110% | 67% | 75% | 12% | 89% | 68% |

Note: New Employee Incoming Rate = No. of People Assuming Office this Year ÷ No. of People Remaining in Office at Year End × 100%.

- **Distribution of Staff Leaving Office**

| Facility | Zhangjiang | Jinqiao | Shenzhen | Kunshan | Taiwan | Mexico | Total |
|---|---|---|---|---|---|---|---|
| Male | 1,384 | 1,562 | 1,082 | 702 | 85 | 185 | 5,000 |
| Female | 1,983 | 1,538 | 1,889 | 837 | 40 | 679 | 6,966 |
| Age ≤ 30 | 3,114 | 2,889 | 2,722 | 1,474 | 40 | 625 | 10,864 |
| 30<Age<50 | 249 | 211 | 248 | 65 | 75 | 226 | 1,074 |
| Age ≥ 50 | 4 | 0 | 1 | 0 | 10 | 13 | 28 |
| Percentage of Staff Leaving Office | 84% | 127% | 79% | 72% | 7% | 92% | 79% |

Note:

1. Employee Turnover Rate = No. of People Leaving Office this Year ÷ No. of People Remaining in Office at Year End × 100%.

2. Due to batch orders at Jinqiao Facility, this caused the staff turnover rate to be higher.

- **Distribution Status of the Recent Two Years**



- New employee incoming rate
- Employee turnover rate

**2015** 112% 122%
**2016** 68% 79%
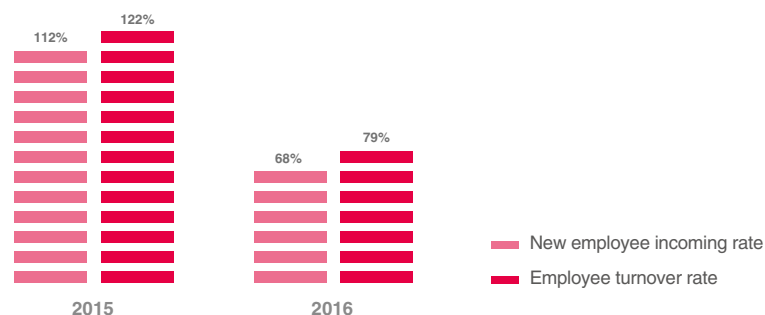


**43**%

Employee turnover rate decreased 43% compared with previous year

**Integral Training Program**

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 "Management College", "Technology College", "Quality College", "Manufacturing College" and "General Education Center" to integrate global learning resources and build an innovative learning environment for its employees to learn and develop.



President
Vice President

Dear of Student

Director-General

WW L&D Team

**College of Management**
- LD
- BD
- GP
- PM
- HR
- F&A
- PjM

**College of Technology**
- H/W
- S/W
- RF
- MD

**College of Quality**
- DQA
- MQA
- SQA
- MA&CE
- QS、QE
- Green & EHS

**College of Manufacturing**
- EQ
- TE
- ME
- PMC
- IE
- PE

**General Courses**
- New Employee Orientation
- Personal Effectiveness
- Corporate Culture
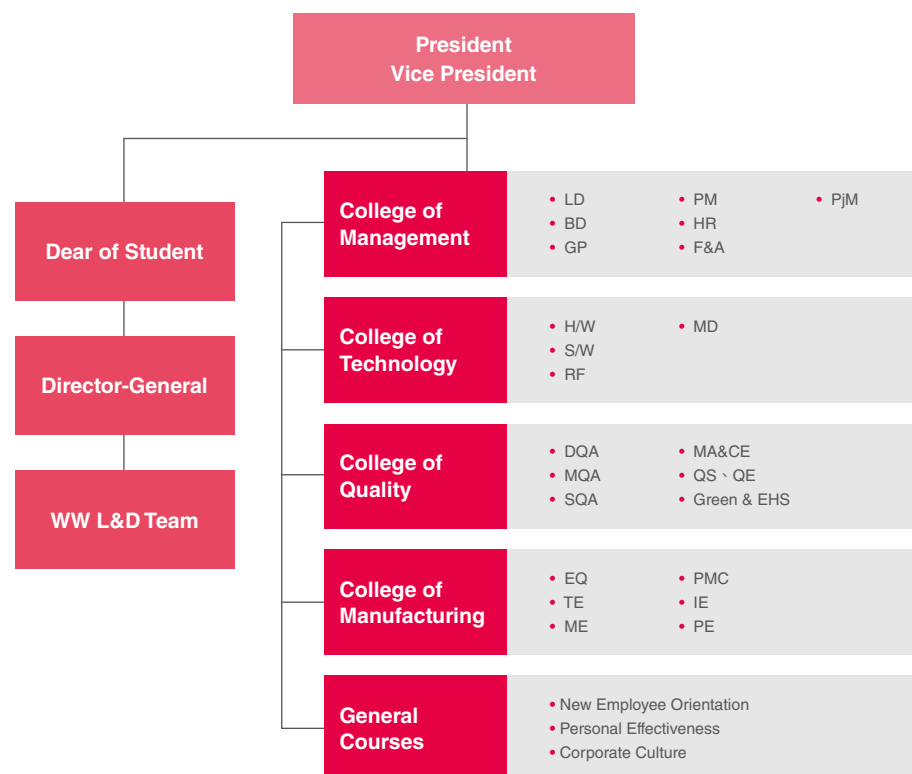
With the mission of establishing an innovative learning environment in order to reach a high operational performance, USIU is dedicated to enhance the quality of human resources, leadership management and innovative research and development ability

inside the organization. It has targeted employees with different competence to plan various staff trainings and courses, provide them a complete learning system, help them to solve work issues and enhance their professional competence in order to reach the organizational target.

To provide training courses required by comprehensive talents, USIU not only offers diverse educational training content, but also designed the methods of taking the class and relevant activities based on the course category. For example, training in the classroom, e-learning training, on-job training, and external training. The courses helps USI employees to learn and develop themselves.

Leadership and management, as well as technological forums are regularly held, where well-known domestic and international scholars and specialists are invited to share knowledge and experience. Journals and magazines on management, electronic technology, computer professionalism, and other topics from various countries are available at the office library for employees to flexibly and immediately enrich themselves with professional knowledge.

USI's total training hours reached 360,081 hours in 2016. Each employee received 23.8 hours of training on average. The average number of training hours for males is 23.6 hours and the average number of training hours for females is 24.0 hours. Details are shown as follows.

USI's total training hours reached 360,081 hours in 2016. Each employee received 23.8 hours of training on average.

**360,081 Hours**

| Training Type | Trainee | Total Training Hours | No. of Employees for the Specific Level in Company | Average Hours Per Each Employee of Training |
|---|---|---|---|---|
| Training in the Classroom | Directors & Above | 1,436 | 89 | 16.1 |
| | Supervisors & Managers | 16,609 | 604 | 27.5 |
| | First Line Leaders | 3,030 | 251 | 12.1 |
| | Technicians | 37,159 | 2,959 | 12.6 |
| | Administrators | 18,620 | 1,184 | 15.7 |
| | Direct Employees | 249,545 | 10,032 | 24.9 |
| | Indirect Employees | 76,853 | 5,087 | 15.1 |
| | New Employees | 167,102 | 10,258 | 16.3 |
| E-learning Training | Directors & Above | 163 | 89 | 1.8 |
| | Supervisors & Managers | 1,447 | 604 | 2.4 |
| | First Line Leaders | 643 | 251 | 2.6 |
| | Technicians | 8,783 | 2,959 | 3.0 |
| | Administrators | 5,107 | 1,184 | 4.3 |
| | Direct Employees | 6,532 | 10,032 | 0.7 |
| | Indirect Employees | 16,143 | 5,087 | 3.2 |
| | New Employees | 5,261 | 10,258 | 0.5 |
| External Training | Directors&Above | 164 | 89 | 1.8 |
| | Supervisors&Managers | 1,286 | 604 | 2.1 |
| | First Line Leaders | 309 | 251 | 1.2 |
| | Technicians | 4,386 | 2,959 | 1.5 |
| | Administrators | 2,742 | 1,184 | 2.3 |
| | Direct Employees | 2,121 | 10,032 | 0.2 |
| | Indirect Employees | 8,887 | 5,087 | 1.7 |
| | New Employees | 3,481 | 10,258 | 0.3 |

● **Framework of Learning and Development**

Based on the target of establishing a learning organization, USI continues to assist employees to achieve self-growth. In the future, we will continue to pay attention to the cultivation of professional talents, to develop comprehensive trainings, and to promote the development of USI and our employees.
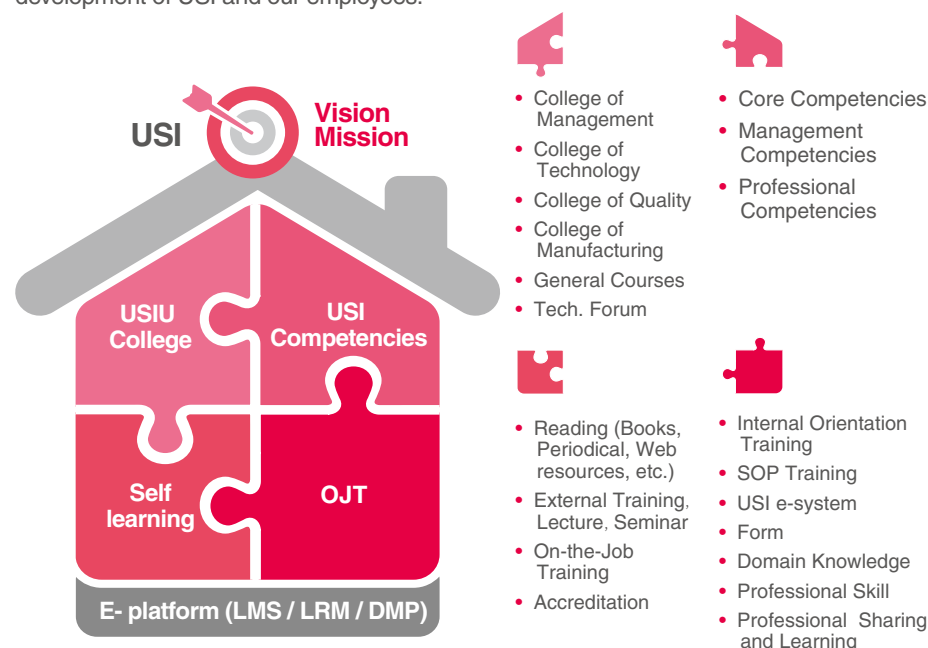


▸ **Core Competencies Courses**

Employees' core competencies and the company's future development are closely related. To enhance employees' abilities in their core competency area, USI has offered a series of courses based on employees' specialty to help them reach another level.

- Problem analysis and solving          - Executive power
- Communication & Teamwork          - Creativity
- Learning capacity & Adaptability

▸ **Management Training Course**

USI plans a series of management courses for administrators in the company, promoting administrators' ability of communication and negotiation and their leadership. Leadership & Management Forum is regularly held, where well-known domestic scholars and specialists are invited to share knowledge and experience.
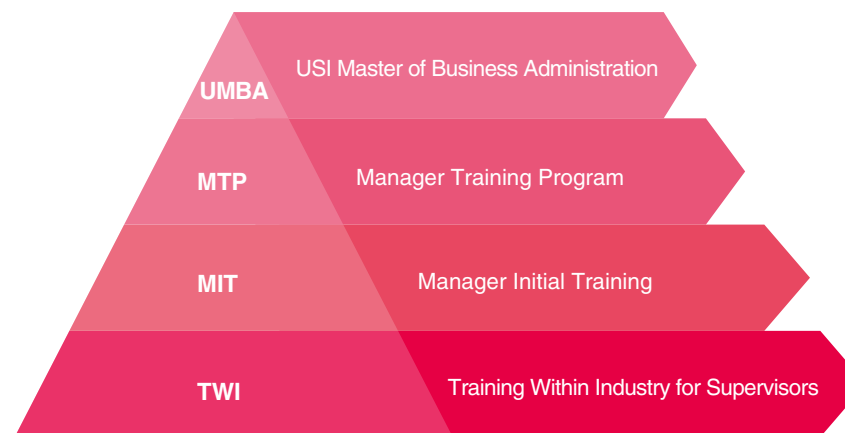


▸ **Professional Cultivation Courses**

"College of Management", "College of Science and Engineering", "College of Quality" and "College of Manufacturing" have designed a number of compulsory and elective courses based on professionals' job and nature of work. These practice-oriented courses have, through lecturers' sharing of experiences and case studies, simulated the real working environment. After the trainings, participants must pass an examination to ensure their ability of applying these newly learned skills and knowledge at work.

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 2016, the total number of people in the facilities that have passed internal instructor training is 712 people.

| Gender | Zhangjiang | Jinqiao | Shenzhen | Kunshan | Taiwan | Mexico |
|--------|-----------|---------|----------|---------|--------|--------|
| Male   | 76        | 77      | 63       | 99      | 189    | 9      |
| Female | 49        | 27      | 23       | 40      | 46     | 14     |

‣ **Direct Employee Training**

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

‣ **Personal Efficiency Courses**

A good balance between employees' work and life is also one of USI's goals. Therefore, USI has arranged a series of personal efficiency courses including all types of tools and skills, workplace etiquette, legal knowledge, language skills, and stress release and health.

‣ **On-the-Job Training (OJT) Professional Certification Course**

USI established a system of professional certification courses for engineers, and it continues to perfect its auditing and tracking mechanism and deepen its courses through trial and error. In the aspect of engineers' professional knowledge and personal professional skills, the facility has provided professional and top-grade service for its courses.

‣ **External Trainings**

USI dispatches employees to national and international training institutions, schools and business consultancy firms to take on-the-job trainings and to learn up-to-date professional knowledge and skills.

● **USI's Learning and Development Path**
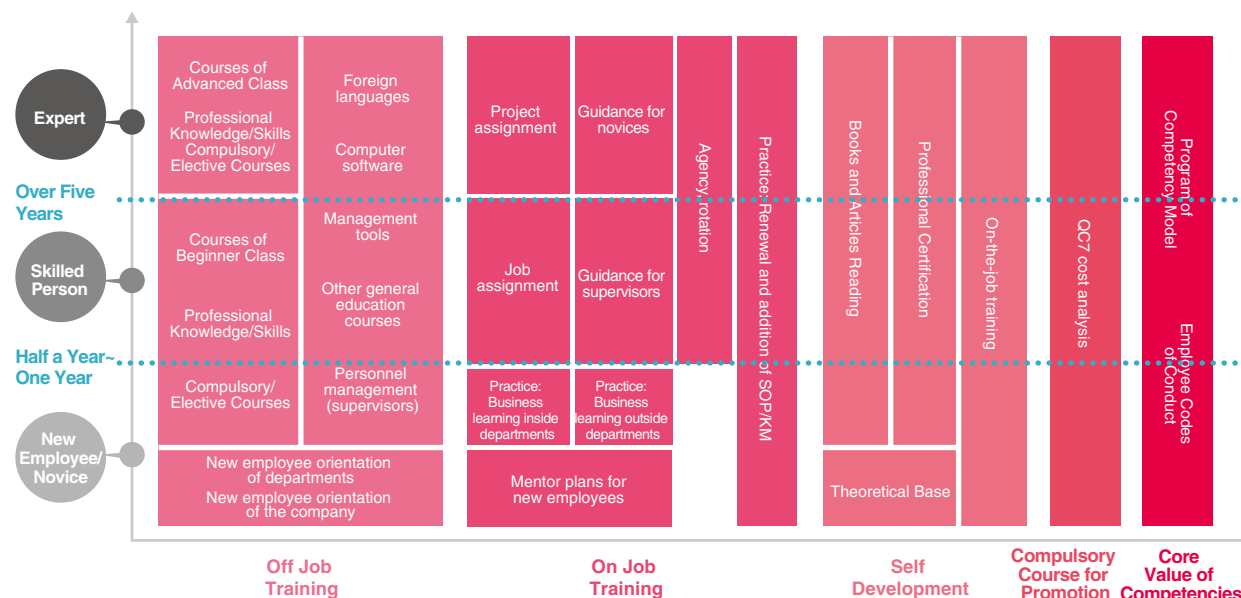


‣ **Orientation training program**

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

## 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 designed. 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 actively 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**

▸ Recognizwe 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 1~1.1:1 after calculation; while the ratio of the wage of male and female indirect employees is 1.22:1. Details are shown as follows:



Legend:
- Proportion of starting salaries direct labor and local minmum wages
- Proportion of salaries of male and female direct labor
- Proportion of salaries of male and female indirect labor
- Proportion of salaries of male and female supervisors
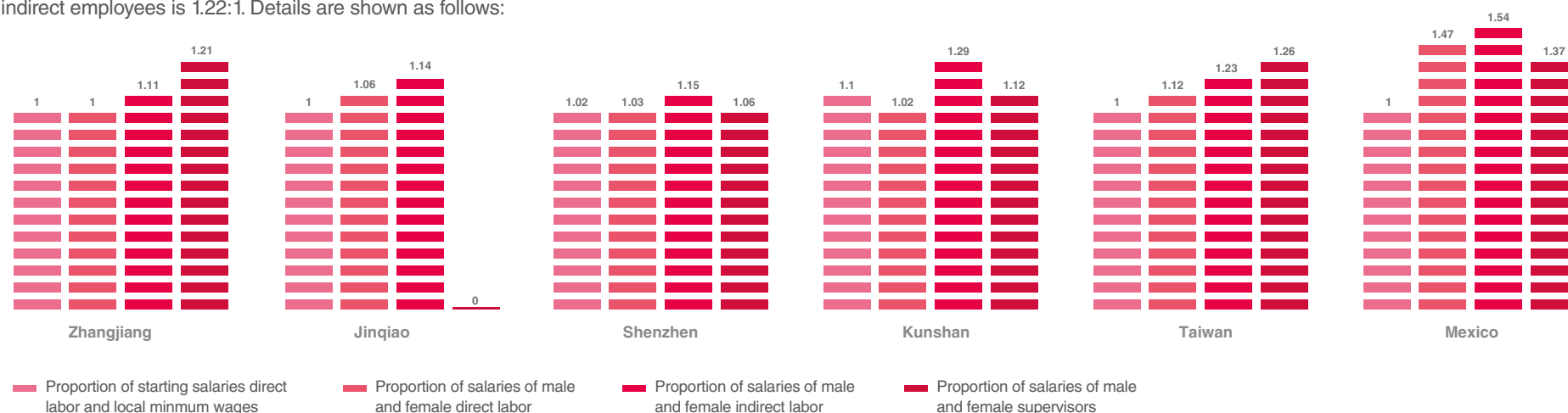
Note:

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.

3. There are no females in managerial positions at the Jinqiao facility.

• **Employee Performance Appraisal**

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

• **Distribution of Employees Receiving Regular Performance Review in 2016**

| Gender | Hiring Types | Amount of the Employees | No. of Employees accepted Regular Examinations | Percentage of Employees accepted Regular Examinations |
|---|---|---|---|---|
| Male | Management Position | 703 | 685 | 97.44% |
| | Technical Position | 2,366 | 2,366 | 100.00% |
| | Business Position | 338 | 338 | 100.00% |
| | Skill Position | 4,323 | 0 | 0.00% |
| Subtotal, Man | | 7,730 | 3,389 | 43.84% |
| Female | Management Position | 241 | 240 | 99.59% |
| | Technical Position | 593 | 593 | 100% |
| | Business Position | 846 | 846 | 100% |
| | Skill Position | 5,709 | 0 | 0.00% |
| Subtotal, Woman | | 7,389 | 1,679 | 22.72% |
| **Total** | | **15,119** | **5,068** | **33.52%** |

Note: Performance Assessment Personnel Qualification: Those who have assumed post for 3 months or more during the assessment period shall all receive regular performance assessments. However, those who are still in the probationary period, 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.

• **Distribution of Employees Receiving Function Development Review in 2016**

| Gender | Hiring Types | Amount of the Employees | No. of Employees Accepted Regular Examinations | Percentage of Employees Accepted Regular Examinations |
|---|---|---|---|---|
| Male | Management Position | 700 | 682 | 97.43% |
| | Technical Position | 2,189 | 2,189 | 100.00% |
| | Business Position | 320 | 320 | 100.00% |
| | Skill Position | 3,225 | 3,225 | 100.00% |
| Subtotal, Man | | 6,434 | 6,416 | 99.72% |
| Female | Management Position | 240 | 239 | 99.58% |
| | Technical Position | 562 | 562 | 100.00% |
| | Business Position | 801 | 801 | 100.00% |
| | Skill Position | 4,696 | 4,696 | 100.00% |
| Subtotal, Woman | | 6,299 | 6,298 | 99.98% |
| **Total** | | **12,733** | **12,714** | **99.85%** |

Note: Executives of deputy managerial, managerial rank or higher are not included in the functional development assessment and review.

- **Employees' Welfare**

In addition to various protections provided by local laws and regulations, USI provides the following welfare systems as well.

USI has its own employees' restaurants and provides subsidies for dining. In addition, USI has stipulated "Regulations on Safety and Hygiene of Food at Employees' Restaurants" in the light of food safety incidents in Taiwan, and it strictly checks on food purchase, preservation, cooking and the environment of its restaurants and has established an emergency response mechanism. We achieved the goal of "zero food safety incident" in 2016. Upholding the spirit, we hope to provide our employees with a safe dining environment in 2017.

In addition, responding to the changes in Taiwan Labor laws and regulations (one fixed, one flexible), besides amending the administrative regulations on attendance, salary, and related issues, the overtime payment, annual leave settlement, and special leave for incoming personnel are all better than the labor laws and regulations, with the expectation of providing higher quality working conditions for employees. Moreover, many supervisor briefing sessions were held in January 2017, assisting the supervisors in understanding the content of amended articles, as well as related response measures of the Company, and providing various management tools and information for supervisors of various ranks, so that they can be even more flexible and efficient in personnel management and the arrangement of work schedule. Meanwhile, the "Q&A Area for Amendment of Partial Articles of Labor Standards Act (One Fixed, One Flexible)" that is newly established on the Company's internal website helps employees to further understand the various changes of the regulations and the content of response measures. In the future, this will be optimized continuously through personnel system, where even more real-time information will be provided for supervisors and employees.

**Bonus**
Full attendance bonus, birthday gift certificate, annual bonus, overtime wage, R&D incentive bonus, patent incentive reward, performance bonus, three festival gift certificate, DL senior bonus and employee pension.

**Holiday and Vacation**
Besides national holidays and weekends, there are accompanying maternity leave for male employees, female employees to take prenatal visit leave, maternity leave for female employees, parental leaves, nursing leave, menstrual leave, earned paid sick leave, annual leave and paid-time off.

**Insurance**
Labor insurance, health insurance, employee comfort and compensation, employee/dependents group insurance.

**Dining**
There is broad and sanitary employee restaurant and meal subsidy.

**Accommodation**
Different types of accommodations with household appliances, air-conditioner, hot-water heater, wireless net, and furniture. USI pays for all full-time employees' housing accumulation funds and provides housing subsidies.

**Transportation**
USI provides comfortable and convenient transportation between facilities, well-equipped exclusive parking lots for employees and pregnant mom parking.

**Recreation**
Domestic and foreign employee travels, family day, parent-child activities, end-of-the-year banquet and drawing lots, Birthday celebration, athletic meet, singing competitions, chorus and etc.

**Health**
Each facility is equipped with a medical room and breastfeeding room. Additionally, full-time nursing personnel and professional doctors provide services such as free medical consultation and emergency treatment. Moreover, our employees can enjoy one free physical check-up each year and attend various hygiene training sessions and seminars held irregularly.

**Other**
Other employees' welfare bonuses include travel allowance, wedding subsidies, subsidies for continued education at a domestic or foreign institution, child birth subsidy, education subsidies and scholarships for employees' children, hospitalization benefits for employees and their families, communications expenses, care for work groups, and application of residence permits for current employees.

In 2016, convenient stores were established in the Taiwan facility to provide colleagues convenient services such as fee payment and ticket purchase.

• **Employee Insurance and Retirement**

USI and its subsidiaries provide retirement welfare by following local laws and regulations, and the rate of employees participating in the retirement program is 100%. Labor parties set aside a certain amount each month into the employee's retirement account in accordance with regulations, where the retirement pension is calculated by actuaries each year and the labor pension fund is prepared on the Company's financial account to respond to the use for employee retirement. The percentages of salary that are set aside by employees or employers as pension for each facility are as follows:



Employee contribution (%)      Employer contribution (%)
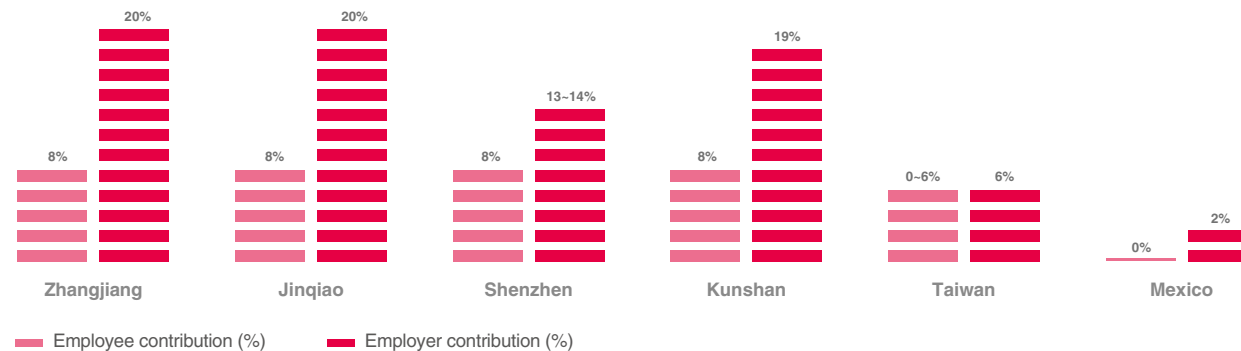
• **Statistics on Parental Leave in 2016**

| Facility | Taiwan | | |
|---|---|---|---|
| | **Male** | **Female** | **Total** |
| **No. of People Qualified to Apply for Parental Leave That Year** | 216 | 77 | 293 |
| **No. of People Actually Applied for Parental Leave that Year** | 2 | 5 | 7 |
| **No. of People Expected to Be Reinstated That Year** | 3 | 2 | 5 |
| **No. of People Actually Reinstated That Year** | 1 | 2 | 3 |
| **No. of People Reinstated in Previous Year** | 0 | 2 | 2 |
| **No. of People Reinstated in Previous Year and Continued to Work for More Than One Year** | 0 | 2 | 2 |
| **Reinstatement Rate for Parental Leave (%)** | 33% | 100% | 60% |
| **Percentage of People Holding Their Post Due to Parental Leave (%)** | - | 100% | 100% |

Note:
1. The data only cover Taiwan facility because other facilities do not provide parental leave.
2. 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 2013 to 2016 and who still hold a post in 2016.
3. 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%.

**•  Balancing Work and Life**

In USI, various clubs have been established for the purposes of health, happiness and learning such as table tennis club, swimming club, fishing club, charity club, Chinese chess club, chorus and so on. Related expenses are appropriated each year for the clubs to hold activities. USI also is equipped with recreation rooms such as computer classrooms, libraries, KTV rooms, fitness rooms, and indoor basketball and badminton courts. In addition, various recreational facilities such as table tennis, pool, and large game machines are available.

**•  3 Main Axes of the Event**

**Health**

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

**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.

**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, the Taiwan facility has established "Employees' Welfare Committee". 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". In addition to bringing spiritual joy and healthy and happy life to employees, these activities can cultivate teamwork, promote harmonious work atmosphere and enhance work efficiency. In 2016, USI held at least 50 events with over 20,000 participants.

## Strong Employee Engagement

USI makes a great effort to build a community to balance employees' work and life. To build a good employer-employee communication mechanism, and USI signs labor contracts conforming to local laws and regulations with its employees. 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, 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:

**General Manager's Symposium**  **Suggestion Box for Employees**  **Employee Satisfaction Survey**

**Employee Relationship Website**  **Interaction Meetings**  **Direct line / Email**

In 2016, the Company received a total of 19 employee complaint cases, among which 16 of the cases have been closed, and there are still 3 that are being processed. Details are shown as follows:

| Appeal Cases | No. of Cases | Response Measures | Current Status |
|---|---|---|---|
| **Requesting a Raise (Mexico facility)** | 2 | Went through the evaluation and analysis of supervisors and human resource units | Informal petitions have been proposed for the superior supervisors to approve |
| **Safety Issues Near the Facility (Mexico facility)** | 1 | Coordinated with the local police units to strengthen patrol | Relevant application procedures have been carried out, awaiting the approval of competent authority to carry on action |

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' active, 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 facilities have Union Committee, the proportion of employees who participated in the Union Committees are, respectively 40% and 63%, among which the Mexico facility has signed the Collective Agreement.

General Manager's Symposium (Zhangjiang facility)

## Excellent Working Environment

### • Safety and Health Management

To safeguard employees' operational safety and maintain environmental health, USI has stipulated safety and health policies, objectives and standard procedures and conducted educational training, and passed the OHSAS 18001 Occupational Safety and Health Management System to satisfy the requirements of occupational health and safety laws and our own policies.

After the Zhangjiang, Shenzhen, Kunshan, Taiwan, and Mexico facilities, Jinqiao facility successfully passed the OHSAS 18001 certification in May 2016, becoming the guidelines of maintaining staff occupational health and safety and achieving the goal of 100% obtaining certification at the worldwide facilities.

### • Safety and Health Management Goals and Statuses

| 2016 Goals | 2016 Performance |
|---|---|
| **Loss Rate of Millions of Work Hours – 15ppm** | Loss rate of millions of work hours is 5.3ppm, far lower than the set goal. |
| **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** | In 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 "Administrative Regulations on the Food Safety and Hygiene in Staff Cafeteria," we kept close tabs from the purchase of ingredients and storage to processing food and cafeteria environment, etc., and established emergency response mechanisms. In 2016, we continued to achieve the goal of "0 Food Safety." |

Note: Loss Rate of Millions of Work Hours = Total Work Hours Lost $\times 10^6$ ÷ Total No. of Work Hours

### • Distribution of IR, ODR, LDR and AR in 2016

| Facility | Injury Rate (IR) | | Occupational Diseases Rate (ODR) | | Lost Day Rate (LDR) | | Absentee Rate (AR) | |
|---|---|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| **Zhangjiang** | 0.04 | 0.00 | 0.00 | 0.00 | 3.12 | 1.28 | 1.11 | 2.37 |
| **Jinqiao** | 0.00 | 0.03 | 0.00 | 0.00 | 0.00 | 0.72 | 0.00 | 0.0 |
| **Shenzhen** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.70 | 1.54 |
| **Kunshan** | 0.04 | 0.00 | 0.00 | 0.00 | 0.12 | 0.00 | 0.91 | 0.08 |
| **Taiwan** | 0.16 | 0.22 | 0.00 | 0.00 | 1.08 | 0.11 | 0.15 | 0.15 |
| **Mexico** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.07 | 0.06 |

Note:

1. 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. Besides the occupational diseases rate (ODR), the statistics of data all cover traffic accidents to and from work;
4. Besides the work injury from traffic accidents, they are all physical injuries (2 from being jammed, and one from being hit by crashing object).
5. The statistical formulas for the various data are as follows:
   - Injury Rate (IR) = (Times of injuries ÷ 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.

**0%** Occupational diseases rate is zero

**0 Case** Zero infectious disease at facilities

OHSAS 18001 Certificate
(Jinqiao facility)

To prevent work injury accidents from happening home and abroad, USI irregularly holds work injuries orientations and conducts educational training for employees. Additionally, it records occupational injuries values at each facility on a regular basis and proposes reports 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 monitoring results show that no harmful substance or noise exceeded standards at all facilities in 2016.

In order to ensure the health and safety of the employees in the radiation workplace and to protect them from the



**0 Case**
Zero food safety
incident at facilities

harm of non-ionizing radiation, USI follows "Ionizing Radiation Operation Management Regulations" and fully implements radiation protection and control and examines all used X-ray machines based on related laws and regulations. Employees are requested to wear detectors (badges) to detect the mass of harmful substances in the workplace. In addition to specific prevention measures, specific physical check-ups (Note) are provided for high-risk employees to make sure they work in a healthy and safe working environment. In 2016, 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

Among which, during the process of inspection, Jinqiao Environmental Safety Team discovered that the Leigang cleaning machine in the cleaning room does not have drying functions, which caused the Bromopropane solvent to still exist on the Carrier surface after completing the cleaning process and to volatilize into the work space during the natural drying process. Therefore, in 2016, the Environmental Safety Team transformed the Leigang cleaning machine and installed an exhaust system, causing the Carrier's surface to remain at a dry state after washing so as to achieve the goals of reducing the occupational hazard risk and protecting staff health.



Safety Production Knowledge Competition
(Kunshan facility)

Leigang Cleaning Machine after having Installed
Exhaust System (Jinqiao facility)

• **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 2016, USI held 4 earthquake disaster prevention drills, 12 fire drills and 9 chemical disaster drills and was audited by central authorities 18 times. In July 2015, the general manager of the Jinqiao facility approved and promulgated Measures for the Administration of Contingency Plans for Work Safety Incidents and Contingency Plans for Leakage of Hazardous Chemicals and Fires which have been put on file by a local safety supervision department after they were reviewed by experts. Moreover, in order to let its employees receive more training on professional labor protective equipment, USI's environmental safety department invited the 3M Company in August to offer training courses. At the site of the course, the operation method of a long-tube model air-supply respiratory protection system was demonstrated and was compared with the comfort of a comprehensive protective cover.



Occupational Safety Training- Long-Tube Air-Supply Respiratory Protection System (Jinqiao facility)



Fire Evacuation Drill (Zhangjiang facility)



Chemical Disaster Drill (Jinqiao facility)

• **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.

In addition to the internal sheet pamphlets, the Company also established the USI Newsletter (WeChat Public), where those outside the Company can obtain related health information through this, effectively enhancing the convenience of obtaining related information.



Newsletter (WeChat Public - Special Column on LOHAS and Longevity)



Newsletter QR Code

In recent years, contagious diseases have stricken all facilities around the globe and caused loss of countries and the company. To cope with the sudden outburst of infectious diseases, USI has reviewed related regulations, and established a worldwide notification mechanism in 2016 to ensure that when unexpected events occur, the status can all be handled right away. USI did not suffer any great loss due to contagious diseases in 2016.

• **Software and Hard measures**

USI has full-time registered nurse, contracted doctor of Family Medicine Department, contractor doctor of Occupational Medicine Department and psychological counselors to provide workplace service in software; 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 Breastfeeding Room Certification" for three consecutive years, continuing to provide an even more comfortable breastfeeding space for mothers.



2016 Workplace Breastfeeding Competition "Excellence Award" (Taiwan facility)

• **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 goal of early diagnosis, early treatment.

In mental health, USI not only hold birthday parties and single parties on a regular basis for employees, 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 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.

• **Health Promotion and Training**

To prevent the happening of chronic and occupational diseases, apart from consultations on the prevention of ordinary diseases, USI holds various workshops and training such as pregnancy care, identification of mental diseases and first-aid training to strengthen the safety and health management of workplace, enhance its ability of identifying health risks, and assist to prevent and cure occupational diseases.

Also, a total of over 30 events were held, including relevant hygiene training courses, four-cancer screening, mom classrooms, nutrition courses, Chinese medicine and healthy living, physical fitness testing, blood donation events, and other courses and events. There were a total of 4,546 people who participated.



First-aid Training (Jinqiao facility)



Health Education Workshops (Taiwan facility)



Healthy Workplace Certification-Health Promotion Mark (Taiwan facility)

Upon evaluating annual physical check-up reports regarding top ten abnormalities in Taiwan facility, it has been found that the proportion of employees with abnormal blood lipid is high. To prevent cardiovascular diseases, chronic diseases and some cancer, health management is important. Since 2013, the Taiwan facility has been holding a weight loss competition each year. The 2016 event was called "Trim Your Waste, Love Your Heart." In the beginning, only 154 people participated, and until 2015, the number of participants increased to 500 people; however, due to restrictions on funding, the number of participants was restricted to 500 people in 2016. Although there were other dispatched and company units that wanted to participate, but they weren't listed in the list of competitors.

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. In 2016, the director-general of the Welfare Committee led in declaration, "The goal of weight loss in 800 kg." The final result surpassed expectations with 1,015 kg, which is 210 kg more than the previous year. The proportion of Friday fruit and vegetable habit rose from 37% in 2014 to 43% in 2016.

Not only did the health condition of staff improve, this event also received affirmation and recognition from all sectors, and received Weight Loss Excellence Workplace for the third consecutive year given by Nantou County Government Health Competent Authority. However, because the award was canceled in 2016, it was changed to an oral encouragement. And we obtained the "Badge of Accredited Healthy Workplace – Smoke-Free & Health Promotion" from the Health Promotion Administration, Ministry of Health and Welfare.

# Customer Service and Supply Chain Management

In facing the boundless development trend in the globe, good supply chain management can not only effectively lower production costs and enhance the quality of products, but also build the company's competitiveness and image with its partners to win more satisfaction and orders from customers.

# Customer Service and Supply Chain Management

## • USI Value Chain

USI is the world's leading company of ODM/EMS 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:

**Supplier Agent Contractor** ⬌ USI ⬌ **Customer**

**Communication**

**Wifi SiP**
WW No.2 for
Smart Phone &
Tablet

**Consumer**

**LDC X-Y Board**
WW No.2 for
TV, NB, Monitor

**Computer**

**SSD & NAS**
WW No.1 for
Enterprise & SMB

**Industrial**

**POS**
WW No.2 for
Hospitality &
Retail Market

**Car Electronics**

**Regulator**
No.2 for
China OE
Charging System

**Smart Phone**
SiP & Sensors for
Smart Phone

**Wearable Device**
SiP & Sensors for
Watch, Wrisband,
Shoes...

**X-86 M/B**
DT/WS/Server for
Selected Customers

**SHD**
WW No.1 for
Logistics &
Warehousing

**LED Lighting**
WW No.2 for
Lighting System

## Customer Service and Satisfaction

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

In order to provide highly stable, highly reliable, and cost-competitive products that meet, or exceed the customers' expectations, USI accumulates years of experiences in providing services to the world's leading companies, and applies a combination of three core technologies---computing, communications, and multimedia processing technologies---to the design and manufacturing of Wireless Product, Computing & Vertical Solutions, Storage & Server, Automotive & Visual Product Devices, and Miniaturized Products, hoping to offer the most comprehensive DMS solutions. With implementation of quality policy, USI ensures its system operating effectively under the applicable international standards that products and services are required.

• **Management System Certifications**

| Management System | Zhangjiang | Jinqiao | Shenzhen | Kunshan | Taiwan | Mexico |
|---|---|---|---|---|---|---|
| **TL 9000** | 2005 | 2015 | 2002 | 2013 | - | - |
| **ISO 9001** | 2004 | 2015 | 2001 | 2011 | 1993 | 2005 |
| **TS 16949** | 2007 | - | - | 2013 | 2003 | 2005 |
| **IECQ QC080000** | 2007 | 2015 | 2007 | 2012 | 2006 | 2007 |
| **ANSI/ESD S20.20** | 2013 | 2015 | - | - | - | - |
| **ISO 13485** | - | - | - | 2014 | - | - |

Note: The year refers to the year of acquiring the certification.

## Customer Service

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

• **All-Encompassing After-Sales Service**

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

Note: e-Return Material Authorization.

• **Categories of USI After-Sales Services**



**Spare Parts**
- Selling regular and critical spare parts / components service

**RMA Services**
- After-sales service solutions
- Warranty and maintenance
- Project rescheduling and replacement of parts
- Product replacements
- Product repairs

**Technical Support**
- On-site technical support at customers' requirement
- Training program for maintenance staff
- Trouble shooting and defect analysis
- Test equipment / fixtures and technical documents

• **Number of Days for Returned Goods and Repair, and the Achievement Rate of Punctual Delivery**

Number of days for returned goods refers to the time interval between the receipt of customers' returned goods and delivery. It has to be measured with the rate of punctual delivery based on the punctual delivery of batches which is negotiated with customers due to the attributes of products and the number of returned goods. USI has achieved over 98.5% of punctual delivery rate negotiated with customers in the most recent four years.



| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| TAT Day | 22.5 | 24.0 | 23.8 | 22.0 |
| Hit Rate | 98.7% | 99.2% | 99.4% | 99.0% |
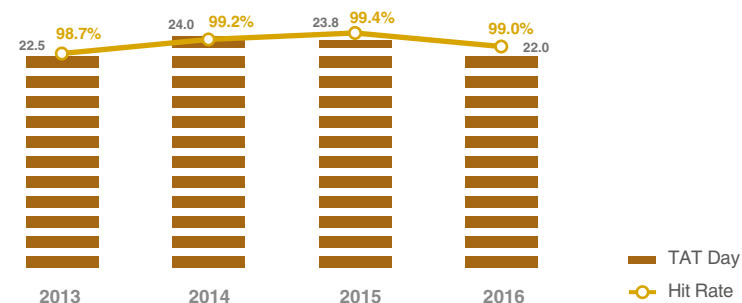
- **Processing Customer Complaints**

In the aspect of processing customer complaints, USI has systematic processing procedures. When receiving the failure analysis (FA) of products raised by the customers or the complaints and requests from the customers, we would immediately carry out preliminary confirmation and record the situation. Different operation procedures are set for different departments, thereby proposing a fast and effective countermeasure to prevent the same cases or similar cases from happening again.

## Customer Satisfaction

To ensure effective communication with customers worldwide, USI eagerly collects the voices of customers through satisfaction surveys, and will hold a meeting upon the compilation of satisfaction surveys to make feasible corresponding strategies. Additionally, based on customers' needs, the unit will negotiate and discuss with customers and make improvement plans to track the improvement progress and send the latest progress to customers to enhance both communication quality and customer satisfaction.

- **2016 Award Records**

| Customer | Awards |
|----------|--------|
| Micron | Micron CPG 2016 Most Valued SSD Partner |
| Micron | B2B Project Appreciate Award |
| Netgear | Best NPI Performance-Runner up |
| Lenovo | Service Excellence |
| Sugon | Excellent Suppler Award |
| TOKAI RIKA, Co. | Special Process Certification (Lead-Free) |

- **Driving up Customer Satisfaction**

Through surveying clients' questionnaires and holding QBR (Quarterly Business Review) conference, USI actively collects clients' opinions and responses to understand product evaluation of technical, quality, price and delivery time, etc.

In 2016, the overall satisfaction of USI's main customers is 85.0% (Excellent). With respect to satisfaction with services, all services reached the "Excellent" standard except "techniques" and "others" which are 83.9% and 84.3% (Successful) respectively.

- **Customer Satisfaction of USI's Main Customers**



- 2014
- 2015
- 2016

Quality, Deliver, Technology, Green, Service, Other

**A⁺**

Customer satisfaction reached "Excellent" standard

**Oustanding**
Satisfaction≧90%

**Excellent**
90%＞Satisfaction≧85%

**Successful**
85%＞Satisfaction≧80%

**Improvement Required**
80%＞Satisfaction
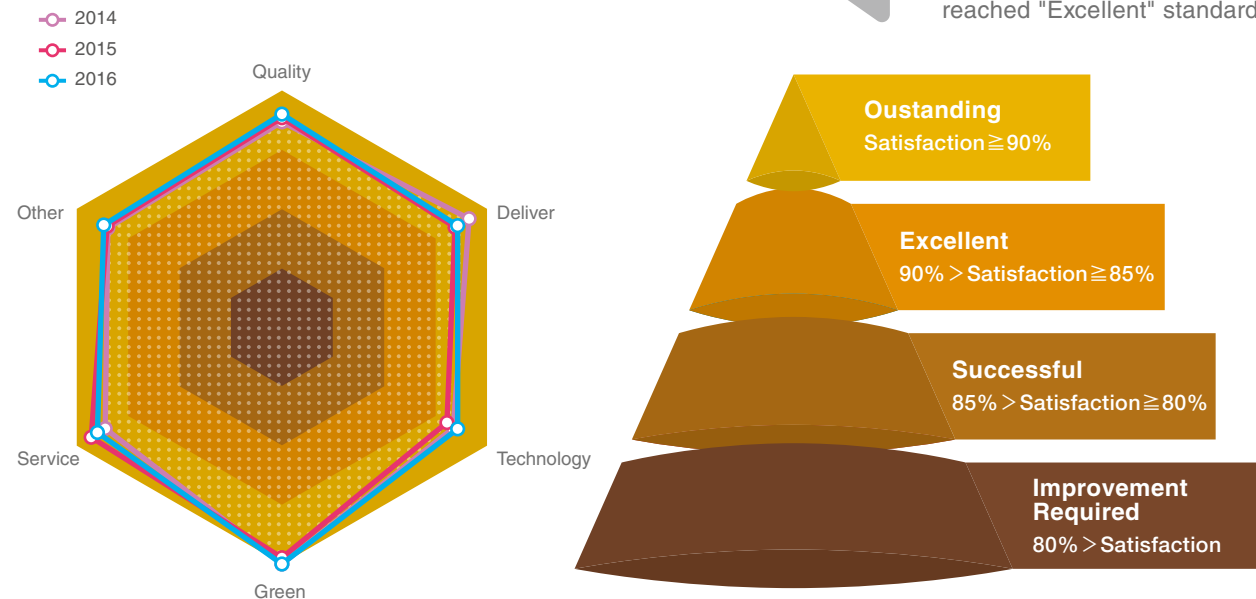
## Customer Privacy & Health and Safety

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.

### Customer Privacy

To ensure that drawing, programs, specifications, technical files and other important product information (such as material specifications, inspection specifications and so on) for USI from customers are properly kept, customers' documents have to be placed in USI's PDM (Note) or DMP (Note) through the DCN (Note) workflow, and reading authority has to be set. USI's personnel who directly contact customers' documents have to receive confidential document management training and retraining every three years to ensure that they clearly comprehend the requirements of customer document management. In 2016, there was no leakage of customers' documents.

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

### Customer Health and Safety

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.

| Green Products Directive | Percentage of USI Products within the Directive |
|---|---|
| EU RoHS | • Wireless communication products: 100%<br>• Storage products and serves products: 100%<br>• Automobile electronics and visual products: 100%<br>• Minimized products: 100% |
| Halogen Free (HF) | • Wireless communication products: 23%<br>• Storage products and serves products: 35%<br>• Automobile electronics and visual products: 88%<br>• Minimized products: 100% |
| CHINA RoHS | • Wireless communication products: 100%<br>• Storage products and serves products: 100%<br>• Automobile electronics and visual products: 100%<br>• Minimized products: 100% |

In the part on product safety, the Factory Inspection Mechanism (Note) 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 2016, USI did not receive any complaint about its products being detrimental to people's health and safety, and all of its products complied with related laws and regulations and did not violate any law.

Note: 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

Supply chain management is an important part in enterprise management and the promotion of social responsibility. Through supply chain management, USI is committing to distribute corporate social responsibility philosophy and lead suppliers toward the goal of improving the social environment together.

### The Suppliers of USI

USI's main production facilities are located in Zhangjiang, Jinqiao, Kunshan, Shenzhen, Taiwan and Mexico. In 2016, global raw materials purchased by USI chiefly came from local suppliers of these production sites. 73% of the raw materials in Taiwan facility came from Taiwan; 23% of the raw materials in the Mainland of China came from China; and 69% of the raw materials in Mexico came from North America. This has not only efficiently saved energy and time cost during the transportation, but also reduced environmental pollution. With over 1,500 suppliers in 2016, USI's sources of suppliers include original factories, agents, spot suppliers etc. Compared with 2015, USI had 200 more suppliers in 2016.

• **Percentage of Local Suppliers at All Facilities in 2016**
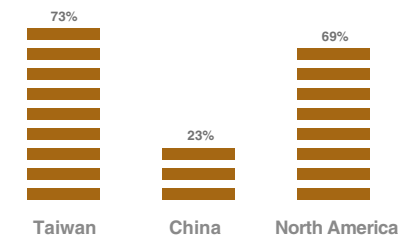


Note: To be calculated in accordance with the amount of money for procurement

• **Distribution of Raw Material Suppliers in 2016**
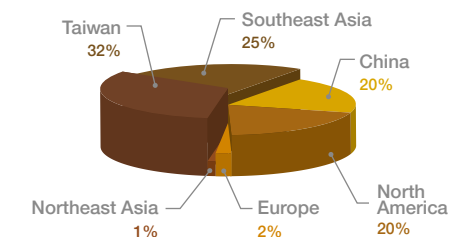


• **Number of Suppliers and Percentage of Transaction Amount at All Facilities in 2016**

| Facility | Zhangjiang | Jinqiao | Shenzhen | Kunshan | Taiwan | Mexico |
|---|---|---|---|---|---|---|
| No. of Suppliers | 504 | 104 | 880 | 679 | 457 | 183 |
| Percentage of the Transaction Amount | 42% | 6% | 18% | 10% | 21% | 3% |

### Supplier Evaluation

The progress of the suppliers' Corporate Social Responsibility (CSR) will be one of key factors behind USI's future prospects. USI considers its supply-chain development from the viewpoints of resource-use improvement and environmental pollution reduction, controlling and keeping track of all products from the start of raw-material purchasing. This practice ensures full compliance with environmental regulations at the stage of product research & design thereby reducing environmental impact during the period of product use and recycling. Additionally, USI has a standard supplier evaluation system and vendor rating management mechanism. USI selects suppliers based on corporate strategies and continue to have close partnership with its suppliers to build a long-term, stable and sustainable green supply chain to safeguard human rights, protect the environment, provide consumers with healthy and safe products and fulfill its Corporate Social Responsibility.

USI's supplier certification process is based on the company's product development trend and purchasing strategies, where suppliers' production capacity, technology innovation capability, quality, service and other management systems are examined for compliance and as a future certification reference. The evaluation of new suppliers must be conducted by a core team composed by purchasing, quality, R&D and engineering departments. The core team will offer questionnaire to suppliers and evaluate the final examination results. The evaluation range shall cover the supplier's company profile, product information, major customers, financial status, green management procedures and commitment, social responsibility, and the environment safety and health investigation. To ensure that the suppliers' influences on the environmental sustainability, social labor and human rights are also evaluated and controlled, new manufacturers developed by USI are also requested to sign an agreement of not using RoHS materials, "Integrity Trading Declaration" or to provide a QC080000 certification. In 2016, 90.9% of potential suppliers of USI have passed this evaluation and become our new suppliers.

- **Contractor Management**

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

To ensure the safety of contractors, USI enhances the safety and health evaluation for unusual dangerous projects and recidivism contractors. Any contractor with major violation and fails to improve within a designated period will face one-year suspension after USI discusses with the outsourcing and procurement divisions. Through training and evaluation by USI Green & Environment, Health and Safety Department in 2016, 229 contractors had successfully obtained the construction licenses, and no contractors were involved in any industrial accident at USI facilities.


Training for Contractors (Taiwan facility)

### EICC Management

ASE Group joined the Electronic Industry Citizenship Coalition (EICC) in 2015 and became an applied member. As a member of ASE Group, in order to implement EICC policy commitment and comply with the EICC spirit, USI has set basic guidelines for suppliers in accordance with the EICC 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 EICC-ON Platform (EICC Online Risk Assessment Platform), and share their EICC SAQ (EICC Self-Assessment Questionnaire). In addition to EICC SAQ, USI also carried out a sustainable survey produced by the Group in accordance with the EICC Code of Conduct for all the major suppliers and carried out analysis in accordance with the written survey results from the suppliers. In the future, we plan on regularly performing field audits on the high-risk suppliers. The supplier EICC audit specifications include five major aspects, 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:

**1** Suppliers sign the letter of commitment to promise to follow EICC Code of Conduct

**2** Suppliers are selected

**3** Suppliers fill out a self-evaluation form and sustainability assessment questionnaire

**5** Suppliers make improvement based on deficiencies

**4** USI conducts on-site auditing for suppliers

**6** USI confirms improvement results

**7** The case is concluded

end of 2016, suppliers still continued to improve. USI will track and manage the suppliers in 2017, ensuring that the suppliers can complete their full improvements.

**34**
EICC on-site audited 34 suppliers

| Dimensions | No. of Suppliers That Need Improvement | Items That Are Identified with Impact | No. of Suppliers That Have Improved | Proportion of Suppliers That Have Improved |
|---|---|---|---|---|
| Labor | 15 | Working Hour | 14 | 93% |
| | 5 | Wage and Welfare | 5 | 100% |
| | 2 | Human Treatment | 2 | 100% |
| | 2 | Non-discrimination | 2 | 100% |
| Health and Safety | 2 | Emergency Response | 2 | 100% |
| | 1 | Public Health, Food and Accommodations | 1 | 100% |
| | 1 | Industrial Health | 1 | 100% |
| Environment | 1 | Prevent Pollution and Conserve Resources | 1 | 100% |
| Ethics | 3 | No Improper Earnings | 2 | 67% |
| Management System | 4 | Corporate Commitment | 3 | 75% |
| | 1 | Documents and Records | 1 | 100% |
| | 8 | Risk Assessment and Risk Management | 7 | 88% |
| | 3 | Training | 3 | 100% |
| | 1 | Regulation and Customer Requirement | 1 | 100% |

In 2016, USI performed field audits on a total of 34 servicing suppliers (covers Zhangjiang, Jinqiao, Shenzhen, Kunshan, and Taiwan facilities), performed written spot-check audits on 20 suppliers. Over 80% of the audit results were low risk, and we will continue to track the improvement statuses. USI will continue to audit suppliers and assist them to conform to EICC Code of Conduct in the hope that all of USI's suppliers will reach low risks in the future.

For the EICC on-site audit results in 2016, there were no suppliers that terminated the contract after analysis. Detailed results are as shown in the following table. Up until the

### Supplier Communication

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

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.

#### • Sustainable Briefing for Suppliers

After having held the 1st Sustainable Briefing for Suppliers in Taiwan and received abundant feedback in 2015, this briefing expanded in 2016 to Shanghai, Kunshan, Taiwan, and Shenzhen areas, respectively, on

11/25, 11/29, 12/1, 12/5, carrying out direct advocacy, communication, and advisory for the suppliers in the various areas. Its content included continuing to promote green supply chain, and following the trends of international environmental protection requirements, "Determination on USI Sustainable Management Requirements and Responses to United Nations' Sustainable Development Goals (SDGs)", "EICC Provisions", "Conict Mineral Policies", "Administrative Regulations for USI Hazardous Substances (New Version) and Future Environmental Protection Policies". A total of 194 suppliers participated, where 221 representatives attended. After the briefing, 92 questionnaires and feedback were received, giving the affirmation of "Satisfaction".

#### • Supplier Feedback

1. "I like this on-site communication; I can directly understand the needs of customers".

2. "I like the seminars given by your company on the green products of the supply chain, which helped me understand the newest status on RoHS and REACH more deeply".

3. "It's all fine, USI green product specifications complete explain in great detail, through this study, to correct the shortcomings of our fill".



Sustainable Briefing for Suppliers (Taiwan facility)



Hold the Sustainable Briefing for Suppliers in Shanghai, Shenzhen, Kunshan, Taiwan

**Substainability**

In addition to requesting the suppliers to ensure that their quality system management, the life cycle of raw materials, and the sources of raw materials are in compliance with the specifications of international laws and regulations, we also request the suppliers, at the same time, to be in compliance with relevant local laws and regulations. We also expect the suppliers to be like USI and value corporate ethics. In the aspect of implementing Supplier Sunshine Conduct Management Guidelines and anti-corruption, USI established an exclusive reporting mailbox (tw.gp.sox@global.com), providing the suppliers with a channel for smooth feedbacks and complaints. In 2016, there were no cases where the suppliers provided feedback or made complaints.

- **Supplier Web Portal**

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. Also, USI can use cloud "Big Data" establish a more optimized structure of BOM table to reduce costs.

Also, at the 2016 Taipei International Electronics Show (TAITRONICS), by a lot of USI's experience in electronics manufacturing industry, along with the professionalism of Buymanager in purchase systems, we invited well-known suppliers of electronic parts to share and discuss the results and applications of Supplier Web Portal.

During the seminar, the senior manager of USI Supply Chain Management Chung-Chi Ku mentioned, "In the past 20 years, the operation mode of procurement is to communicate through mass E-mail and to manage information through complex electronic files. USI hopes that through cooperating with Buymanager, the accuracy of strategic decisions can be increased and the procurement costs can be controlled more precisely. In the rapidly changing electronic manufacturing industry, old operational habits and tools clearly cannot satisfy the challenges in this new generation. If we're not moving forward, that means we're moving backwards".

**Cloud Platform**

Established the Supplier Web Portal



USI Manager Chung-Chi Ku Shares Results of French-created Software Buymanager



Buymanager CEO Loic Biarez (left) and USI Manager Chung-Chi Ku (right)

## Conflict Minerals Compliance

USI conveys the Company's conflict mineral procurement policies to the suppliers, requiring the suppliers to use minerals from CFSI-certified qualified smelters and encouraging the smelters of the suppliers to participate in CFSP (Note) certification, so as to achieve various customer requirements and international laws and regulations by being in compliance with OECD (Note) standards, and fulfilling a non-conflict procurement supply chain.

Note:
1. CFSP, Conflict-Free Smelter Program.
2. OECD, Organization for Economic Co-operation and Development.

- **Conflict Minerals Management**

| Conflict Minerals Management | Management Approach | 2016 Performance |
|---|---|---|
| **Conflict Minerals Management Requirement** | • To make corporate policy for sourcing conflict minerals<br>• To achieve DRC Conflict-Free for USI's product lines | • USI conflict mineral procurement policies are already publicly disclosed on the Company website. For complete information, please browse http://www.usish.com/english/minerals.asp<br>• To achieve DRC Conflict-Free for SiP/SiM, Module, SSD/TV Set PCBA product lines |
| **Material Management** | • Investigate the smelters used in materials<br>• Evaluate the risks of suppliers / materials | • Investigated 96% of the materials (calculated in accordance with the procurement amount) |
| **Supplier Management** | • To make corporate policy for sourcing conflict minerals<br>• To make supplier risk assessment standard<br>• To conduct supplier document or on-site auditing<br>• Require suppliers to use qualified smelters<br>• Encourage the unqualified smelters to work with CFSI | • Expanded the scope of investigation in 2016, and investigated a total of 492 suppliers<br>• The survey results of qualified suppliers for conflict minerals as shown in the following table |
| **Independent Private Sector Audit (IPSA)** | • Carry out third-party audit, in compliance with the annual SEC (Note) declaration<br>• Abiding by the customer conflict mineral audit and being in compliance with requirements | • "ASE Group", Parent company of USI, needed to be in compliance with SEC declaration each year. In 2016, the conflict mineral report passed the third-party verification (KPMG). |
| **Annual Report** | • Compile annual conflict mineral report<br>• Provide the customers with CMRT (Note) requirements | • Related reports can be browsed online at the United States Securities and Exchange Commission website |

Note:
1. CMRT, Conflict Minerals Reporting Template.
2. SEC, United States Securities and Exchange Commission.

- **Qualified Suppliers for Conflict Minerals**

USI expands the range of suppliers each year, regularly holding the annual conflict mineral survey, so as to grasp the compliance state of the supplier products. In 2016, USI investigated over 492 suppliers, requiring the suppliers to provide the smelter name, location, mineral source, and other information through the newest Conflict Minerals Reporting Template (CMRT). Then through procedural process, we review in detail, as well as save and establish each report in the database for the ease of managing qualified suppliers, responding to customer requests, and tracking problems. From analyzing the investigation results of recent years, the qualified suppliers was adjusted and raised from 66% in 2014 to 94% in 2016. Detailed information is as follows in the diagram:



66%   85%   94%

2014   2015   2016

Compliant
Non-Compliant
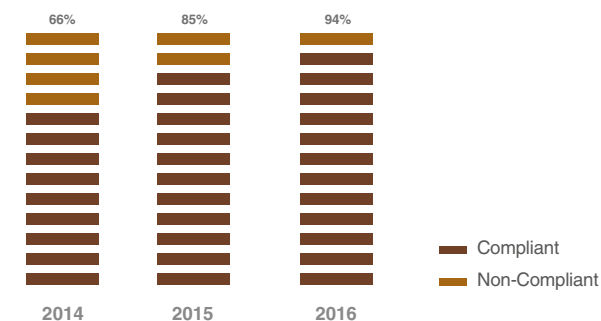
Note: Compliant is meant that the suppliers use qualified smelters; Non-compliant is meant that the suppliers use unqualified smelters

# Social Participation

**USI's sustainable development is closely related with the benefits of employees, community residents, publics, shareholders, etc. USI promises to actively participate in community activities in USI sustainable development policy to fulfill corporate responsibility.**

# Social Participation

We carry it out through three main pillars, Education Investment, Society Contribution and Artistic Events Promotion. Thus, we plan related events in strategy. USI continuously input efforts on local community and the land. We expect that we not only bring a positive influence and enhance staff's coherence but also create our own company value.

In 2016, we input about RMB 1,190,000 to "Education Investment", "Society Contribution" and "Artistic Events Promotion". For further analysis, please refer to the chart below for the percentage of each pillar.

**45%**
**Society Contribution**

**40%**
**Artistic Events Promotion**

**15%**
**Education Investment**
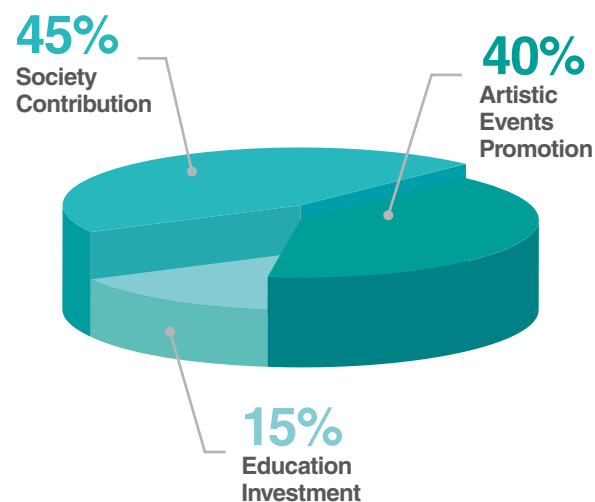
| Three Pillars | Future Plan in 5 Year (2020 Goals) | 2016 Performance |
|---|---|---|
| Education Investment | Continuously promote and expand society event participation | • Sponsorship of the Taiwan Reading and Culture Foundation (Taiwan Facility)<br>• Sponsorship of the Global Chinese Literature Award for Students (Taiwan Facility)<br>• Industry-University Cooperative Project (Taiwan Facility)<br>  - Semester Internship Program with Feng Chia University, Providence University and National United University, expected to launch in February, 2017 |
| Society Contribution | Continuously promote and expand society event participation | Care for Vulnerable Groups<br>• USI Dream Come True Project (Taiwan Facility)<br>• An Egg's Trudge (Zhangjiang Facility)<br>• ECCO Charitable Event: Let's Walk (Jinqiao Facility)<br>• Charitable Donations (Kunshan Facility)<br>• Assistive Activity (Shenzhen Facility)<br><br>Environment Friendly<br>• The Million Trees Projects (Global)<br>• International Coastal Cleanup Action (Zhangjiang, Jinqiao Facility)<br>• Sponsorship of Road Maintenance Program (Taiwan Facility) |
| Artistic Events Promotion | Continuously promote and expand society event participation | • Sponsorship of the Annual Autumn Tour of Cloud Gate Dance Theatre (Taiwan Facility)<br>• Sponsorship of Countryside Tour of Ming Hwa Yuan Arts & Cultural Group (Taiwan Facility)<br>• Sponsorship of 2016 Nantun Lantern Festival (Taiwan Facility)<br>• Collection Art Work of Nantou County Yushan Art Award (Taiwan Facility)<br>• Sponsorship of Township Arts Festival in Chung Hsing New Village (Taiwan Facility)<br>• Qiandeng Town Public Cultures and Arts Festival (Kunshan Facility) |

## Education Investment

USI believes that a competent staff is one of the major driving forces behind corporate growth, and a reading habit lays the foundation for innovation and R&D capabilities. To underscore its belief in extension education, USI assisted to found the "Taiwan Reading and Culture Foundation" and provided fund to purchase extracurricular books for "Philanthropic Libraries". That way, good books can be read over and over again, enabling children to broaden their horizons and amassing the "wealth of soul". USI also provided assistant to organize the "Global Chinese Literature Award for Students" in the purpose of encouraging students to commit in creative writing to develop immense creativity. In addition, the industry-academy cooperation program was established to enrich students' internship experience before entering the workforce.



### Sponsorship of the Taiwan Reading and Culture Foundation (Taiwan Facility)

The sponsorship plan has been launched as elementary schools in the mountain area of Nantou County have less educational resources than schools in cities. In addition to textbooks, USI thinks children should dabble at diverse readers to broaden their horizons and inspire their curiosity. Therefore, 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. After the plan supplemented reading resources for students in remote areas and for disadvantaged students, the range of book donation has gradually expanded to elementary schools in other counties and cities. 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.

# 525 Boxes

Sponsorship of the Taiwan Literacy and Culture Foundation- Donated cumulatively 525 boxes of books in 10 years

▸ Starting Year: 2005

▸ Recipient: Taiwan Reading and Culture Foundation

台灣閱讀文化基金會

▸ Benefited Stakeholders:

Currently, recipient schools, including Hu-Shan Elementary School (Nantou County), Tong-Fu Elementary School (Xinyi Township, Nantou County), Guo-Xing Elementary School (Nantou County), Ren-Ai Elementary School (Nantou County), Yu-Chi Elementary School (Nantou County), Ping-He Elementary School (Nantou City), Xi- Ling Elementary School (Nantou County), Shui-Li Elementary School, Yu-Ying Elementary School (Nantou County), Liu-Chiu Elementary (Liuqiu Township, Pingtung County), Yeyou Elementary School (Lanyu Township, Taitung County), Dongqing Elementary School (Lanyu Township, Taitung County), Lanyu Elementary School (Lanyu township, Taitung County), Langdao Elementary School (Lanyu township, Taitung County) and USI employees participated in the parent-child reading activity.

▸ Medium and Long Term Goals:

Continuously promote "Reading Workshop" to expand teachers' participation on reading teaching and upgrade their reading teaching skills. We expect to improve parent-child relationship through parent-child reading events. At the same time, USI will extend school book club (Class Reading) to community book club. We believe that it'll inspire creative association through sharing and discussion.

▸ Implementation Methods:

Each year, USI sponsors NTD 500,000 to support the foundation to promote reading activities such as "Philanthropic Library", "Reading Workshops" and "Parent-child Reading".

▸ Implementation Results in 2016:

- Jointly organized "2016 Reading Startup-Government and Civil cooperation Book Donation Event" with Nantou County Government- donated 40 boxes of books to "Philanthropic Library" of Yu-Ying Elementarys School, Buli Village, Nantou County.

- There were four student events and one teacher workshop of "Meet the Authour" helded separately in Yeyou Elementary School, Dongqing Elementary school, Lanyu Elementary school, and Langdao Elementary School in Lanyu township, Taitung County. USI purchased and donated the books (435 in total) to schools, then invited the author to share their prodcution process, analysis of works, as well as teacher-student learning experience sharing. Students of Lanyu Towship rarely 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 253 people. USI also incresed the book category with environmental issues so that the students would learn to know the importance of environmental protection and thereby cherish the land. 75 participants of Yeyou Elementary School students and teachers joined the Coastal Cleanup after the event of Meet the Author.

- USI has held employees' "Parent-Child Reaing" event since 2013. 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 85 people.







### 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 Year: 2007

▸ Recipient:



▸ Benefited Stakeholders:
   The winners from 2007 until 2016.

▸ Implementation Methods:

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.

▸ Implementation Methods in 2016:

There were 1,121 submissions of the Global Chinese Literature Award for Students in 2016, including 701 submissions from Taiwan, 420 submissions from overseas. There were 877 submissions passed initial review (639 submissions from Taiwan, 238 submissions from overseas). 52 oversea schools participated in the contest. Submissions from China increased this year and oversea submissions were mainly from Malaysia.

- **Numbers of Submissions from Oversea Schools and other Areas Passed Initial Review**

| Year | Total (Schools) | Total (Essays) | Taiwan (Essays) | Malaysia (Essays) | Singapore (Essays) | China (Essays) | Others (Essays) |
|------|-----------------|----------------|-----------------|-------------------|--------------------|----------------|-----------------|
| 2016 | 52 | 877 | 639 | 154 | 26 | 53 | 5 |
| 2015 | 55 | 1,073 | 605 | 376 | 43 | 39 | 10 |
| 2014 | 42 | 1,356 | 831 | 299 | 130 | 84 | 12 |

## Society Contribution

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

### Care for Vulnerable Groups

USI cares for the disadvantaged for all the time, making regular donations to the charity, and sponsoring all kinds of welfare activities, festivals in neighborhood communities. USI employees also pay regular visits to the disadvantaged, in order to express compassion and make a contribution. Take an example of our facility in Taiwan, USI employees volunteered to establish groups of public welfare, such as Club of Tzu Chi and Caring Club. With the belief in "Everyone Saves NTD 100 and Saves the World", volunteers will be deducted a fixed amount of money from their monthly payroll to be compassion funds. More than 100 employees have participated in this activity. The important activities of each facility in 2016 are as follow.

**160 Persons**

USI Dream Come True Project- served 160 kids and parents from TFCT Nantou Branch in 4 Sessions.



**"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.

- Starting Year: 2015

- Time: April 9 2016 to December 3 2016

- Benefited Stakeholders:

  Taiwan Fund for Children and Families, Nantou Center, and employee's dependents

- Implementation Methods:

  - First Session: Sport oriented. It was to help outgoing kids have a goal to look forward to. Thus we invited kids to Taichung Intercontinental 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 "Le TELEE Ballets" and "If Kids Theater", we hope to amaze kids that walk in the theater for the first time through music and theatrical body performance. One may distinguish himself in any trade. USI expects to bring those kids a more wide-open world that will encourage them to fly to their dreams.

- Implementation Results:

  In 2016, there were four events, including two baseball games, one Le TELEE Ballets show and one parent-child drama show. Kids enjoyed all of the events and had enshirned memories in their hearts.

### An Egg's Trudge (Zhangjiang Facility)

"An Egg's Trudge" was held by Shanghai United Foundation, it was an activity that was different from traditional charity fundraising. "An Egg's Trudge" was a private welfare fundraising event that was full of joy. USI invited employees to set an example by personally take part in this charity event. There were 3 teams, 18 employees, from different departments joined 2016 An Egg's Trudge held at Shanghai Science & Technology Museum on April 23. – A creative fundraising event based on network. With such a creative and easy to participate way, participants experienced how to set an example by personally take part in charity event happily.

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.

"An Egg's Trudge" project was mainly about offering an egg per kid who lives in remote districts. Through "An Egg's Trudge" project, we hoped to raise fund for children in 4 directions and gain more support from more excellent public welfare projects. It was a charity fundraising platform built for participants to experience how to set an example through personally taking part with joy. Children are the hopes of each family as well as hopes of our society.

## ECCO Charitable Event: Let's Walk (Jinqiao Facility)

"ECCO Charitable Event: Let's Walk" was held at Shanghai Century Park on July 2. There were 30 employees representing USI Jinqiao Facility to participate in this event. We were able to live healthier and devoted ourselves into public welfare service at the same time- with 1 kilometer walk per day, 6 RMB will be donated for autistic children.

With drizzling rain, summer heat was eliminated. The participants of USI employees were able to enjoy the beauty of the nature on the weekend, breath fresh air and experience healthy walk. The event was full of positive energy; everyone was able to get to the goal and helped autistic children fundraising. With this very first experience, everyone was more willing to join the follow up events.



## Charitable Donations (Kunshan Facility)

In 2016, USI Kunshan Facility held the concepts of sustainable development, sustainable management and society contribution; USI helped underprivileged groups, contributed in community and actively participated in public welfare events. Except giving financial aid to students in need, sponsoring school construction, USI also donated community security patrol car and expected to do a little effort to the community. USI hopes to carry out the idea of "Light up the hope through love donation".

| Public Welfare Events in 2016 | Event Description |
|---|---|
| China Charity Federation - Charity Gift to the Poors Event | USI donated charity gifts to Kunshan poors through China Charity Federation. USI would like to offer love to light up people's hopes, to share the love around and do a little effort. |
| Kunshan Welfare House - Provide Financial Aid to Orphans | Pay visit to Kunshan City Warfare House every year to care for orphaned and disabled children. Provide them with milk powder, toys and other necessities along with amusing performances and shows. All these are done with a bid to make them feel embraced and like a part of the society. |
| Find the Pearls Project - Provide Financial Aid to Students | USI visit Orphans in Kunshan Welfare House every year and provide infant formula, toys and daily necessities. There are also beautiful songs and terrific performance to let kids experience the warmth of USI family. |
| Qiandeng Financial Aid to Students | August, 2016, USI sponsored 10 students of Qiandeng elementary school, Kunshan city. USI participated in sponsoring kids in need to go to school. USI gave hands for lighting up kids' hopes and achieving their dreams. |
| China Youth Development Project: Junbu Elementary School, Shu Cha Town, Anhui Province | "Star's Wish Project": in September, 2016, USI reconstructed the basketball court and built a library. |
| Sponsoring "Reading Corner" of Junbu Elementary School, Shu Cha Town, Anhui Province | |
| Donation: Qiandeng community security patrol bicycles | Donate bicycles for local police officer patrol |

### Assistive Activity (Shenzhen Facility)

Upholding Objective of "Care the Society; Be Friendly to Community", Shenzhen Facility Employees Actively Participate in Public Welfare Activities.

Since 2006, Shenzhen Facility has continued to help the disabled, and provide them with allowances for living expenses each month and purchase social insurance for them. In 2016, the plant sponsored 21 disabled people with a total of RMB 676,000. On holidays and their birthdays, the plant designates employees to express greetings to the disabled people. We have been putting effort and making contributions to activities for disabled and promotions of career development for disabilities, receiving high praise from Community Street Disabled Persons' Federation and Subdistrict Disabled Persons' Federation, and also reflecting humanitarian spirit of USI upon our comprehensive and meaningful activities.

**18,160** Trees

The Million Trees Project- planted cumulatively 18,160 trees in the past 4 years

**Environment Friendly**



### The Million Trees Project (Global)

USI is the long-term sponsor of Million Tree Project of Shanghai Roots & Shoots and has donated for projects since 2013. There has been 16,000 trees planted and USI forest was up to 13.85 hectare. In 2016, USI started the event of employees' donation, we collected 2,160 trees and the area is up to 2.6 hectare. USI forests and Employee giving trees had totally 6,160 pine trees planted in Nugusitai Town, Keerrqin Left Back Banner, and the planting area was up to 7.5 hectare.

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.

In 2016, we started the global tree raising campaign of USI Employee Love Forest. USI 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. The goal of the first year was to collect 2,000 trees. There were 2,160 trees collected. The achieving rate was 108%. The tree raising campaign of USI Employee Love Forest is listed in USI's five-year plan. Our goal is to increase by 30% yearly. We plan to plant 2,600 trees in 2017.

2013~2016 Information of USI Forest

| Year | Location | Area (Hectare) | Quantity/Species |
|------|----------|----------------|------------------|
| 2016 | Keerqin Left Back Banner, Tongliao City, Inner Mongalia | 4.85 | 4,000/Pines |
| 2015 | W.Bahuta, Keerqin Left Back Banner, Tongliao City（Zhaogensumo） | 3.0 | 4,000/Poplars |
| 2014 | Zhaogensumo Gacha, Keerqin Left Back Banner, Tongliao City | 3.0 | 4,000/Poplars |
| 2013 | Zhaogensumo Gacha, Keerqin Left Back Banner, Tongliao City | 3.0 | 4,000/Poplars |
| **Total of USI Forest** | | 13.85 | 4,000/Pines 12,000/Poplars |

USI Employee Love Forest:

| Year | Location | Area (Hectare) | Quantity/Species |
|------|----------|----------------|------------------|
| 2016 | Keerqin Left Back county, Tongliao City, Inner Mongalia | 2.6 | 2,160/Pines |

▸ Logo of recipient and the program:





## International Coastal Cleanup Action (Zhangjiang, Jinqiao Facility)

"Love the source of Live"- 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 clean up the beach. There were two sessions co-sponsored by Zhangjiang Facility, Jinqiao Facility and Shanghai Rendu.

| | Zhangjiang | Jinqiao |
|------|-----------|---------|
| **Date** | June 18 2016 | September 10 2016 |
| **Venue** | Binjiang Forest Park in Pudong New District, Shanghai City | Wusongkou Wetland in Baoshan District, Shanghai City |
| **Participants** | 34 | 39 |
| **Result** | 160.83 kg | 172 kg |



**332.83** kg

International Coastal Cleanup Action-Collected trash weighing 332.83 kilograms

Each team followed the ICC request to fill in information of trash types, quantities, etc. so that it could be the data for advanced trash formation study and marine monitoring. It would be the warning to global citizens to realize the status of beach garbage pollution and promote everyone to find out strategies actively.

After an hour hard work and physical labor, volunteers collected 332.83 kilograms of beach garbage in two events. Although USI volunteers sweated because of their hard-working, they felt comfort after seeing the clean beach.

Beach garbage not only affects ocean scenery but also threats fatally to the ocean creatures and peripheral creatures. Collecting information by research to promote individual, nations and areas to take more active actions toward decreasing marine garbage and enhance the protection of marine environment. Thus, Beach Clean-up is not only a public welfare service of environment protection but also the necessity of economy development.

## Artistic Events Promotion

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

### Sponsorship of Road Maintenance Program (Taiwan Facility)

Since 2007, we have 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, and landscape setting with an expenditure of NTD 850,000 in 2016. 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.

In January, 2017, the director of Nantou Work Section, Jun-jhang Chen awarded Certificate of Recognition. Senior Vice President of Taiwan Facility, Brian Shih represented USI to accept the award.

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

By supporting and sponsoring artistic events, USI wishes to enhance the art appreciation of people, accumulate the energy of creativity.

- Starting Year: 2005

- Recipient: Cloud Gate Dance Foundation

- Benefited Stakeholders：

  Cloud Gate Dance Foundation, Cultural Affairs Bureau of Nantou County, employee and their relatives, retiring employees and the chorus in Nantun

- Implementation Methods:

  USI not only sponsors NTD 1 million on the daily operation of the 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.

- Implementation Results in 2016:

  It was the 40th anniversary of USI in 2016. To celebrate, USI solely sponsored Rustavi Choir Georgian Voices of Cloud Gate to perform in Nantou County Government Cultural Bureau Auditorium. USI invited Nantou County Government Cultural Bureau, employees and their friends and relatives, retired employees, Calgary Zhi Yin Choir, Cao Sie Dun Choir, Chunghsin Choir and Candlewick Choir to watch the performance. There were 728 attendees.





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

To cooperate with the year-end party of "Straw Crafts Festival" held by Nantou County Caotun Township Office, USI sponsors the Ming Hwa Yuan Arts & Cultural Group every year to give a public performance in townships and invites local residents, company's employees and their families to relish the unique Taiwanese opera culture.

"Ming Hwa Yuan Arts and Cultural Group" is one the biggest and most celebrated Taiwanese opera groups. Established in 1929, this large-scale art performing group has integrated rhythms of modern theater, experimental theater and scene-by-scene filming to elaborate the beauty of traditional arts with music, drama, dance, folk customs, arts, and sound and light technology.

2016 marked the fifteenth 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: Legend of Jiepaiguan". About 5,000 people participated in the performance. Every year the public performance plays to a full house, and has become a major year-end local event, gaining enthusiastic supports from the folks, as well as high praise from government units at all levels for USI's promotion of opera culture.

USI not only participates in public welfare activities enthusiastically, but also takes citizens' needs into consideration while handling these activities. For example, as the nights are cold, it has specially prepared ginger teas for citizens to drink while watching the drama. Besides, it has planned an area with "priority seats" for the seniors or people with physical disabilities to enjoy the show.

### Sponsorship of 2016 Nantun Lantern Festival (Taiwan Facility)

Being a local company, we are willing to cooperate with government activities and help local development. Therefore, USI sponsored 2016 Nantou Lantern Festival event of "Flowers and Fruits Amusement, Good Luck in the Year of Monkey" at Chichi Train Station in Chichi Town, Nantou County. Nantou local artist, FanShiLuAng Glass Gallery, designed "USI Image Glass Lantern" by combining USI products. It was displayed at the Lantern Festival.

Due to the cost of a lantern is pricy. It's a pity to discard it after just one display. Besides, it is also large garbage. Therefore, USI had already surveyed the road that surrounded USI and adopted to maintain it. Then through discussion with the lantern designer, the lantern was able to become an installation art because it was designed to fit in the environment and the road safety regulations. USI Image Glass Lantern is able to make the most of it after the Lantern Festival ended.



### 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. Through collecting 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 2016:

Huei-Haung, Wang- Yushan Peak in Clouds (Watercolor)
You-Syuan, Lai- Overlooking Mt. Chilai (Oil Painting)

## Sponsorship of Township Arts Festival in Chung Hsing New Village (Taiwan Facility)

Township Arts Festival in Chung Hsing New Village was co-organized by Nantou County, National Changhua Living Art Center and Nantou City Office. The location was chosen to be in Chung Hsing New Village, a.k.a. "Garden City", and it was a great place for outings on holidays. USI hopes to promote community art of living through art and culture event.

The event was successively held for ten days, inviting communities of four cities to participate. There were also over 26 groups to perform, including Chinese Traditional music, aboriginal songs and dance, Hakka dance, new immigrants dance and so on. Besides, there was also an exhibition of art work from seven communities, including calligraphy, paintings, word arts, etc. And also over 30 stands of multiple cultural and creative DIY to act in cooperation with the event theme of "Multiple Cultures". Artistic Breath was able to expand out through this event.



## Qiandeng Town Public Cultures and Arts Festival (Kunshan Facility)

While USI is developing economy, we also actively to express the seeds of admiring arts and cultures, and promote local cultural business. 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. USI Choir held a charity concert at Qiandeng political party school and Kunshan Youth Training School in 2014 and 2015 for fundraising to help kids learning in the poor areas and poor families. This year, USI Choir was again invited to join the opening of "Tenth Public Culture and Art Festival" in Qiandeng Town. USI Choir was the only corporate group invited to perform.

USI Choir sang two songs, "Promise" and "Kunshan Is My Home" to express that USI developed from Qiandeng and promised that Kunshan would always be USI's home. The mixed chorus of "Promise" was written by General Manager of Kunshan facility, David Lin. USI obviously makes every effort on promoting local arts and cultures. On the day of the event, except related administrative organizations, related leaders, there were about 2,000 audiences participated in the event.

# Third Party Assurance Statement

---

## SGS — ASSURANCE STATEMENT

**SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE UNIVERSAL SCIENTIFIC INDUSTRIAL (SHANGHAI) CO., LTD.'s CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2016**

**NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by UNIVERSAL SCIENTIFIC INDUSTRIAL (SHANGHAI) CO., LTD. (hereinafter referred to as USI) to conduct an independent assurance of the Corporate Social Responsibility Report for 2016 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the USI's CSR Report of 2016 and its presentation are the responsibility of the directors or governing body, superintendents, CSR committee and the management of USI. SGS has not been involved in the preparation of any of the material included in USI's CSR Report of 2016

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all USI's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2013) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:
- evaluation of content veracity at a moderate level of scrutiny for USI and moderate level of scrutiny for subsidiaries, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report content of 9 indicators (G4-EN3, G4-EN8, G4-EN10, G4-EN15, G4-EN16, G4-EN18, G4-EN19, G4-EN21, & G4-EN23) of 5 sites-Taiwan, Zhangjiang, Shenzhen, Jinqiao & Kunshan against the AA1000 Accountability Principles (2008) for Type 2, high level assurance as follows:
  G4-EN3  ENERGY CONSUMPTION WITHIN THE ORGANIZATION
  G4-EN8  TOTAL WATER WITHDRAWAL BY SOURCE
  G4-EN10 PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED
  G4-EN15 DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)
  G4-EN16 ENERGY INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2)
  G4-EN18 GREENHOUSE GAS (GHG) EMISSIONS INTENSITY
  G4-EN19 REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS
  G4-EN21 NOx, SOx, AND OTHER SIGNIFICANT AIR EMISSIONS only for VOC
  G4-EN23 TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G4 2013).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record

GP5008 Issue 5

---

review and validation with external bodies 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 process.

**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.

The assurance team was assembled based on their knowledge, experience and qualifications for this 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 SRA Assurance service provisions.

**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 2016 verified is accurate, reliable and provides a fair and balanced representation of USI sustainability activities in 01/01/2016 to 12/31/2016.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation'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 G4 Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance; furthermore, the 9 indicators of 5 sites-Taiwan, Zhangjiang, Shenzhen, Jinqiao & Kunshan against the AA1000 Type 2, high level assurance.

**AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

**Inclusivity**
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, media, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, USI may proactively consider having more direct multi-ways involvement of stakeholders during future engagement.

**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.

**Responsiveness**
The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

**GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (G4 2013) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

**Principles**
The report, USI's CSR Report of 2016, is adequately in line with the GRI G4 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, G4-17 to G4-27, are correctly located in content index and report.

General Standard Disclosures
More disclosures on corporate governance GSDs are encouraged.

Specific Standard Disclosures
Disclosures on Management Approach components, such as goals and targets, specific actions taken to

GP5008 Issue 5

---

achieve the expected results, may be further enhanced. Disclosures on LA5 and more detailed of supplier assessment on social and ethical aspects are encouraged; moreover, in terms of annual basis data, the disclosures of nearest 3 years performances are recommended in the next report to track performances.

Signed:
For and on behalf of SGS Taiwan Ltd.

David Huang, Director
Taipei, Taiwan
19 May, 2017
WWW.SGS.COM

AA1000
Licensed Assurance Provider
000-8

GP5008 Issue 5

# GRI Index

• **General Standard Disclosures**

| | Standard Disclosures | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| **Strategy and Analysis** | | | | | |
| G4-1 | Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and strategy | Letter from President | 5 | | 83 |
| **Organization Profile** | | | | | |
| G4-3 | Name of the organization | Company Introduction | 14 | | 83 |
| G4-4 | Primary brands, products, and/or services | Company Introduction | 14 | | 83 |
| G4-5 | Location of organization's headquarters | Company Introduction | 14 | | 83 |
| G4-6 | The number of countries there the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | Company Introduction | 14 | | 83 |
| G4-7 | Nature of ownership and legal form | Company Introduction | 14 | | 83 |
| G4-8 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | Company Introduction | 14 | | 83 |
| G4-9 | Scale of the reporting organization | Company Introduction | 14 | | 83 |
| | | Financial Performance | 17 | | 83 |
| G4-10 | a. The total number of employees by employment contract and gender<br>b. The total number of permanent employees by employment type and gender<br>c. The total workforce by employees and supervised workers and by gender | Global Workforce | 42 | | 83 |

| Standard Disclosures | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| G4-10 | d. The total workforce by region and gender<br><br>e. Whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors | Global Workforce | 42 | | 83 |
| G4-11 | The percentage of total employees covered by collective bargaining agreements | Strong Employee Engagement | 54 | | 83 |
| G4-12 | Describe the organization's supply chain | The Suppliers of USI | 64 | | 83 |
| G4-13 | Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | Company Introduction | 17 | | 83 |
| | | Financial Performance | 17 | | |
| | | The Suppliers of USI | 64 | | 83 |
| G4-14 | Report whether and how the precautionary approach or principle is addressed by the organization | Green Promise | 32 | | 83 |
| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses | External Participation and Initiatives | 19 | | 83 |
| G4-16 | List memberships of associations (such as industry associations) and national or international advocacy organizations | External Participation and Initiatives | 19 | | 83 |
| **Identified Material Aspects and Boundaries** | | | | | |
| G4-17 | a. List all entities included in the organization's consolidated financial statements or equivalent documents<br><br>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report | About This Report | - | There are totally 14 companies in the organizational structure chart and this report has only revealed 6 of them. The reason of not revealing these companies is that: These companies are operated as service centers with lower impacts on the environment and our community. | 83 |
| | | Company Introduction | 17 | | |

| | Standard Disclosures | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| G4-18 | a. Explain the process for defining the report content and the Aspect Boundaries<br><br>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content | Identification of Stakeholders and Definition of Material Aspects | 7 | | 83 |
| G4-19 | List all the material Aspects identified in the process for defining report content | Identification of Stakeholders and Definition of Material Aspects | 8 | | 83 |
| G4-20 | For each material Aspect, report the Aspect Boundary within the organization, as follows:<br><br>a. Report whether the Aspect is material within the organization<br><br>b. If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either:<br><br>・ The list of entities or groups of entities included in G4-17 for which the Aspect is not material or<br><br>・ The list of entities or groups of entities included in G4-17 for which the Aspects is material<br><br>c. Report any specific limitation regarding the Aspect Boundary within the organization | Identification of Stakeholders and Definition of Material Aspects | 8 | | 83 |
| G4-21 | For each material Aspect, report the Aspect Boundary outside the organization, as follows:<br><br>a. Report whether the Aspect is material outside of the organization<br><br>b. If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified<br><br>c. Report any specific limitation regarding the Aspect Boundary outside the organization | Identification of Stakeholders and Definition of Material Aspects | 8 | | 83 |

| Standard Disclosures | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements | Financial Performance | 17 | Account processing was performed for equity transfer of USI. The information was disclosed in the statement. A restatement was made for the 2015 nancial statement. | 83 |
| | | Carbon Management | 27 | The data of Mexico facility and the Nantou facility merged from ASE Group in Taiwan in 2016, and, therefore, the emission data of the reference year (2015) was corrected. | 83 |
| | | Air Pollution Control | 31 | The VOCs data in 2015 was revised. | 83 |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries | Identification of Stakeholders and Definition of Material Aspects | 7 | | 83 |
| **Stakeholder Engagement** | | | | | |
| G4-24 | Provide a list of stakeholder groups engaged by the organization | Identification of Stakeholders and Definition of Material Aspects | 7 | | 83 |
| G4-25 | Report the basis for identification and selection of stakeholders with whom to engage | Identification of Stakeholders and Definition of Material Aspects | 7 | | 83 |
| G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process | Stakeholders Communications and Response | 11 | | 83 |
| G4-27 | Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns | Stakeholders Communications and Response | 11 | | 83 |

| Standard Disclosures | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| **Report Profile** | | | | | |
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided | About This Report | - | | 83 |
| G4-29 | Date of most recent previous report | About This Report | - | | 83 |
| G4-30 | Reporting cycle | About This Report | - | | 83 |
| G4-31 | Provide the contact point for questions regarding the report or its contents | About This Report | - | | 83 |
| G4-32 | a. Report the 'in accordance' option the organization has chosen<br>b. Report the GRI Content Index for the chosen option | About This Report | - | | 83 |
| | c. Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.) | GRI Index | 84 | | 83 |
| G4-33 | a. Report the organization's policy and current practice with regard to seeking external assurance for the report | About This Report | - | | 83 |
| | b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided<br>c. Report the relationship between the organization and the assurance providers | Corporate Sustainability Profile | 1 | | 83 |
| | d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report | Third Party Assurance Statement | 83 | | 83 |
| **Governance** | | | | | |
| G4-34 | Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts | Corporate Sustainability Profile | 2 | | 83 |
| | | Managing Structure | 22 | | 83 |
| **Ethics and Integrity** | | | | | |
| G4-56 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics | Anti-Corruption and Anti-Bribery | 22 | | 83 |

- **Specific Standard Disclosures**

| Management Approach & Indicators | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| **Economic Category** | | | | | |
| Economic Performance | | Management Approach | Company Introduction | 14 | | 83 |
| | G4-EC1 | Direct economic value generated and distributed | Financial Performance | 17 | | 83 |
| | G4-EC3 | Coverage of the organization's defined benefit plan obligations | Comprehensive Welfare and Salary System | 52 | | 83 |
| | G4-EC4 | Financial assistance received from government | Financial Performance | 18 | | 83 |
| Market Presence | | Management Approach | Global Workforce | 42 | | 83 |
| | | | Comprehensive Welfare and Salary System | 49 | | 83 |
| | G4-EC5 | Ratios of standard entry level wage by gender compared to local minimum wage | Comprehensive Welfare System | 49 | | 83 |
| | G4-EC6 | Proportion of senior management hired from the local community | Global Workforce | 44 | | 83 |
| Procurement Practices | | Management Approach | The Suppliers of USI | 64 | | 83 |
| | G4-EC9 | Proportion of spending on local suppliers | The Suppliers of USI | 64 | | 83 |
| **Environmental Category** | | | | | |
| Energy | | Management Approach | Environmental Sustainability | 26 | | 83 |
| | G4-EN3 | Energy consumption within the organization | Energy Management | 28 | | 83 |
| | G4-EN5 | Energy intensity | Energy Management | 28 | | 83 |
| | G4-EN6 | Reduction of energy consumption | Energy Management | 29 | | 83 |
| | G4-EN7 | Reductions in energy requirements of products and services | Green Management | 35 | | 83 |

| | Management Approach & Indicators | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|---|
| Water | | Management Approach | Water Resource Management | 29 | | 83 |
| | G4-EN8 | Total water withdrawal by source | Water Resource Management | 29 | | 83 |
| | G4-EN10 | Percentage and total volume of water recycled and reused | Water Resource Management | 30 | | 83 |
| Emissions | | Management Approach | Environmental Sustainability | 26 | | 83 |
| | G4-EN15 | Direct greenhouse gas (GHG) emissions (Scope 1) | Carbon Management | 27 | | 83 |
| | G4-EN16 | Energy indirect greenhouse gas (GHG) emissions (Scope 2) | Carbon Management | 27 | | 83 |
| | G4-EN18 | Greenhouse gas (GHG) emissions intensity | Carbon Management | 27 | | 83 |
| | G4-EN19 | Reduction of greenhouse gas (GHG) emissions | Carbon Management | 29 | | 83 |
| | G4-EN21 | NOx, SOx, and other significant air emissions | Air Pollution Control | 32 | | 83 |
| Effluents and Waste | | Management Approach | Waste Management | 30 | | 83 |
| | G4-EN23 | Total weight of waste by type and disposal method | Waste Management | 32 | | 83 |
| | G4-EN24 | Total number and volume of significant spills | | | No serious leakage events happened in any facility. | 83 |
| Products and Services | | Management Approach | Green Promise | 32 | | 83 |
| | G4-EN27 | Extent of impact mitigation of environmental impacts of products and services | Green Management | 35 | | 83 |
| Compliance | | Management Approach | Environmental Sustainability | 26 | | 83 |
| | G4-EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | Regulations Abidance | 23 | USI has not yet been seriously fined or punished in other forms due to illegal events till the end of 2016. | 83 |

| | Management Approach & Indicators | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| **Overall** | Management Approach | Environmental Sustainability | 26 | | 83 |
| | G4-EN31 Total environmental protection expenditures and investments by type | Green Expenditures | 39 | | 83 |
| **Supplier Environmental Assessment** | Management Approach | Supplier Evaluation | 65 | | 83 |
| | | EICC Management | 65 | | 83 |
| | G4-EN32 Percentage of new suppliers that were screened using environmental criteria | Supplier Evaluation | 65 | | 83 |
| | G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken | EICC Management | 66 | | 83 |
| **Environmental Grievance Mechanisms** | Management Approach | Environmental Sustainability | 26 | | 83 |
| | | Green Supply Chain | 38 | | 83 |
| | G4-EN34 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms | Environmental Sustainability | 26 | | 83 |
| **Social - Labor Practices and Decent Work Category** | | | | | |
| **Employment** | Management Approach | Equal Employment Opportunity | 44 | | 83 |
| | G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region | Equal Employment Opportunity | 44 | | 83 |
| | G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | Comprehensive Welfare and Salary System | 51 | The welfare system is applicable to both regular and non-regular employees. | 83 |
| | G4-LA3 Return to work and retention rates after parental leave, by gender | Comprehensive Welfare and Salary System | 52 | | 83 |

| | Management Approach & Indicators | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| Labor/ Management Relations | Management Approach | Strong Employee Engagement | 54 | | 83 |
| | G4-LA4 — Minimum notice periods regarding operational changes, including whether these are specified in collective agreements | Strong Employee Engagement | 54 | | 83 |
| Occupational Health and Safety | Management Approach | Excellent Working Environment | 55 | | 83 |
| | G4-LA6 — Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | Excellent Working Environment | 55 | | 83 |
| | G4-LA7 — Workers with high incidence or high risk of diseases related to their occupation | Excellent Working Environment | 56 | | 83 |
| Training and Education | Management Approach | Integral Training Program | 45 | | 83 |
| | G4-LA9 — Average hours of training per year per employee by gender, and by employee category | Integral Training Program | 46 | | 83 |
| | G4-LA10 — Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | Strong Employee Engagement | 54 | | 83 |
| | G4-LA11 — Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | Integral Training Program | 50 | | 83 |
| Diversity and Equal Opportunity | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | G4-LA12 — Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | Global Workforce | 43 | | 83 |

| | | Management Approach & Indicators | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|---|
| Equal Remuneration for Women and Men | | Management Approach | Comprehensive Welfare and Salary System | 49 | | 83 |
| | G4-LA13 | Ratio of basic salary and remuneration of women to men by employee category | Comprehensive Welfare and Salary System | 49 | | 83 |
| Supplier Assessment for Labor Practices | | Management Approach | Supplier Evaluation | 65 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-LA14 | Percentage of new suppliers that were screened using labor practices criteria | Supplier Evaluation | 65 | | 83 |
| | G4-LA15 | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken | EICC Management | 66 | | 83 |
| Labor Practices Grievance Mechanisms | | Management Approach | Strong Employee Engagement | 54 | | 83 |
| | | | Supplier Communication | 67 | | 83 |
| | G4-LA16 | Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms | Strong Employee Engagement | 54 | | 83 |
| **Social - Human Rights Category** | | | | | | |
| Investment | | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | G4-HR2 | Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | Employee Care and Cultivation | 41 | | 83 |

| | Management Approach & Indicators | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|---|
| Non-discrimination | | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-HR3 | Total number of incidents of discrimination and corrective actions taken | Employee Care and Cultivation | 41 | There were no discrimination cases in 2016. | 83 |
| | | | EICC Management | 66 | | |
| Freedom of Association and Collective Bargaining | | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights | Employee Care and Cultivation | 41 | There were no related cases in 2016. | 83 |
| | | | EICC Management | 66 | | |
| Child Labor | | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-HR5 | Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | Employee Care and Cultivation | 41 | | 83 |
| | | | EICC Management | 66 | | 83 |
| Forced or Compulsory Labor | | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | Employee Care and Cultivation | 41 | | 83 |
| | | | EICC Management | 65 | | 83 |

| | Management Approach & Indicators | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|---|
| Assessment | | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | G4-HR9 | Total number and percentage of operations that have been subject to human rights reviews or impact assessments. | Employee Care and Cultivation | 41 | Operating activities on facilities all consider the local situation of human rights. | 83 |
| | | | EICC Management | 65 | | |
| Supplier Human Rights Assessment | | Management Approach | Supplier Evaluation | 65 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-HR10 | Percentage of new suppliers that were screened using human rights criteria | Supplier Evaluation | 65 | | 83 |
| | G4-HR11 | Significant actual and potential negative human rights impacts in the supply chain and actions taken | EICC Management | 66 | | 83 |
| Human Rights Grievance Mechanisms | | Management Approach | Employee Care and Cultivation | 41 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-HR12 | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms | Strong Employee Engagement | 54 | | 83 |
| **Social - Society Category** | | | | | | |
| Local Communities | | Management Approach | Social Participation | 71 | | |
| | G4-SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | Social Participation | 71 | All operating activities take part in community development. | 83 |

| | Management Approach & Indicators | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|---|
| Anti-corruption | | Management Approach | Anti-Corruption and Anti-Bribery | 22 | | 83 |
| | G4-SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified | Anti-Corruption and Anti-Bribery | 22 | Internal audit of anti-corruption and anti-bribery contains the whole company (nine cycles of sales, procurement, production, payroll, asset and etc.), and USI found no major issues within audit sampling results in 2016. | 83 |
| | | | Risk Management of Enterprise | 24 | | |
| | G4-SO4 | Communication and training on anti-corruption policies and procedures | Anti-Corruption and Anti-Bribery | 22 | | |
| Compliance | | Management Approach | Regulations Abidance | 23 | | 83 |
| | G4-SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | Regulations Abidance | 23 | USI has not yet been seriously fined or punished in other forms due to illegal events till the end of 2016. | 83 |
| Supplier Assessment for Impacts on Society | | Management Approach | Supplier Evaluation | 65 | | 83 |
| | | | EICC Management | 65 | | 83 |
| | G4-SO9 | Percentage of new suppliers that were screened using criteria for impacts on society | Supplier Evaluation | 65 | | 83 |
| | G4-SO10 | Significant actual and potential negative impacts on society in the supply chain and actions taken | EICC Management | 66 | | 83 |
| Grievance Mechanisms for Impacts on Society | | Management Approach | Corporate Governance | 22 | | 83 |
| | G4-SO11 | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms | Stakeholders Communications and Responses | 11 | | 83 |
| | | | Anti-Corruption and Anti-Bribery | 22 | | 83 |

| | Management Approach & Indicators | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|---|
| **Social - Product Responsibility Category** | | | | | | |
| Customer Health and Safety | | Management Approach | Customer Health and Safety | 64 | | 83 |
| | G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | Customer Health and Safety | 64 | | 83 |
| | G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes | Customer Health and Safety | 64 | In 2016, USI did not violate any regulations that relate to health and safety. | 83 |
| Product and Service Labeling | | Management Approach | Customer Service and Satisfaction | 60 | | 83 |
| | G4-PR5 | Results of surveys measuring customer satisfaction | Customer Satisfaction | 62 | | 83 |
| Customer Privacy | | Management Approach | Customer Privacy | 63 | | 83 |
| | G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | Customer Privacy | 63 | | 83 |
| Compliance | | Management Approach | Regulations Abidance | 23 | | 83 |
| | | | Customer Service and Satisfaction | 60 | | 83 |
| | G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | Regulations Abidance | 23 | In 2016, USI did not violate any regulations. | 83 |

• **Other Issues**

| Management Approach & Indicators | | Chapter | Page | Additional Illustration | External Assurance Page |
|---|---|---|---|---|---|
| Conflict Minerals | Management Approach | Corporate Sustainability Profile | 1 | | 83 |
| | | Supplier Communication | 67 | | 83 |
| | Conflict Minerals Management and Investigation | Conflict Minerals Compliance | 68 | | 83 |
| Continuous Improvement | Management Approach | Continuous Improvement Program | 19 | | 83 |
| | Continuous Improvement Program | Continuous Improvement Program | 19 | | 83 |
| Product Material Flow | Management Approach | Green Management | 37 | | 83 |
| | Material Flow Cost Accounting (MFCA) | Green Management | 37 | | 83 |

## 🍀 MANUFACTURING SITES

### SHANGHAI-ZHANGJIANG, CHINA

No.1558, Zhang Dong Rd., Zhangjiang Hi-Tech Park,
Pudong New Area, Shanghai 201203, China
**Tel** +86-21-5896-6996
**Fax** +86-21-5896-8415

### SHENZHEN, CHINA

USI Electronics Park, No.9028, Beihuan Road, North of
High-Tech Industrial Park, Nanshan District, Shenzhen
518057, P. R. China
**Tel** +86-755-2699-1000
**Fax** +86-755-2699-0080

### SHANGHAI-JINQIAO, CHINA

No.501, Longgui Road, Jinqiao Export Processing (South)
Zone, Pudong New Area, Shanghai 201201, P.R. China
**Tel** +86-21-3813-6668

### TSAOTUEN, TAIWAN

No.141, Lane 351, Sec. 1, Taiping Road, Tsaotuen,
Nantou County 54261, Taiwan
**Tel** +886-49-221-2700
**Fax** +886-49-239-1272

### KUNSHAN, CHINA

No.497 Huangpujiang Road, Qiandeng, Kunshan,
Jiangsu Province 215341, P.R. China
**Tel** +86-512-5528-0000
**Fax** +86-512-5528-6666

### GUADALAJARA, MEXICO

Anillo Periferico Manuel Gomez Morin No. 656, Jardines de
Santa Isabel, C. P. 44300, Guadalajara, Jalisco, Mexico
**Tel** +52-33-3648-1800

### Cover Story

The graph combines a variety of green
leaves and a triangle symbol of recycling
means that the USI is committed to
environmental sustainability.

## 🍀 SALES OFFICES

### EUROPE

Waterloo Office Park - Building M, Drève Richelle, 161,
Box 23, B-1410 Waterloo, Belgium
Tel: +32-2-647-8461

### WEST COAST, USA

1255 E. Arques Avenue, Sunnyvale, CA 94085, USA
Tel: +1-408-636-9600
Fax: +1-408-636-9492

### EAST COAST, USA

2000 Regency Parkway, Suite 420 Cary, NC 27518, USA
Tel: +1-919-466-8688
Fax: +1-919-466-8689

### JAPAN

Sumitomo Fudosan Shin-yokohama Bldg. 10F 2-5-5,
Shin-yokohama, Kouhoku-ku, Yokohama, 222-0033, Japan
Tel: +81-45-548-4860
Fax: +81-45-475-5991

### TAIPEI, TAIWAN

3F, No.66, Sanchong Road, Nangang District,
Taipei 11502, Taiwan
Tel: +886-2-2782-0366

# 2016 USI CSR REPORT

## CORPORATE SOCIAL RESPONSIBILITY REPORT

Realizing IDEAS Together

USI® Universal Scientific Industrial (Shanghai) Co., Ltd.